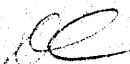


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INTEROFFICE MEMORANDUM

DEC 26 1972

TO: Operations Committee
Bill Thompson
Les Strauss
Julius Marcus
Roger Pyle
Bill Segal
Ed Marinaro
Larry Portner
Dave Knoll
Jack Smith
Dick Bradley
Lou Gaviglia
Ed Savage

DATE: December 22, 1972
FROM: Dick Clayton 
DEPT: Medium Scale Computers

SUBJ: Present Status of 11/45 Relative to Production and Shipments

This memo is written to formally state the present status of 11/45 production commitments, customer commitments, and budget consequences. After a very successful Q4, Q1 and Q2, a series of events have occurred which cause a major slippage in the entire 11/45 schedule in Q3 and Q4 of FY72, as well as Q1, FY74. The purpose of this memo is to outline what the consequences of this slippage are, and for the record, to state what happened to leave us in this position.

I personally believe substantial effort is being put forth by Production. I do not believe the current production commitment posture with respect to Q4, FY73 is adequately aggressive in the light of the business demand, history, and expected materials availability. (The latter point is an honest difference of opinion at the moment.) I sincerely believe our present situation with respect to the 11/45 production plans is too conservative, and the present business situation calls for a dedication and commitment by Production to an additional 35-40 systems by the end of Q4. I believe this is required, is due recovery for the loss of this same number of machines in Q3 by clerical incompetence, and should come at the expense of other DEC capacity during the Q3, Q4 period.

Q3 (FY73)

	10-72		12-17-72		Budget	Difference (10-72 & 12-72)	
	# Mach	\$ Ship*	# Mach	\$Ship*		# Mach	\$ Ship
11/45 (P.L. 67)	111	7,300	79	6,000	7,000	(32)	(1,300)
Communications	45	1,300	45	1,100	900	0	(200)
Typeset	12	1,000	12	1,000	2,030	0	(0)
Medical	6	400	5	150	470	(1)	(250)
Business	6	400	4	350	0	(2)	(150)
	<u>180</u>	<u>10,400</u>	<u>145</u>	<u>8,600</u>	<u>10,400</u>	<u>(35)</u>	<u>(1,800)</u>

Q4 (FY73)

11/45 (P.L. 67)	141	9,400	143	8,200	9,000	2	(1,200)
Communications	15	700	15	700	1,200	0	(0)
Typeset	28	2,500	12	1,100	2,700	(16)	(1,400)
Medical	8	500	7	450	400	(1)	(50)
Business	8	500	3	150	0	(5)	(350)
	<u>200</u>	<u>13,600</u>	<u>180</u>	<u>10,600</u>	<u>13,290</u>	<u>(20)</u>	<u>(3,000)</u>

Machines lost Q3 through Q4 relative to forecast and commitment: 55

\$ Shipments lost Q3 through Q4: \$4,800

Customers Shipped: 120, one month; 41, two months; 12, three months
or more

*Shipments at gross exclusive of non-revenue shipments (this means
approximately 500K/Q more)

Customer Consequences:

We have rescheduled the entire backlog of firm P.O.'s, LOI's, etc. This slippage alone cost essentially 35 customers to slip from each of the months March, April, May and June. Because Q4 was also full (at the 180 machine level), we had no slop until the slips rippled into July. I believe the present production commitments of 325 machines in Q3 and Q4 are too few. We slipped customers back only far enough to fully fit the above requirements and one Canadian issue (see Appendix A). We have absolutely no slop. We can squeeze in no additional machines through June. This is not an adequate job of rescheduling. Business will dictate more (just new OEM's, key and competitive situations, and machines that fell through the cracks). We must all work to up the Q4 numbers by at least 35 machines.

How Did it Happen?

Things have been very tight in the Westminster materials control situation. The hand-off from New Products to Production was a relative disaster, primarily due to a combination of growth, incompetence, a tightening industry, and the simultaneous startup of the 11/40 in Westminster. This allowed the 11/45 basic components and subassembly situations to deteriorate in Westminster yielding a two-month slippage in the first three months of Westminster production. This put everyone very far behind the gun and it is a miracle that the planned very large growth (100%/quarter) was made in Q1 and Q2. Everyone gave a heroic performance, especially Final Assembly and Test.

The Q3 forecast was set at 180. When Production (Jack Smith et al) looked at capacity, they felt 140 machines yielding about 9.5 million in shipments was a realistic goal. The only problem was that the machines scheduled were a lower average value than Jack guessed. He proposed 140, and after examining the backlog, it became clear that it should be the 180 in the forecast. The

formal allocation and plan was put back at 180 on approximately October 25th. During this discussion, Central Planning (Dave Knoll and Ed Savage) believed and repeatedly told me that the raw materials for the 180 shipment units were exploded. The fact of the matter appears to be that someone in Westminster saw the 140 number and moved the raw materials request downward. A half a dozen requests during the six-week period of October 10 to November 20 all yielded Central Planning verifying the materials explosion at 180 units. When the lower number was discovered about December 1st, it was virtually too late to change Q3, although the material plan was then changed upward. This represents the most expensive, stupid and personally frustrating single individual screwup I can remember in my 7½ years here.

Where do We Go from Here?

It is presently believed that Schottky logic availability will be the limiting factor in raising the Q4 number to the requested level, or even recovering Q3. This issue is now under serious investigation. I believe we will find the Schottky logic there if we aggressively purchase it. (There seems to be some question of DEC's credibility with semiconductor manufacturers for Q3, Q4 purchases. We too often send them back in June?) I believe as a company we have the capacity to recover this mess. I am fast losing my belief that we will succeed in accomplishing it. If, in the face of all the materials and growth problems of Q3 we will still get 145 systems, with the lead time and experience we have gained, 180 seems to me to be too simple, too few, too easy, and too costly of market share. That number must climb to 210, and as a barest minimum. The cumulative sum of forecast options Q2 through Q4 must be delivered by volume manufacturing. If this is done, we can relatively meet budgets and customer commitments.

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cc: Henry Crouse
Bruce Delagi
John Swanson

Appendix A

Canadian Machines

There is an opportunity every spring (March 31) to close a fair pile of business when the Canadian government clears its books. If you have systems on the shelf that people just happen to want to buy, you will get a P.O. for instant delivery. Otherwise, the money goes away forever. Denny Doyle has appealed to the Regional Managers to slip seven additional 11/45's out of March. They agreed, and this essentially added seven more slipped customers from March through at least May. To the field, this will all appear to be the same delivery problem due to production capacity.



INTEROFFICE MEMORANDUM

TO: 11/45 Marketing Managers
 Charlie Cormier
 Moe Tobin
 Dick Clayton ✓

DATE: December 20, 1972
 FROM: Steve Mikulski
 DEPT: *SM*

SUBJ: Summary of Scheduling Meeting (12/15/72)

The following chart summarizes our discussions. I have a hand-marked schedule available and will verify Charlie's new schedule prior to its release to assure that it complies with our discussions.

This area represents cust. Ships

Schedule <u>START</u> (as of 12-15-72)	(RESCHEDULE)						
	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>
JAN: 62	28	16	4	(NOTE: 10 accelerated to DEC, 4 deleted)			
FEB: 61	1	28	16	11	1	1	(3 deleted)
MAR: 93*	(4 deleted)	--	54	25	7	2	1
APR: 61	(1 deleted)	1	--	21	22	10	6
MAY: 66	(2 deleted)	--	--	--	33	22	9
JUN: 63	(6 Aug, 5 deleted)	1	1	--	--	34	16
TOTAL	29	46	75	57	63	69	32+ JUL

*includes 7 for Canada