

Control Data Rebound Shown in Stock Leap

EDITOR'S NOTE: This is the last of three reports on the large computer manufacturers that have major operations or are based in the Twin Cities area: Honeywell Inc., Univac Division of Sperry Rand Corp. and Control Data Corp.

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William C. Norris, a reserved man, did not indicate to a visitor on a gloomy day last March that his main competitor had just stopped competing.

It was the day the Wall Street Journal reported that International Business Machines Corp. (IBM) had stopped taking orders on its system 360 model 90 computers.

Norris, 56, is president and board chairman of Control Data Corp., which specializes in super (high capacity, very fast, very powerful) computers.

IBM announced in August 1964 that it planned to develop an "ultra-high performance model . . . more powerful than any computer now available."

The most powerful computer then on the market was Control Data's model 6600.

Norris had an added reason to be pleased that day in March because he had stated publicly a number of times that IBM's 1964 announcement was premature and designed to cause confusion among prospective buyers of super computers.

HE REFERRED to ". . . an announcement by our principal competitor (IBM) of technical difficulties and delays in its very large computer program . . ." in the annual report for the year ended June 30, 1966.

Control Data lost \$1.9 million, or 38 cents a share, that year.

Since then things have changed.

For the first three quarters of the year ended June 30, Control Data reported earnings of 53 cents a share.

Year-end figures will not be ready until about mid-August but security analysts estimate earnings for the year at from 95 cents to \$1 a share.

IF THE analysts are right, or even close, the company's performance is quite a turnaround.

Control Data's common stock, listed on the New York Stock Exchange, has rebounded spectacularly since the beginning of the year.

From a 1966 low of \$23.625 on Oct. 21 it rose to \$112.375 on June 15, its previous all-time high.

Since then it has been lower—until last week.

On Wednesday it rose \$10.125 to close at \$109.625. On Thursday the stock was up \$7 and closed at \$116.625. It was on the list of the 15 most actively traded stocks

Thursday and Friday, as it has often been this year.

Friday Control Data closed at \$116.25.

IN A RECENT interview Norris discussed the reasons for the 1966 loss and the 1967 rebound.

"We were in a more vulnerable position two years ago.

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WILLIAM C. NORRIS

Too much fun to retire

We were bringing many new products to market and were in the highest part of the manufacturing cost period.

"Also, we were just past mid-stream in a big expansion of our marketing organization to enter new markets. It was a high-cost period due to entering new markets and acquiring new equipment.

"We were denied our export licenses for a year to France, our second biggest market.

"If only two of the three had occurred we would have made it OK," Norris said.

"THE WORST was the competitive thing," he added. Norris attributes Control Data's rebound to IBM's troubles with its system 360, model 90 and the granting of export licenses to France for at least five computer systems in the \$3 million to \$5 million range.

"Also there was a lowering of the cost curve, technical problems solved, and a return to a little more normal situation.

"It was like a dam breaking."

He said Control Data has canceled its agreement with Leasco Data Processing Equipment Corp., because the American Institute of Certified Public Accountants has issued an opinion permitting computer companies to treat long-term leases of computers the same as a direct sale, from an accounting standpoint.

UNDER THE agreement Control Data sold computers to Leasco, which in turn leased them to the computer user.

Control Data began treating long-term leases of computers in accordance with the accounting institute's opinion on July 1, when its new fiscal year began.

Norris termed selling computers in France a "favorable but nervous situation" because of the export-license problem and "the nationalistic policies of France."

"Generally speaking, the international market is excellent for Control Data," Norris said. The firm has sold

some used model 1604 computers in East Germany.

FEDERAL GOVERNMENT restrictions do not permit the sale of the latest equipment in Eastern Europe, and they limit the amount of equipment that can be sold, Norris said. "We're selling all they permit us to."

The Control Data 1694 computer came out in 1960 and today in the United States, sells for about \$600,000—half its original price of around \$1.2 million.

Most computer industry observers agree that Norris' most significant contributions to the industry and Control Data itself have been in the realm of major strategic decisions.

Two examples are his decision to concentrate on the super computer market, and the development of techniques to fully exploit the use of super computers.

NORRIS HAS also pushed the development of a very broad range of peripheral equipment (equipment that is hooked up to the computer to enable the user to feed data into it and get data or information back).

And he has pursued an acquisition program aimed at expanding the uses for super computers.

Control Data Institute, another Norris idea, trains computer programmers and technicians, both in great demand.

Norris said Control Data has another super computer on the way.

Called the 7600, it is four to five times as powerful as the 6600, currently the firm's most powerful computer. It is physically smaller than the 6600 and will require 25 rooms of peripheral equipment, Norris said — adding that it is two to three years away.

"We want to wait until all the bugs are out of it," he said.

CDC Vice-President Seymour R. Cray is in charge of the 7600 at the company's laboratory near Chippewa Falls, Wis. "In a field where genius is almost taken for granted, he is a towering figure," Fortune magazine has said about Cray.

A former associate of Cray's, now working for a competitor, and who refers to Control Data as "Seymour," recalled recently that "Cray is smart alright, but he also works like hell."

At least one security analyst has said that Norris should replace himself as president and leave the operations of the company to the new president while he thinks about the big picture as chairman of the board.

Asked about this possibility, Norris says he has no plans to retire as president. "I'm having too much fun."

