

Rationalisations in high-tech

More job losses in Scotland's Silicon Glen

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Last week, St. Louis-based Viasystems, one of the world's largest manufacturers of printed circuit boards, said it will close two plants in Selkirk and Galashiels in the Borders region of Scotland.

One thousand jobs will go--two-thirds by Christmas, the rest by next June--as well as 300 jobs in related industries. The closures will have a devastating effect in an area where 10 percent of jobs have disappeared in the last three years.

As with many of the recent closures in the so-called 'Silicon Glen' and across the UK, many workers at Viasystems have taken on large mortgages and face their homes being repossessed by the banks and building societies.

Within days of the Viasystems announcement, the American-based silicon chipmaker, National Semiconductor, informed 1,000 workers at its Greenock plant, in the Inverclyde region of Scotland, that 600 of them would be unemployed within the next 18 months. Greenock already has an unemployment rate of 7.3 percent, compared to the UK average of 4.7 percent and a Scottish average of 6.1 percent.

Seagate, the world's largest producer of hard disks, told 270 workers in Livingston, near Edinburgh, that the company's chip plant was up for sale and faced closure if no buyers could be found.

The threatened closures come after a string of shutdowns that have destroyed 4,000 jobs across 'Silicon Glen'. Viasystems, National Semiconductor and Seagate are all large, globally organised companies, which are locked in a ruthless competition for market share with their rivals. The moves to close plants in Scotland are only one aspect of a global drive for profit in the face of a slump in sales.

Viasystems is only 19 months old. It was established by a group of investment bankers, Mills & Partners,

with the intention of dominating the world market in printed circuit boards (PCBs). The company set about buying up PCB manufacturers world-wide with the aim of quickly rationalising the various smaller operations. The company now owns plants in Canada, the US, Mexico, the Netherlands, the UK, Sweden, Puerto Rico and Spain. It employs 9,400 workers world-wide in 90 facilities.

The company is one of four divisions of Mills & Partners' industrial operations, which together employ 16,000 and have an annual turnover of \$2.2 billion. Other divisions produce foam products, electrical wiring and cell phones. Mills & Partners, which specialises in highly leveraged purchases of profitable operations, has spent \$5.2 billion in company purchases, mostly in the last three years.

A report submitted to the US Securities and Exchange Commission in June 1997 revealed that the recently formed company was intending to strip out and then close plants it had recently acquired.

National Semiconductor Corporation, formed in 1959, is a Fortune 500 company headquartered in Santa Clara, California. It accredits itself with the design and manufacture of the first transistor and now specialises in analog and mixed signal information access chips. It employs 13,000 workers globally and has chip wafer fabrication sites in Arlington, Texas; South Portland, Maine; Greenock, Scotland and Santa Clara, California, along with test and assembly sites in Melaka, Malaysia, and Singapore. In 1997 its turnover was \$2.5 billion.

The company's first quarter sales in 1998 dropped 28.5 percent over last year, from \$657 million to \$469 million, and it returned a \$105 million loss over the same period. This has been blamed on the slump in Asian markets, tough competition in the microprocessor sector, and the company's failure to

keep up with its rivals in local area network products, sales of which declined by 68.8 percent in one year.

The Greenock plant, which had been running at only 40 percent capacity, produces 4-inch silicon wafers with electronic circuits of 2 microns in width. The most modern facilities now produce 8-inch wafers with 0.35 microns circuits. To cut costs the company has embarked on a global rationalisation programme, eliminating excess and outdated capacity, such as the Greenock plant, and concentrating on their most modern facilities like that at South Portland.

Seagate, formed in 1979, employs 86,000 people across the globe and last year turned over \$7 billion. Making hard disks mainly for PCs and a range of other electronics products, it has factories in five US states, two in the UK, and more in China, Indonesia, Malaysia, Thailand and Singapore.

In the last year, the company has suffered a \$2 billion drop in income and has seen a \$658 profit in 1996 turn into a \$530 loss last year. 24,000 workers have lost their jobs as the company launched a desperate drive to return to profitability.

Explaining that many of the UK plants now closing made memory chips that are obsolescent, Peter Thal Larssen wrote in *The Independent*, 'New plants which require super clean air-conditioning facilities with state of the art equipment, regularly cost £1billion or more [some estimates are as high as \$6 billion by 2000] and have a relatively short shelf life. So once they are up and running the manufacturer has to squeeze as much out of them as possible.

'However, commissioning and building a new plant can take up to two years. So a chip-maker may find that demand dries up just as a new plant is completed. Or that a string of rivals have also [been] built producing a sudden glut of chips. The result is an industry that can swing from feast to famine in just a few years.'

Larssen noted the incredible pace of technical development in the industry. The number of transistors that can be squeezed onto a single chip is expected to double every 18 months, rendering previous products obsolete.

Faced with the collapse of their strategy of attracting overseas investment, Scottish-based business and investment agencies have made efforts to establish an 'indigenous' electronics industry, supposedly less prone to factory closures and production being transferred

elsewhere.

An arrangement has been negotiated with National Semiconductor whereby a part of the plant employing 440 workers would remain open, possibly run by a management buy-out. This desperate plan is meant to provide Scottish capitalists with their first wafer manufacturing outlet, and a supply of cheap and skilled labour. But the unit is already out of date and will be unable to compete in the world electronics markets.



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