

OCT 01 1992

# Intel to close local plant; 240 workers will lose jobs

2-19-85

By JOAN RAYMOND  
Sentinel Staff Writer

SANTA CRUZ — Santa Clara-based Intel Corp. plans to close its computer chip-testing plant on Delaware Avenue, resulting in a loss of 240 jobs.

The Santa Cruz Intel plant is down the street from another semiconductor company — Synertek Inc. — where in December 700 high-tech workers lost their jobs due to a plant shutdown there.

The Intel Santa Cruz plant closure is part of a larger company cutback, in which about 900 workers will lose their jobs in Santa Cruz, Santa Clara, Oregon and Arizona.

The company announced plans for reduced work week at wafer-fabrication operations in Santa Clara and Oregon to cut back semiconductor production.

The Delaware Avenue plant — which "is too small to be cost-effective" — will be phased out over the next four months, said Intel officials.

The cutbacks will not affect Intel's microprocessor design center on Encinal Street, officials said.

The Santa Clara assembly plant will be phased out in six months, costing 75 jobs.

Reduction of manufacturing operations will cost about 500 jobs in Oregon and 100 in Arizona, said the company.

The only other major layoff at Intel occurred in the recession year of 1974 when 800 employees, or 30 percent of the total workforce, lost jobs.

The current cutback affects less than 4 percent of the company's worldwide workforce of about 25,000.

"For the past 10 years, we have been able to avoid layoffs when we realigned operations because we were able to place excess people into other Intel operations," said Intel Chairman and Chief Executive Officer Gordon Moore. "Given the state of business at present, however, there is no prospect of absorbing 900 more people in a reasonable period of time."

He referred to "the sluggish state" of the semiconductor industry.

Most of the lost jobs will be in manufacturing.

Rep. Ed Zschau, contacted in Washington, commented of the cutbacks: "It's not an unusual situation in the semi-conductor industry. First companies are faced with too little capacity and then they find that their markets didn't develop as expected so they have to make adjustments."

"There will be a resurgence again and additional hirings. Every company tries not to have to make reductions and Intel

Please see Page A2

## Local

### Intel to close plant

has tried to have a policy to avoid layoffs at all costs," he said.

"In 10 years, they haven't had to cut back. But these decisions have to be made to preserve profitability."

Zschau, R-Los Altos, said one root of the immediate problem was the overly optimistic expectations of many in the personal computer business.

"Many, many companies each thought they were going to get 10 percent of the market. Naturally 100 companies can't each have 10 percent of the market."

Electronics manufacturing jobs in Santa Cruz County account for 5 to 7 percent of total employment, representing about 4,000 to 5,000 jobs, according to statistics from the state Employment Development Department.

The most current employment figures for Santa Cruz County show there were 7,300 persons employed in all manufacturing jobs in December, down 1,600 jobs from the peak figure of 8,900 in the fall of 1983.

Computer jobs account for 50 to 75 percent of the total manufacturing jobs in the county, said San Francisco EDD research supervisor Ed Champlain.

In 1980 — before the wave of computer companies started coming to this county from Santa Clara County — there were fewer than 4,000 employed in manufac-



Dan Coyro/Sentinel

Intel's Delaware Avenue facility will close

turing jobs. The figure increased in 1981 to 4,400; in 1982, 6,200; and 1983, 8,600. In 1984, the figure decreased to 7,300, following major layoffs and shutdowns at several high-tech firms.

Victor Technology earlier this month announced it plans to move out of the country, costing about 110 jobs at its Scotts Valley plant over the next few months.

Bruno Kaiser, founder of the Santa Cruz Electronics Association and a past chairman, said Tuesday the Intel layoffs reflect that the Santa Cruz industry is suffering from "computer malaise" along with Silicon Valley.

Richard Hanset, current chairman of the SCEA, said the electronics industry "as a whole, is relatively strong in the Santa Clara Valley, but as we go through the cyclical nature of any business, including electronics, the perimeter operations — those having to do with assembly, testing and manufacturing — are affected."

These are the areas where cutbacks first occur when business is tight, he added.

Hanset said he would like to see Santa Cruz attract more of the "core functions" of electronics companies, such as marketing and engineering divisions, to help stabilize the industry here.

City Finance Director Robert Shepherd said the shutdown of the Intel plant would result in an estimated loss of \$25,000 in utility taxes.

What will happen to the plants at Intel and Synertek remain to be seen.

The Synertek had been highly specialized to suit its operations.

Kaiser said a similar type of operation would probably eventually take Synertek's place. "One of these days someone will buy it, someone big, but the chip industry has to turn around first," commented Kaiser.

The closure of Intel's Santa Cruz facility will have no impact on UC Santa Cruz' plans for a research and development park here, a UCSC official said today.

UCSC Community Relations Director Stephen Reed said that university officials view the Intel closure as part of an anticipated industry "shake-out." Reed said that regardless of what may happen to individual firms, research and development will continue and that the university expects to attract some to the campus. He also noted that while computer and electronics research will be the "backbone" of the proposed campus R&D center, it will still account for no more than half the center's activities. Research in other areas, such as geology, chemistry, marine and earth sciences, will account for the rest, he said.

Reed said an environmental impact report on the proposed R&D center is nearly completed, but will likely not be released until September, so that UCSC students as well as community members will have a chance to read it and comment on it.

Sentinel Staff Writer Steve Shender and Ottaway News Service also contributed to this report.