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People to watch . . .

... Admiral Bobby R. Inman, the former deputy CIA chief who heads Microelectronics and Computer Technology Corp., has been named deputy chairman of the Dallas Federal Reserve Bank.

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STATINTL

Computer consortium on course

By Terry Bivens
Inquirer Staff Writer

AUSTIN, Texas — Seldom has a company been launched with the fanfare and high expectations that surrounded Microelectronics & Computer Technology Corp.

The company, known as MCC, was conceived three years ago as a computer-research consortium. Its 12 charter members included such industry titans as Sperry Corp., Honeywell Inc. and Control Data Corp., and its mission ranked high in both importance and glamour: MCC would lead a concerted counterattack against Japan's well-publicized plan to dominate computer technology by the mid-1990s.

A year later, the company added to its reputation with an unprecedented make-me-a-deal search for a headquarters site. Austin, the state capital and home of the University of Texas, outbid 56 other U.S. cities — including Philadelphia — to capture MCC in May 1983. The price was high — a financial-aid package of \$22.5 million and a free Learjet — but Austin's payback began almost immediately.

"Within two days of MCC's arrival here, real estate people rented out one million square feet of office space," said Meg Wilson, science and technology director for Gov. Mark White, who made the quest for MCC almost a personal crusade. "Everybody here was delighted."

But as state and local officials here toasted their economic coup with champagne and Lone Star beer, MCC chairman Bobby R. Inman, a retired Navy admiral and former deputy director of the CIA, began the nuts-and-bolts task of converting MCC's vast potential into commercial success for its 12 shareholder companies.

Inman quickly discovered that harnessing fiercely competitive U.S. companies into a unified effort — even one as critical as developing the computers of tomorrow — is easier said than done.

"The idea of MCC runs counter to two powerful currents in American business," said Inman, 53. "U.S. companies aren't used to working with their competition, and they aren't used to investing money in long-term projects. At our first meetings here, there was an aura of distrust and a lot of apprehension."

Yet Inman, whose scholarly appearance and ingenuous manner belie his long career in military intelligence, has apparently pulled it off. He discussed the early trials, evolution and recent successes of MCC during an interview at the company's temporary offices on a crowded freeway outside of Austin. Next year, MCC will move into a gleaming new \$20 million headquarters building on the university campus — a part of the so-called "Texas incentive" that lured MCC here.

Although commercial products based on

MCC's research are at least four or five years away, Inman said, the company is well ahead of schedule. Last month, for example, Bell Communications Research Inc. confirmed reports that it has applied for membership in MCC. Known as Bellcore, the Livingston, N.J., company is the research and development arm of seven regional telephone companies, including Philadelphia-based Bell Atlantic.

Inman would not comment on Bellcore's application, other than to describe it as "a major vote of confidence" in MCC. Yet he said that Bellcore, if approved for membership, would become the 21st shareholder company in MCC. The company's roster now includes such industrial giants as 3M Co., Eastman Kodak Co., Lockheed Co., Martin Marietta Corp., Rockwell International Corp. and RCA Corp.

Investments by the member companies have also grown, some by as much as 67 percent, said Palle Smidt, an ex-Sperry executive who is MCC's senior vice president for planning. After an initial membership payment of \$150,000 to \$500,000 (depending on when a company joined MCC), member companies may choose which MCC project they will pursue. The projects then require extra investments of money and manpower.

Progress has been uneven because of the timings of hirings and the timespan of the projects themselves, said Inman. The projects are broken down into four areas: computer

aided-design of complex integrated circuits; semiconductor packaging; software technology, and advanced computer architecture, which includes work on artificial intelligence. MCC's internal budget for those projects was \$30 million last year; by 1986, it will be \$65 million.

For the member companies, the cost of participating in those programs can run up to \$1 million a year, and those funds must be committed for periods ranging from three to 10 years. In return, companies receive exclusive licensing rights to MCC technologies for three

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years. After that, MCC can license the results to anyone.

Said Inman: "Our job is to develop the technology. How the companies use it commercially is up to them. There is certainly no guarantee that all companies will profit equally."

No matter which companies eventually profit, however, much of the credit must go to Inman, most observers said. Inman is said to have shepherded many skittish companies through the sometimes-traumatic experience of sharing technology with their competitors, and was ultimately responsible for persuading them to provide some of their more talented researchers.

Inman minimized such competitive problems, but he acknowledged that some companies were initially afraid that participation in MCC would lead to the loss of trade secrets. Moreover, he allowed that some firms "undoubtedly" offered their best researchers financial incentives for not joining MCC.

"There is always a tendency to send who's available, not who's best," he said.

But Inman apparently solved that problem by hiring officials who were not employees at shareholder

firms. Six of MCC's seven project directors were "outside hires," he said, as are about 60 percent of MCC's 188 researchers. In all, the company has 269 employees.

"That was unexpected," he said. "At first, we expected that our talent would come from the shareholder companies."

Talented researchers from non-shareholder companies gave Inman leverage. Several of the shareholding companies were reported to have expressed concern that those outside hirings would dilute their influence within MCC. Inman would not comment directly, but noted that the percentage of MCC employees from shareholder companies has risen during the last year.

Despite some fears to the contrary, Inman said he had never encountered a situation in which an employee of a shareholding company was poaching on a project in which that company was not involved.

"The price for joining MCC is too high for companies to join just to find out what the competition is up to," said Inman, who, in addition to his CIA work, also served as director of the National Security Agency. "And if we did find someone collecting information on a project that they were not a party to, we'd send them home immediately."

Inman has also been credited with easing early concerns about possible antitrust problems with MCC. In the developmental stages, those worries may have frightened away companies such as Westinghouse, Burroughs and Xerox, according to some observers. But Inman, through his contacts in Washington, helped push legislation that eliminated that threat.

In spite of his successes so far, Inman was cautious about the fate of MCC. He noted that some of the leading companies in computer research — most notably, IBM and AT&T — have not joined MCC, apparently because their research efforts could profit little from information from other companies. Too, he said, many of MCC's projects could be risky.

"Sometimes I wonder if our goals are too ambitious," he said. "In many areas, we are trying to leapfrog out into technologies that are decades away. There will be failures."

"But I'm confident that we can develop technology as good as the Japanese and their Fifth Generation project," he said, referring to the Japanese computer-development plan. "In something like this, you're never as far along as you'd like to be, but we're certainly ahead of where I thought we'd be 15 months ago."

Certainly, there is no disappointment among state officials and residents of Austin, a central Texas city that is bracketed by the Colorado River and a series of lakes known as the Highlands. Gov. White is among the many Texas officials who are promoting Austin and the University of Texas as a Southern alternative to Stanford University and Silicon Valley — Silicon Hills is the Texas catchword — and MCC was the crown jewel in that campaign.

Wilson, the governor's adviser, said an economic survey done by

Texas Commerce Bancshares, a Houston bank-holding company, estimated that MCC could directly create as many as 10,000 new jobs in electronics in the Austin area with the next seven years.

Lee Cooke, president of the Austin Chamber of Commerce, said MCC already had begun to show the expected "magnet effect," drawing other high-technology firms and their employees into the area. The city's population is now 400,000, Cooke said, compared with 341,000 in 1980. Cooke estimated that MCC's economic ripple effect could reach \$500 million.

Indeed, Austin's economic boom has produced some unwanted side effects.

"Real estate prices are soaring in Austin," Inman said. "In fact, that's the only down note."