

# Seagate lays off 700 local workers

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SCOTTS VALLEY — Santa Cruz County's largest electronics industry employer Wednesday announced a layoff of 700 workers, causing a 45 percent cutback in its local workforce.

The layoff at Seagate Technology is the first major layoff since the company was founded three years ago by computer disc drive whiz Al Shugart.

Employees at Seagate's shiny, new Scotts Valley buildings were told Wednesday about the layoffs, to be effective Friday.

Seagate employs 3,600 worldwide, with 1,600 workers in Scotts Valley and 2,000 workers in its Far East manufacturing plants in Singapore and Thailand. Seagate announced an overall reduction of 20 percent of the workforce, with no layoffs in the Far East.

Employees said the company has been sending them home early, there has been a slowdown in production and some firings.

Most of the laid-off employees work on the production line, making and checking the quality of the Seagate product, disc drives — the memory element for computers.

Company Vice President and Chief Financial Officer Donald Waite said Seagate has no plans to completely move its operations from Scotts Valley.

He said the reduction resulted primarily from a rapid shift in the manufacturing of

high volume drives to Far East operations to achieve lower product costs.

To a lesser extent, Waite said the layoffs reflect measures to offset the effects of lower prices and a lower rate of growth for existing products in the industry.

The announcement from Seagate rang a familiar note in Scotts Valley, where last year another young computer company, Victor Technologies, started to announce major layoffs before eventually reorganizing under bankruptcy proceedings.

Officials from Victor and Seagate in 1982 had lobbied against a growth-control initiative in Scotts Valley on the grounds the companies were expanding so fast, the growth-control measures would force them to leave the city to continue their successes.

Victor, which once had a workforce of 2,700 employees, now has a 228-member workforce.

Waite said no more layoffs are expected at Seagate. "Let me assure you, we have management that will make certain we are not another Victor."

The layoffs, unless there are rehiring, ultimately mean a loss of revenues to the city of \$35,000 in business license fees calculated at \$50 per full-time employee.

A Seagate spokeswoman said almost all the laid-off workers are full time.

Seagate shares were selling for \$10 last

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week, but had dropped today to 7%, a 53-week low.

When stock first went public, shares were offered at \$24.50.

Waite said an earnings report to be released in next few days "will meet the expectations of everybody." During the last quarter, Seagate earned 26 cents a share on sales of \$101.1 million, a strong showing.

Company founder Shugart, now chief executive officer and chairman of the board, said Wednesday Seagate still plans to expand into Watsonville. The company owns 30 acres in an industrial development there, has built a 240,000-square-foot plant and started construction on a restaurant.

Plans have been submitted to the Watsonville Planning Department for construction of executive offices, but the company has yet to take out a building permit, said Planning Director Robert Ellenwood.