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ATARI RUNS TO ASIA

Atari, the high-flying video-game and home computer manufacturer, shocked Silicon Valley February 22 when it announced plans to shift its home computer and home video-game production to Hong Kong and Taiwan. The Glaziers' Union, which has been organizing at Atari for more than a year, may be the ultimate beneficiary of the move.

Atari announced plans to expand its Asian production last October, but at the time it said that the Asian plants would serve offshore markets while U.S. factories would supply the domestic market. (See the November, 1982 **Newsletter**.) The company also manufactures in Ireland and Puerto Rico.

On February 22, Atari laid off, effective immediately, 600 of its Silicon Valley employees. By July, 1100 more will be released. The company, which is facing increased competition from other video-game manufacturers, said it needed to cut costs. Production labor in Asia, it noted, costs a fraction of U.S. labor – even Atari's $5 or $6 per hour non-union employees.

Though Atari is the second high-tech firm in Silicon Valley to actually close domestic plants in favor of offshore production (see the report on ITT-Qume in the January **Newsletter**) Silicon Valley firms have been organizing production globally since 1963, when Fairchild Semiconductor opened its Hong Kong assembly plant. Simply, companies locate production where costs – including direct labor, management costs, and shipping – are lowest. Factors such as stability are important, and tax and trade incentives are calculated into the decisions as well. In shifting home products to Asia, Atari retained its Silicon Valley production of arcade video-games. Those "coin-op" machines are too bulky to ship across the ocean cheaply.

In the wake of Atari's announcement, some analysts predicted that production work in Silicon Valley would soon disappear, as high-tech firms concentrated on research and development and adminstration at their local facilities. However, though production may not increase as fast as other activities, the changing product mix will ensure the demand for production workers. The increasing automation of certain production lines, in fact, may bring some offshore manufacturing back to the U.S.

Others called Atari a consumer electronics manufacturer, and indicated surprise that Atari had kept its U.S. factories open so long. But consumer electronics left the U.S. primarily because it had matured. Atari's products are still new. The company and its competitors are

innovative. The fact that it markets directly to consumers is not the determining factor. In the long run, Atari can be expected to divide production between the U.S. and Asia, depending upon the specific product. Perhaps Atari overreacted to its financial problems in moving so much abroad so quickly. It is clear that the company was mismanaged, in that it failed to foresee the price-cutting which occurred once Atari no long monopolized the market that it pioneered.

The mass lay-offs at Atari appear to play into the hands of the Glazier's union, which announced earlier this year that it had collected union cards from more than 30% of the 2800–strong bargaining unit, enough to trigger but not to win a bargaining election. Since the union has stressed the importance of a contract in establishing job security, the lay-offs should drive fence-sitters into the union. At least, company managers will now have a hard time convincing workers that Atari has their interests at heart. The Glaziers have filed an unfair labor practice complaint, arguing that the company is fleeing to avoid unionization. While it is unlikely that the union will block the move, it may win additional compensation for retrenched workers.

Finally, the most immediate impact of Atari's runaway-shop announcement has been the destruction of the Silicon Valley myth. Many people, locally, across the country, and around the world have bought the stories that everyone in Silicon Valley is a white male engineer who drives a Porsche. While there are many success stories, half of the Silicon Valley workforce is engaged in production or clerical work. Perhaps to ease the fears of white, native-born Americans, Atari spokesmen noted that most of those laid off were immigrants or refugees from Mexico, Indochina, and the Philippines. And many companies – usually semiconductor as opposed to systems manufacturers – employ more workers in Asia than in the United States.

Atari has allowed itself to become a symbol of high-tech industry. Congressional advocates of high-tech reindustrialization call themselves "Atari Democrats." Consequently, its February 22 announcement generated a lot of coverage in the mass media. That coverage exposed high-tech to new scrutiny, but it is likely that the press will return to its traditional puff stories.

BORDER STUDY

CEFNOMEX (Centro de Estudios Fronterizos del Norte de Mexico) has launched a survey of the health problems of women workers in the electronics and textiles assembly plants in Tijuana, Baja California. The study, which will include 400 questionnaires and 60 clinical histories, aims to observe how toxic substances, synthetic fibers, microscopes, and work schedules influence workers health. It will be completed in July, 1983. For more information write to CEFNOMEX, Jorge Carillo, Norma Iglesias, or Monica Jasis, P.O. Box L, Chula Vista, CA, 92021. Phone numbers are 88–00–02 and 88–00–38 in Tijuana.

SOLITRON

Solitron, the Florida-based manufacturer of discrete semiconductors and other components, shut its Mexican border facility last December 16, laying off 208 workers. Solitron established SOLIDEV, the Tijuana, Baja California subsidiary in 1969.

In 1979 SOLIDEV workers organized an independent union, the only such organization among all "maquiladora" assembly plants in Mexico. They reportedly won a 40–hour workweek with the equivalent of 56–hours pay, as well as salaries above the minimum professional wage.

Concerned about the growth of independent unionism, the state government and labor authorities allowed the company to remove machinery without the constitutional compensation payment. Reportedly, the workers were pushed to affiliate their organization with Mexico's ruling party, the PRI.

TOXICS LAW

The drive to strictly regulate the storage of hazardous materials in Silicon Valley industry (See the July, 1982 **Newsletter)** reached a milestone this February when the San Jose City Council unanimously enacted a model ordinance recommended by Santa Clara County's inter-governmental council earlier in the month. Other industrial communities in the Valley are expected to follow suit soon, but the city of Santa Clara, which argues that it has effective regulations in place already, may still opt for another approach.

Public officials and industry representatives first admitted the existence of a problem late last January, when it was disclosed that an underground storage tank at a Fairchild Semiconductor facility in south San Jose had sprung a leak, polluting a local water supply, and possibly triggering a rash of miscarriages and birth defects. Thus far Fairchild has reportedly spent more than $12 million cleaning up the leak, and more work remains. In addition, the company faces at least five lawsuits for millions more.

In March, the Fire Chiefs' Association, representing cities throughout the County, formed a task force to develop rules designed to prevent future spills and better prepare firefighters called to respond to industrial emergencies. From the start, industry representatives played an active role in the process. Though many high-tech firms in Silicon Valley were reluctant to go along, the leadership of organizations such as the Santa Clara County Manufacturing Group, the Semiconductor Industry Association, and the American Electronics Association played a positive role in the task force and subsequent deliberations. Industry representatives liked the emphasis on prevention, but they opposed some of the public disclosure provisions and argued that local governments should accept more liability for their actions.

The strongest opposition has been from the petroleum industry – gasoline wholesalers and retailers. The ordinance covers all toxic materials, not just those stored at electronics plants. Small gas station operators and big oil companies alike argued that the stringent storage requirements were too costly and no safer than current voluntary storage upgrading programs.

Initially, the Task Force made no attempts to involve labor, environmental, or other community organizations. As debate entered the political arena, however, several of those groups formed the Silicon Valley Toxics Coalition to work for passage of a strengthened ordinance. Despite the fact that no Silicon Valley electronics plants are unionized, organized labor took the lead in the Coalition. The Central Labor Council, AFL-CIO, mobilized workers to attend public hearings. That turnout, coupled with the continuing discovery of toxic leaks – at least 44 now – led to the multicity Inter-Governmental Council to recommend the model ordinance for passage. At labor's insistence, the IGC added a provision to protect "whistle-blowing" employees against employer retaliation.

The toxics ordinance is long and complicated, but its key provisions require new and replacement chemical storage containers to be double-walled. In existing facilities, chemical users are required to regularly monitor for leaks. Should leaks occur, the city would require replacement of the tank. Firms with hazardous materials are required to file "hazardous material impact statements" and list, for public as well as Fire Department use, hazardous materials stored on their premises.

Many of the more responsible high-tech companies based in Silicon Valley are already applying the ordinance's double-containment standards to their other domestic facilities. It is unlikely that industry will propose similar legislation elsewhere, since managers consider public disclosure to be useless paperwork. However, electronics firms will probably go along with rules initiated by public officials or community organizations. Not only is clean-up costly, but high-tech firms would find it virtually impossible to attract young engineers to area's where the water supply is polluted.

Pacific Studies Center
INSTA PRINT
222B View Street, Mountain View
California 94041 USA
415/969-1545

Address Correction Requested

NO SALE

The Sisters of St. Francis, an order of Roman Catholic nuns, has reportedly refused to sell a forty-acre industrial site near Albuquerque, New Mexico, to Monolithic Memories, a Silicon Valley-based chip producer. The nuns base their refusal on the fact that Monolithic manufactures electronic components for nuclear weapons systems. Company officials say military sales account for about 18% of the company's business. (**Peninsula Times Tribune**, February 21, 1983)

CHIP COPYRIGHT

The U.S. merchant semiconductor industry has unified behind legislation to place copyright protection on integrated circuit designs. Introduced by Democratic Congressmen Norman Mineta and Don Edwards of San Jose, the bill (HR1028) was reportedly drafted by Washington attorney Richard Stern. Stern warns that presently a company can copy a chip that cost $3 million or more to design for as little as $30,000. A similar bill failed in 1979, when major chip producers such as Fairchild and National Semiconductor opposed it. According to the Semiconductor Industry Association, there is now unanimous support for the new bill within the industry. (**San Jose Mercury** and **Peninsula Times Tribune**, January 25, 1983)

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