Thank you and good morning.

It's a pleasure for me to be here with you to share this kick-off meeting of the Limited Partnership for Control Data's System Zero Project.

That pleasure derives in large part from Control Data's belief in, pursuit of, and successes with a large number of cooperative efforts covering more than twenty years. For those of you who may not be aware of those efforts, let me briefly outline some background.

First off, the lessons of survival Control Data learned as a small company haven't been forgotten. The hard knocks of being a small business in a world of giants taught us the value of technological cooperation. As a result we've been able to undertake a wider range of developments and pursue a greater diversity of businesses than would not have been possible otherwise. But increased research and development are essential to big companies as well as small ones. and cooperation makes it possible on a much broader scale than any one company could individually afford.

The tangible cornerstone of our cooperative philosophy has been the success of two peripheral equipment ventures with Honeywell, NCR, and CII-H.B. Shared research, development, and manufacturing in MPI and CPI have resulted in shared revenues for the partners in the billions of dollars.

More recently we've announced extensive cooperative efforts with Phillips N.V. for optical recording systems and media and with Burroughs/Memorex for thin film heads and required media. Shared costs in the two projects are projected to be more than $150 million.

Control Data spent more than $290 million last year on research, development, and other technical expenses. That number will be approximately $330 million in 1982 and will total about $2.8 billion in the next five years. The contributions planned by our partners through various cooperative arrangements will increase the five-year total by some 30%.
The most ambitious cooperative effort to date has been the widely publicized effort to form a cooperative venture in microelectronics technology. With Japan Inc.'s greater advantage in cost of capital, people, and a unique cooperative industrial infrastructure, Control Data has proposed to a number of other U.S. manufacturers a cooperative venture requiring as much as $100 million per year in research and development. The goal is advanced products in microelectronics.

I could go on with more examples, but these should suffice and reinforce the point that at Control Data cooperative efforts are not just a happenstance, they are an integral part of our strategy.

One result of that strategy is plain to see. Control Data, with its partners, is the world's leading independent producer of high technology computer peripheral products -- an achievement made possible only through the sharing of risk and funding made possible by a strategy of cooperation. And we have learned through experiences such as this how to successfully serve the multiple interests of partners through logical, well-thought out and successful cooperative ventures.

So while this Limited Partnership we're about to embark upon is a "first" for us, it is not fundamentally something new -- it is just another variation of a cooperative venture -- something Control Data has been doing for years. That has come significance. Most organizations considering some form of partnership or cooperative effort for the first time approach it with the attitude that their partners will gain at their expense: "What is he getting that I might otherwise have had?" That is not true of Control Data. We approach cooperative efforts with an attitude of "What do we stand to gain through this cooperation that we otherwise would have foregone?"

So through this partnership we have the opportunity to share a very real and potentially very large business opportunity with you and your clients -- to our mutual benefit.

The proposal which will be detailed for you today is for what the industry calls a super-mini, a class of products which has already achieved and is projected to continue achieving significantly higher growth rates than mini-computers. The System Zero fits neatly into Control Data's computer product line as an entry-level machine.
Some other aspects of a partnership with Control Data on the System Zero include the following:

1) The System Zero has benefited from hundreds of millions of dollars in research and development and is the offspring of the advanced product line we announced earlier this year.

2) The System Zero will be a technologically superior machine -- very large integration (VLSI) chips guarantee low cost and high performance. The technological advances have been made possible by many millions of dollars expended by Control Data for the CAD software required to design the chips.

3) The System Zero will be software compatible with the full range of existing and future Control Data applications software -- again totaling scores of millions of dollars.

4) The System Zero will use Control Data's advanced peripheral equipment and will directly benefit from the past and future investments of the many cooperative efforts in peripheral equipment mentioned earlier.

5) The System Zero will be marketed by Control Data in four ways --
   a) in a system sale to end users;
   b) as a distributed processor to our larger systems;
   c) as a device to systems houses or OEM;
   d) and as a distributed processor in our Data Services network.

We have significant experience with each of these marketing approaches.

6) The System Zero will be a mainstream product benefiting from existing and very capable manufacturing, marketing, and field service organizations located in more than 50 countries.

In conclusion, simply stated, the System Zero will be a full-fledged member of Control Data's computer product family. We are committed to the project -- and to realizing the opportunity it affords -- for the partners and for Control Data.

Thank you for your support, and let's give this a grand kick-off.