Univac executives spent most of last month with big users of RCA computers, and now the company feels the $70 million it paid for the RCA customer base is justified.There'll be no whole-sale retreat to IBM—at least not for a while. The story starts on this page . . .

Companies

Yes RCA Users, There Is a Santa Claus

As 1971 was slipping to its hoary death, Univac's G. G. Probst and his helpers sped around the nation telling abon-doned children of RCA that if they would only believe, their investment was not lost. Apparently Univac found enough believers to justify paying $70 million for the RCA customer base. That's 1,000 purchased and rented sys-tems used by 500 customers.

To a man, industry observers and experts thought it was a smart move, a plus. But whether Univac is buying tem-porary income or a big new set of Uni-vac users depends on what it does in the next two years. January 1972 is the most critical month of that period.

Univac made general assurances of support to big RCA revenue-producing customers in December. Its executives were "impressive, sincere, intelligent, understanding," said the users who talked to them. Most were pleased or satisfied that it was Univac taking over. (One who was uncertain was a Spectra 70/45 user who had completed his con-version from a Univac 9200 by the end of December and still found himself a Univac user.)

Carte Blanche operations manager, George Clark, whose firm after the RCA demise was furious and consid-ered suit and other severe actions, said, "it's a new ballgame," and Univac is "a company with credibility." But whether the firm keeps its 70/55 depends on Univac answers to queries about a new operating system RCA promised, about

the availability of products, with sup-port, to extend the machines, and about improvement of reliability of the 55, now plagued by parity error troubles.

Walt Disney Productions, which has two Spectras, planned for an RCA-6 and definitely needs that capability this year. But the decision won't be made until after this month's negotiation with Univac. The major issue to dp manager Jack Cornwall: "We're going to stay on the (IBM) compatible track . . . we don't want to get too far away from what big brother is doing. If Univac gets on that track and stays there, well . . ." Of course, big brother is hustling the ac-count hard, too.

Another model 6 order hangs in the balance at Orange County, Calif. Rob-ert Farmer, county dp director, is "re-lieved" by the take-over and welcomes the chance to negotiate. He feels that Univac's two goals assure the user of better service than ever before: 1) to keep RCA equipment operationally useful as long as possible; 2) to con-vince users to move to Univac gear when it becomes necessary to convert.

Univac would like to see the rented RCA gear stay in through 1980. But two to four years would give the firm time to complete the packages and set up cen-ters for RCA-to-Univac conversion. That conversion hasn't been defined yet, but we're told it will be implemented through both hardware and software.

One of the planned migrations will be to the new 9700, already promised

WORTH THE INVESTMENT: Sperry Rand's executive vp Robert E. Mc-Donald says Univac is in RCA market for keeps. Other Univac personalities: Gerald G. Probst, center, division president, and George Geick, exec vp for worldwide marketing and services.
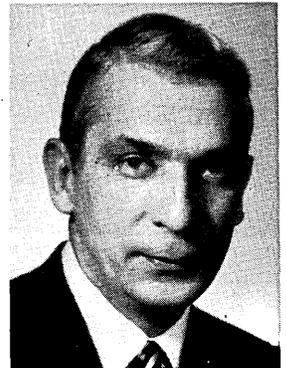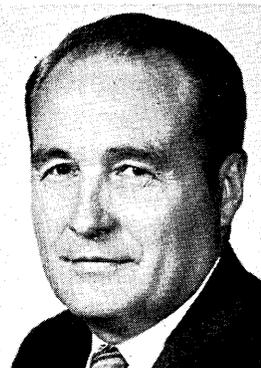
news in perspective

to include IBM 1400 and 360 emulation by 1973. Another possibility is that Univac will announce a follow-on to the 1110 that will have RCA and IBM emulation.

In the meantime, Univac is trying to determine what RCA operating system it should continue developing. Univac has been looking at the operating system being developed by RCA licensee, Hitachi. But, at writing, the best bet seemed RMS, a system developed for the Navy and said to be an improvement over the IBM 360 disc operating system. It's unclear what'll happen to RCA's big investment, the Virtual Memory Operating System, outside of continued maintenance.

Univac will provide hardware maintenance for all rented and purchased equipment for new systems and upgrades. At mid-year, Univac will make its final order for this gear, and RCA is expected to continue some manufacturing until year-end.

RCA users are worried about the special software and support commitments that RCA had made to them. But, says Sperry Rand's exec vp, Robert E. McDonald, "it's up to us to keep users satisfied within normal economic bounds." Reportedly most of the legal contracts are "innocuous," and the big promises were verbal. (Hardware maintenance, however, is legally spelled out.) Before Univac agreed to take over, many users were ready to go to court over both the verbal and written commitments. This perhaps is why RCA chose to take the Univac offer rather than the one made by Mohawk Data Sciences. Mohawk wanted the base and several plants and offered $10 million more than Univac. But that $10 million wouldn't have begun to cover the suits that would have landed back in RCA's lap if Mohawk failed.

RCA still faces a $110 million lawsuit by Marketime Corp., New York lessor of its systems. Herb Rothstein, president, considers his systems devalued despite the take-over because of "the brutal method" RCA chose to announce its demise.

The weeks following Nov. 19 were understandably confused. Not only were Univac executives courting the users, they also were trying to figure out the who and how of hiring RCA personnel. The first returns on what Univac and RCA were offering personnel to make the move were described as "a pittance" and "niggardly" by outraged staffers. Apparently RCA at first planned no severance pay for people who were offered a Univac job, and those who went would go without their seniority and retirement accruals. Employees balked, and rumors spread that the customer engineers, having both companies over a barrel, were discussing joining a national union.

The purchase agreement was in danger. If Univac couldn't get the right RCA force together, the users might defect in large numbers. But RCA made what is becoming its most famous move, a complete about-face. On Dec. 3, it decided to offer "one sweetheart of a package," said a relieved staffer. And Univac did its part, too. Employees moving over would get from RCA sever-

Before You Analyze This Chart . . .

It's not what it appears to be at first — an equivalence of the computing features and (roughly) power of RCA, Univac, and IBM computers. Rather, the Univac and IBM columns have been shifted up one "buy" in an attempt to show what machines current RCA customers might be looking at when they outgrow present computing capacity. Customers may be able to acquire larger RCA computers handed down by defectors and forestall conversion problems for a while.

It would seem that there is a good choice of moves for the very small Spectra user — both within what Univac offers in the byte-oriented 9000 series gear, and without (read IBM). But at the upper end of the Spectra line, and for the few users of the models 6 and 7 in the year-old "RCA" series, the Univac 9000 series gets thin (shown by the shaded portion on the chart). The recently announced 9700 might handle work loads through about the Spectra 70/55 or RCA-3 level. But beyond that, Univac doesn't currently offer anything for, say, an RCA-6 user to grow to. The Univac 1100 series of 36-bit machines, despite COBOL capability, are really scientifically oriented, and users might not be willing to go through the conversion to this line when the 370/155 is there and waiting.

But some people in the industry feel that the most likely path for the RCA user "in trouble" isn't shown on this chart. There are some hungry leasing companies out there with good stocks of 360s that can be discounted to some very attractive levels in an attempt to get those current RCA users. How well Univac manages to stave off these firms — and IBM — until it can provide a growth path for their newly adopted customers is something we'll have to watch during the coming 12 months. ■

RCA COMPUTERS			UNIVAC 9000 SERIES			IBM 360/370 SERIES		
Model (estimated installations)	Monthly Rental Range $K or (typical)	Memory (KB) Languages	Model	Mthly Rtl Rge $K or (typical)	Memory (KB) Languages	Model	Mthy Rtl Rge $K or (typical)	Memory (KB) Languages
Spectra 70/15 (150)	2.8-6.7 (4.3)	4.8K COBOL, ASSEM	9400	(5.9)	24-128 COBOL, ASSEM, FORTRAN	360/22	(5)	24,32 COBOL, RPG, FORTRAN, BAL
Spectra 70/25 (100)	6-12 (7.0)	16-64K COBOL, ASSEM				370/135	(9.9)	96-240 COBOL, RPG, FORTRAN, BAL
Spectra 70/35 (140)	7-25 (9.2)	16-64K COBOL, ASSEM, FORTRAN						
Spectra 70/45 (135) 70/46	8.5-30 (18) 24-50 (32)	16-256 256 COBOL, ASSEM, FORTRAN	9700	14-42	64-1024 COBOL, ASSEM, FORTRAN, RPG	370/145	(23.3)	112-512 BAL, PL/1, COBOL, FORTRAN
RCA-2 RCA-3 (60?)	(15.4) (20)	64-256 128-256 COBOL, ASSEM, FORTRAN						
Spectra 70/55 (15)	15-60 (30)	64-512 COBOL, ASSEM, FORTRAN				370/155 (45)		256-2048 BAL, PL/1, COBOL, FORTRAN
Spectra 70/60 Spectra 70/61 (20)	17-60 (40) 30-60 (45)	128-1024 128-1024 COBOL, ASSEM, FORTRAN	Univac might fill this space with additional 9000 series models, but more likely with emulation capability on machines as fast as the 1110 to cut the cost of developing a whole new machine.					
RCA-6 RCA-7 (10?)	(29.3) (36.3)	128-2048 128-2048 COBOL, ASSEM, FORTRAN				370/165 (80)		512-3072 BAL, PL/1, COBOL, FORTRAN

ance pay of one week's salary for every year of service, unused vacation pay for 1971, and full vacation pay for '72. Retirement benefits would carry over, RCA paying its part and Univac picking up from there under its own plan. Salaries would be according to seniority and position; Univac would either match RCA's or make it equal to what similar Univac people make. McDonald said RCAers are not being hired "just until RCA revenue deteriorates." In fact, some RCA and Univac personnel will be cross-trained to know both vendors' gear.

Last reports were that 90-95% of the offers were being accepted and Univac was on its way to getting a majority of the 2,500 people it intended to hire.

And what does Univac stand to gain from the buy? Reportedly there are 700 rented and 300 purchased systems installed domestically, worth $1 billion. This brings Univac's total base to $4.2 billion. But the RCA base bears dissection. If our RCA source is correct, 30% of the RCA base is owned outright, and is not revenue-producing except for maintenance. About 29%, mostly Spectra 70s, have been purchased on an installment basis. Most of those installment contracts are for 5-7 years, with some 10-year government contracts.

This means that Univac stands to collect the remaining installments of these contracts. (They are difficult to cancel, coming with stiff penalties.) Thus Univac will not own 59% (in value) of the RCA base. The remaining 41% is on rent or a six-year accrued equity contract toward purchase (4%); most of the latter are likely to be converted to rent by the user since the contracts are relatively easy to cancel.

The rental base represents $7-8 million a month in revenue, which comes to a tidy $96 million a year. It sounds good for Univac, but it also is up for grabs. A source says that inside-RCA estimates of Univac revenues from rental and maintenance are $90 million for 1972, $60 million for '73, and $30 million for '74. Add to that undetermined tens of millions for the installment purchases. Estimates of the total have ranged from $140 to $175 million, but $140 million is what the RCA sources are saying.

Besides the $70 million cash to be paid by Jan. 6, Univac has agreed to pay RCA $30-60 million over the next five years, depending on future revenues.

Various sources at Univac have said the erosion, or loss of RCA installations

to other vendors, probably will be 30-50%. The question is when. Many users have their orders in for IBM replacements.

Asked what RCA markets would help Univac, McDonald said RCA was stronger in state and local government and banking. According to our sources, the RCA base as a percentage of the value breaks down the following way: banking, insurance, and brokerages, 14.5%; state and local government, 17%; education, 8.1%; medical, 1.3%; manufacturers, 20.2%; distribution, 3.2%; federal government, 16.5%; telephone companies, 8.5%; and others, 10.7%

Univac itself has almost 8,700 installations worldwide, one of the best reputations for on-line and real-time systems, and a claimed profitability. In 1970, Univac and other Sperry operations in information handling and retrieval grossed $639 million. About 40% of the 8,700 are abroad. Certainly since Univac has no relationship with RCA's licensees, Siemens and Hitachi, it may opt to market its returned RCA systems abroad.

The Sperry Rand division is led by new president Probst, who has gradually moved from manufacturing through the executive ranks — a Univac tradition. As of a 1970 reorganization, worldwide marketing and services have been put under one man, George Geick.

Univac has the time-honored reputa-

tion of being the technological pioneer — Eniac, Binac, Univac 1, Larc, etc. — but being unable to parley it. It is the object of the great quote, "snatching defeat from the jaws of victory." Its first big miss was the chance of being number one in the industry.

Generally, organizational troubles and marketing cacophony have been credited with drowning out Univac's technical genius. The reputation, if not the problem, lingers on.

For sure, Univac has not been afraid to change to find its "truth," having gone through several reorganizations and restructurings in the last five years. It does have a large base, profitability, and a reputation for doing many good things, so observers give it a good chance of making the RCA buy a big plus.

— Angeline Pantages

Conversion

Spectra 45 Dumped for a PDP-10

One user who made a startling switch from a batch-oriented Spectra 70/45 to a PDP-10 says he'd rather fight than switch back.

The user is Roger Brown, president of Copley Computer Services, Inc., which started in late February 1971 to

"Johnson, have you ever considered a career in public relations?"