

Seagate cuts back plans for Watsonville

By LANE WALLACE
STAFF WRITER

Seagate Technology will probably scale back its hiring plans for this year at its new Watsonville plant, a company official said this morning.

Ray Schuster, Seagate's public relations manager, said that while some cutting back is "likely," just what the hiring

plans will be won't be known until the management completes a master production schedule next week.

Seagate has some workers already in Watsonville (the exact number wasn't immediately available), but most of the anticipated production hasn't started.

Seagate had planned to hire about 900 people in Watsonville

by the end of the year. The company is already making parts for disc drive motors and will soon start the "first significant production" of complete disc drives, Schuster said.

Earlier this week, Scotts Valley-based Seagate announced it would cut back production schedules in the Far East, where most of its manufacturing is done. Seagate is the

world's leading manufacturer of disc drives for small computers.

A statement from the company said production is being cut because the company may not be profitable in the current quarter, which ends Sept. 30. In the same quarter a year ago, Seagate had net earnings of \$14.8 million.

Alan Shugart, Seagate's chief

executive officer, said the company simply overproduced. "We did not sell as much as we planned, he said. "You can call it a bad guess or bad judgment.

"It is not an easy one-quarter problem. It's at least a two-quarter problem, Shugart said.

Seagate remains committed to the Watsonville plant, into which it has sunk \$35 million, Schuster said. "It's just a

matter of time before things get really humming."

Seagate's stock dropped \$1.50 at the news that the company may not be profitable this quarter; it traded at \$10.50 this morning.

Two weeks ago, the stock dropped \$5.50 in one day after a drop in earnings was reported for the fourth quarter.