

Don C. Hoefler's
MICROELECTRONICS NEWS
with Manager's Casebook



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SILICON VALLEY
SEPTEMBER 13 1980

RECOVERY STILL AROUND THE CORNER

Hardly a Glimmer at the End of the Tunnel

Good Friend-

SHELL GAME. The chief economist for the Department of Commerce, Courtney Slater, yesterday (12) called a press conference to announce that "the recession is over." It ended in August, she says.

"What recession?" asks security analyst Ben Rosen.

Treasury Secretary Bill Miller finally admitted this week that there had been a recession, but it is now "virtually over."

The chief economist of Chase Econometrics, Larry Chimerine, says the recession will continue for "several more months."

The chairman of the Council of Economic Advisers, Charlie Schultze, told Congress on Monday (8) that forecasts of a year-end bottoming-out "might be a trifle pessimistic."

The president of Advanced Micro Devices, Jerry Sanders, told his stockholders on Tuesday (9) that for semiconductors the upturn would not appear until the first quarter of 1981.

And a key distributor said yesterday that he does not see an electronics recovery before mid-1981.

ONE THING IS CERTAIN. They can't all be right. And possibly none of them are. Skies remain cloudy and gray, and forward visibility is extremely limited. The summer letdown was just as lousy as feared (MN, July 5). And Labor Day has come and gone, without the hoped-for upswing. Now the most optimistic of the necromancers are looking for a turn at the end of this month.

"If you don't see marketing guys smiling again by early October, then you'll know we are really in the tank," a company president told me yesterday.

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*(Continued
Overleaf)*

SMALL SOLACE IN STATISTICS. Semiconductor Industry Association got out its flash report at week-end, saying the industry book-to-bill for August was 0.78. You should be so lucky.

Jerry Sanders told a group of security analysts this week that he was damn glad to be in the bipolar business as well as MOS--and rightly so. For bipolar remains in far healthier condition than MOS (MN, July 12).

Since that SIA number of 0.78 is the result of a three-month rolling average, also rolling MOS and bipolar into one, it is obviously a sunny-side-up compromise. The real truth hurts much more than that.

Most companies got through the summer--and are still in reasonable shape--thanks to backlogs. But all of those will be worked off by year-end--and new orders are coming in at less than flood rate. So peddlers are stumbling all over each other out in the field, and while customers are generally optimistic, they aren't buying much.

Why should they, when deliveries are easy (except for bipolar PROMs, which are still on allocation) and prices are falling? Stuff which was recently on 22-week backlog is now available off-the-shelf, while the great price bombers, Texas Instruments and Motorola, are flying again (National is not this time, since it is not heavily overstocked). But Mr. Moto took it in the chops from cutbacks in the auto industry, while Big Tex was cowpunched by loss of a big dynamic RAM contract from old-standby IBM. Thus both have big chunks of MOS capacity and are schlepping product at desperation prices.

EPROMs are now being quoted at <\$5, and dynamic RAMs at <\$3.

But Intel continues to eschew the mob scene, and the Japanese also are remaining above the fray. When EPROMs sank to the \$6 level, Intel folded its hand, followed soon by the Japanese, who similarly are walking away from the pissing contest.

The bearish distributor who sees no surcease before mid-'81 (just in time for the summer doldrums again), bases his forecast on his traditional 3-4 month leading indication ahead of the device manufacturers. His sales went louzay in March of this year, so he was not the least surprised to see his suppliers go crunch in June.

So now he says the device makers can start queuing up 90 days after the ballgame starts in his court. Only it hasn't yet.

Meanwhile another sure-fire indicator is the creative outside contractor without leverage--mainly the advertising-PR agencies. With marketing budgets down, these are the first shmooks to get "the-check-is-in-the-mail" routine, and they have been getting it all summer. The semiconductor companies would rather owe it to them for months than ever cheat them out of it.

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GIVE MY REGARDS TO BELLAGIO ROAD. Jerry Sanders, who began his California semiconductor career in Los Angeles, has re-established headquarters there, even though Advanced Micro Devices headquarters are 350 miles to the north.

During the summer he sold the mansion in Atherton, and moved Linda and the kids to Bel-Air, where the latter are now attending school. Jerry flies up Monday mornings, and back Friday evenings, while Linda makes occasional mid-week visits to a new, smaller home in Atherton.

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LINE OF SUCCESSION. And what should happen to Advanced Micro Devices if a mid-air collision should ruin Jerry Sanders' whole week-end? I believe you will find that Jim Downey has been designated as the heir-apparent, groomed to step into the breach.

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INTERMISSION TIME. Not to beat AMD to death, but I must share with you the lyrics to their latest pep song, performed with gusto at this year's peddlers' meeting in Hawaii. The melody is "California, Here I Come":

AMD's day in the sun. You're the right choice, number one. Your circuits are sexy. They are the best! We all love your prexy. White hair, mustache, all the rest. And when good fortune smiles on you, you know how to follow through. LSI and mem'ries too, the right choice is AMD!

AMD just can't be beat. Your selections are so neat. Computers and software, telecom too! Your choices have such flair, no-one else can pick 'em like you! 2-8000's bound to win. You've hit Intel on the chin. Moore and Grove are caving in. The right choice is AMD!

MOS and LIC. RAMs and PROMs and A-to-D. Bipolars, high rollers, you've got 'em all! Your latest controllers have your rivals up the wall! Old Mo-to-ro-la, Nash-nal too, T.I., Sig-gy, they're so blue. Fairchild can't think what to do. The right choice is AMD!

Congratulations must go to lyricist Art Heller, an alumnus of two of the competitors mentioned above. This is a stunt which many attempt, but very few can handle.

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AND THEN THERE WERE THREE. The Rockwell spinout reppery, Southern California Semi-Conductor Sales Company (SC)³ (MN, Aug. 23), has picked up its third partner, but from out of left field.

Bob Wall, U.S. director of sales for Fujitsu, is packing his bags in Santa Clara and preparing to move his family to the southland. Founders Ken Munsterman and Bob Dwyer had been pitching Wall for the Fujitsu semiconductor line, and he became very intrigued with the possibilities in Southern California outlined by Ken and Bob. So (SC)³ failed to pick up the account, but got a partner instead. This means that one of the two guys who had been expected to join the group as soon as he got his balls strapped on, will probably now drop by the wayside..

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PHASE TWO. Intersil and General Electric managements shook hands on an acquisition deal this week, which next requires a contract for approval of the stockholders of both companies in November.

The companies made the usual new-broom, no-boom bullship statement, as obligatory in these rituals as the face-off in a hockey match. But everyone knows that Intersil key people are still leaving in droves, and the two senior v.p.s will be departing soon after.

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ANOTHER DEFECTION. Bob Crever, director of finance for National's systems division, moves up to financial v.p. at Nitron.

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DEAR SIR, YOU CUR. It is axiomatic that whenever I receive a nasty letter from a "reader," the writer is someone for whom MN was never intended, and who never spent a nickel for the privilege of seeing it. Such a bootlegger and freeloader, a lady in San Jose, had (in part) comments such as these this week on "Manager's Casebook" No. 562. My replies follow:

"...Your 'keep 'em barefoot and pregnant' attitude shows¹...we also...tend to be the sole support of our children²...The reason why the Japanese are laughing all the way to the bank is that they are getting more orders because of the higher quality of their work and the main reason for that is that they are treating their workers better³...Each time I had to quit a job as soon as my pregnancy became obvious (eight times--ed.) and each time I tried to get another job I had to start back at the bottom of the retirement/benefit ladder⁴...You seem to forget that those women who are not working will probably end up on welfare so Big Daddy will still be paying for their pregnancies or abortions⁵...Women comprise a large part of the work force and they're going to get pregnant or have an abortion when they choose to⁶..."

1. You're hallucinating, honey.
2. Criminal. Any woman who deliberately sets out to raise a fatherless family should have some parts altered at state expense, for the good of society.
3. You have obviously been freeloading MN for quite some time.
4. Regrettable, but who was at fault? After our first child was born, my wife's employer tried repeatedly to get her to return to work, perks and all. But although there were many lean times when a second income would have been most welcome, she steadfastly refused until the last one (No. 4) flew the nest.
5. See No. 2.
6. My point exactly. Since pregnancies and abortions are voluntary, what right do you have to demand that I or any other employer pay for them?

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ON THE SPOT. Maybe the recession won't be over until 1Q81, but Advanced Micro Devices begins its fall TV recruiting schedule on Monday (15), using the same "Catch the Wave" theme, but expanded from 10 seconds to 30. Shot in Hawaii, it opens with a bunch of engineers on becalmed surfboards, gabbing in semicon jargon *in business clothes*. Then one of them goes off, catches a wave and performs a series of unbelievable surfer maneuvers. The scene closes with a new tag: "AMD is not the easiest place to work--just the best."

The spot will hit all major stations in San Francisco, in prime time.

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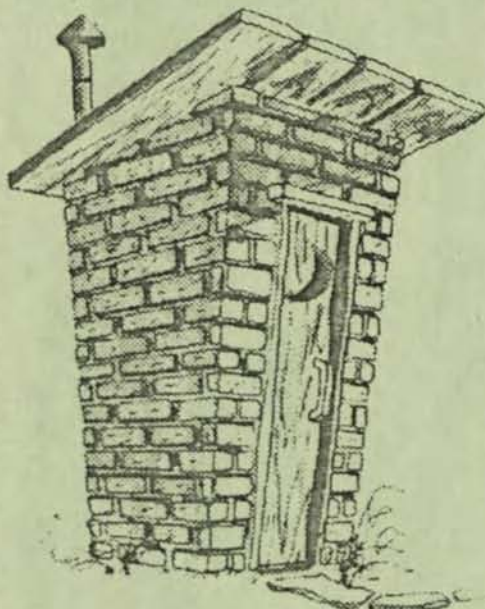
MEETING NOTICE. Fifth annual equipment and materials vendors night, sponsored by International Society for Hybrid Microelectronics. Bold Knight restaurant, 769 Mathilda, Sunnyvale (Ca), 4-8 PM, Thursday, Nov. 13. Admission free. Exhibitors contact Duane Wadsworth, 415-321-3619.

alone

CASE No. 564 SUBJECT: SITUATION NORMAL, ALL F---ED UP

FREE ENTERPRISE

By DON HOEFLER



B-137

"We monitor all our own insider deals in-house--brick by brick."

The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelop our future. The actual, private object of the most skilled investment today is "to beat the gun," as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating, crown to the other fellow. --John Maynard Keynes

THOSE OF US who bitch and moan about the never-ending output of new mandates, edicts, decrees, ordinances, orders and codes coming from Washington--especially most recently from the environmental freaks and social tinkerers--can take heart in the fact that some of the intimidators of another day, such as the Federal Trade Commission and Securities and Exchange Commission, are keeping a relatively low profile. They prefer emasculation to elimination.

The SEC for example will in a few weeks blossom forth with some 200,000 carefully-chosen words in 700 pages on the subject of insider trading. The tome, which was three years in preparation, will be read by almost nobody. Which is just as well, as it says almost nothing.

But it will offer great consolation to those who subsist on insider information in their stock transactions, and those of us who eke out a living

by stitching words together, in an overcrowded field where everyone has a novel inside him clawing to get out.

And it will apall those who are concerned about this country's rapidly sinking productivity, and those little tape-watchers who think there is a buck to be made in the stock market.

LET US BE GENEROUS and assume that the SEC "staff" which composed this long-awaited report comprises no more than three people. Let us be especially generous and assume that these people had other things to do, and spent only half of their working time on the project. Thus the effort consumed as an auctorial minimum four and one-half man-years, or 54 months.

Any writer worth his commas could have done it in six months. Considering its cotton-candy content, I could have done it in three--and better.

For now the Securities and Exchange Commission, born in May 1933 following the stock market crash of 1929, has apparently switched over to the opposite side. The SEC was a creature of the Federal Securities Act, popularly known as the "Truth in Securities Act." Its purpose was to protect the small investor from the deprivations of the manipulator and the insider.

But a half-century later, the SEC staff assures us that all the old wives have been wrong all these years, and that it is really quite all right to leave the fox to guard the henhouse.

(OVER)

THE BOTTOM LINE the SEC staffers lead us to--with one minor exception--is that although insider trading is now probably a bigger problem than any time in the commission's 47-year history, it is also self-correcting. It shall be a closed loop, with the feedback provided by the offenders themselves.

This is the inescapable conclusion one gains (?) from reading the 700-page volume, for while it carefully defines the problem in all its permutations and combinations, it gracefully sidesteps all solutions, like a bevy of barefooted ballet dancers pirouetting through a field of cow cushions after milking time.

The insiders themselves, namely the officers and directors who first know a company contemplates actions which will sharply affect the price of its securities, are in the SEC view the ones who should strengthen their methods of self-governance. There is no need, evidently, for the SEC to step in with stricter standards of corporate accountability.

So not only does the SEC staff negate the adage about the fox and the chickens, but it also flies in the face of Murphy's Law No. 1, which says that whatever can happen will happen.

SO AS NOT TO APPEAR completely fatuous, however, the staff did toss in a dog biscuit about outsider-insiders in one event. Addressing itself to the case of the printer who made a bundle on a tender offer which passed through his presses before it became public (and who was found blameless by the Supreme Court), the SEC becomes bold and specific.

In future cases (tender offers only), the staff declares, anyone possessing such inside information should either disclose his perceptions or abstain from trading in the securities involved.

The new rule does not prescribe the manner in which the guy who stumbles on (or has dropped in his lap) this inside information, shall go about making prompt disclosure of his discovery. Buy TV time, maybe, and try to make a market?

The prospector has one of two options, it seems: (1) shout from the rooftops and run for his broker; or (2) hope he doesn't talk in his sleep.

So what's new? Isn't this the way it was always supposed to be? What is new, it appears, is clearing of other forms of information, such as negotiations for acquisitions or merger, signing of major contracts, major layoffs, key management changes, or arrest of the president on sodomy charges. If the printer or janitor knows of such impending event, he is apparently free to trade in the stocks with gay (or straight) abandon, without even telling his wife (or lover).

This relieves me greatly, for years ago when I was a drone for a nameless electronics newspaper, and all of my copy crossed the desk of a so-called bureau chief, he was on the phone to his broker even before the Teletype operator could cut a tape to New York. I always had visions of the joint being raided by an SEC gumshoe, and me being booked as an accessory.

But what the hell. If the SEC were not writing non-rules and meaningless ones, then it would be writing meaningful ones that were meant to be broken.

For the stock market is no less a game than horseracing, and it too has its touts and shills, even if they do go to work in morning coats.

So let these kids write their 700-page non-books. Otherwise they might try a newsletter.

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