“Time to quit talking and do something…”
“I felt I could help…”
“I wanted to show that a minority person could represent more than a minority point of view…”
“As a citizen I feel that I have the duty as well as the right to help make the system work…”

These statements were made by HP people. They are people who have chosen to take an active role in their communities. Most of them put in many hours of their own time, dip into their own pockets for expenses, and get little recognition in doing so.

They are the quiet activists, and it turns out there are a great many of them quietly fulfilling some of the basic needs of their community. In some cases the company has a sponsoring role; in all cases HP recognizes the need and value of the volunteer community worker.

Meet a few such as:

Milt Camp of Stanford Park Division was the first at HP to take up the idea early this year. Then came John Howard of the Physical Electronics Lab. Both are licensed commercial pilots and flight instructors. And now others in HP are contributing supplies and equipment (including the company). The idea—support an organization of “flying doctors” who need the help of pilots, planes and medical supplies for the treatment of sick and injured people in remote villages of northern Mexico (see cover photos). So far, Milt has flown half-a-dozen weekend-long medical missions, and John three such flights. Said John: “Our group operates out of Navojoa, Mexico, and at each stop we find crowds of people who have come in from the back country for aid. In fact, one of our jobs is making sure the people who need the care receive it. At one stop a young Bay Area doctor—working only through an interpreter who knew nothing about medicine—treated 42 patients in one stretch.” According to Milt, each weekend a large flock of planes hops across the border from Northern and Southern California on the same mission. “But it is very expensive,” he said, “especially flying in from Northern California. That’s about 2,000 miles round trip. Even getting passengers to share costs doesn’t cover it. But that’s not the point. The need is tremendous, and once you’ve seen how much good can be done you know you have no choice but to help.”
Liz Dienavv, secretary in the Canberra office of HP Australia, has always felt a need to cheer people up. She expresses some of this in the happy-looking toy animals she makes, and which now fill her Canberra cottage; especially at this time of year these go out into the world as gifts. But most of her evenings—up to seven nights a week—Liz takes on a much more challenging task. This is her involvement in the Canberra Life-line Organization whose purpose is to provide a friendly ear to people who feel a need to talk over their problems. The communication is by phone, and Canberra—along with all major cities—has plenty of suicidal, alcoholic, angry and frustrated people in need of a good listener at the other end of the line.

Tom Yeager, Baltimore district manager for the Eastern Sales Region, is pleased not only to have won election as a Howard County council member but also because the campaign itself is over. In this his first election experience he found the campaigning very strenuous and time-consuming. "I'm now very sympathetic to members of the House of Representatives who have to run every two years," he said. His goal, however, is not politics itself but rather to help bring intelligent and thoughtful planning to the fast-growing county. "We're located in Maryland right between Baltimore and Washington, and there are all sorts of pressures to exploit the land without regard to beauty or the interests of residents. Of course, we can't build a wall around the county, but we do have to look very carefully at the growth and plan for it." His council work will involve a minimum of two evening meetings per week, plus miscellaneous engagements as a speaker and representative. Tom thinks the effect of these activities has been to make him more efficient in his use of time both on and off the job at HP.

Some of that efficiency and love of the land is reflected in the Yeager's life style: Tom and his wife, Olivia, love gardening, and grow all their own fruit and vegetables and make their own wine.

Roy Melin, manager of the components plant at Loveland Division in Colorado and general chairman of the Loveland-Berthoud United Way in 1974, knows exactly when this year's highly successful campaign got underway: "This little old lady came into the office. She lives in a canyon up in the mountains where the people leave early before the winter, or get snowed in. She wanted to be sure we got their contributions before they headed south." An HP veteran, Roy spent many extra hours this year on the campaign, particularly after learning how the work of volunteers in the funded agencies multiplies the effectiveness of the contributed dollars. "The community really gets tremendous mileage for its investment in United Fund," he says.

One who would second that thought is Bob Grimm, manager of the LSI lab of HP Labs, presently serving as president of the Santa Clara United Fund. Bob has had years of experience screening agency applications for funds, recommending allocations, and setting goals for annual campaigns. United community fund drives are strongly supported at all its locations by HP which matches the funds contributed by its local people.
Nancy Davis, personnel assistant at the Mountain View, California complex, and her husband Dan of the software publications department at Data Systems Division, think nothing of opening their San Jose home at least once a week to a bunch of kids they may never have met before. Or of leading 60 high schoolers into the Sierra for a weekend of singing and snow sports. Even refereeing a "mud-bowl" football game is not beneath their youthful dignity. These activities arise out of their roles as members and counselors of an organization known as Young Life. A non-denominational organization, Young Life seeks to offer high schoolers an active and stimulating environment based on Christian principles. Out of high school only about six years themselves, and very outgoing in their way, Nancy and Dan obviously are very much a part of Young Life's young life.

Paul Haefner, senior systems analyst in Corporate Information Systems, got tired of just talking about the problems of education in his school district. But first, he and a half-dozen Menlo Park, California citizens talked it over, early in 1973, finally reaching a decision that Paul should run for membership on the Las Lomitas school board. Dozens of coffee meetings were held around the community, and Paul and his wife Carol knocked on more than 700 doors to acquaint residents with his views. "I'm not sure she would do it again," says Paul. "A lot of effort was involved, and it now takes me away from home quite a bit, and since the board elected me president for 1974-75, I'm away from home even more. Actually, we both think it is really very worthwhile, since we have five youngsters in school. I think we've been successful in opening up more discussion between parents and the schools. Overall, I guess my feeling is that you can't expect someone else will take care of things the way you would wish."

Another HP person similarly motivated is Don Hammond, director of the Physical Electronics Laboratory of HP Labs. Don has been a member of the Palo Alto (Unified) school board since 1970, succeeding Barney Oliver, HP's vice president of R&D. During their terms both of the Labs men have served as president.
Robert Eckhardt, management services and personnel manager at the Frankfurt headquarters of HP's German sales organization, can rightfully be called "Judge Eckhardt" even though he clearly prefers informality. His role as a judge involves the settling of labor disputes under the German work laws. The court, made up of representatives of employers and employees in the Frankfurt area, listens to suits arising from questions of employment (it does not arbitrate or mediate in such areas as wage negotiations). Up to now Robert has yet to be involved in a major dispute. A quiet-spoken man who came to HP via the radio-TV industry, he hopes this peacefulness will continue through the remainder of his four-year court term.

(continued)
quiet activists

Dan Bender, a medical applications engineer at the Waltham Division, found himself involved in the prison reform movement several years ago following the uprising at Attica prison. Now, even though Dan’s particular involvement is temporarily inactive, the same wave of concern has caught up other Waltham people. Personnel’s Walt Pleinkos, for example, has initiated a program of working with the Massachusetts State Corrections Office to place and train ex-offenders in jobs. They operate on the theory that it makes sense to give an ex-offender the opportunity to become reestablished in the community—otherwise he is the guy who will be breaking into your home or office. As so often happens in real life, the program has not produced 100 percent results—more like a 70 percent job-retention rate. The real problem is getting good spots for several hundred people on work-release status. According to Walt, “If every large company in the area had taken in just one or two ex-offenders, then this would have absorbed all those available through the work-release program.” Meanwhile, the division still has one ex-offender on the work force. Reportedly he is doing very well on and off the job.

Chuck Fikes

Chuck Fikes, OSHA (safety) coordinator for Manufacturing Division in Palo Alto, had a special new challenge thrust on him last July—appointment to a four-year term as a member of the Juvenile Justice Commission in Santa Clara County. Among his principal duties is that of checking complaints involving the handling of juveniles while under the jurisdiction of the courts. One thing he has learned is that ideal solutions are very hard to come by. “There are a lot of things that should be done if we had the facilities and the money to do it. For example, kids brought in for mild offenses shouldn’t be put in with others charged with violent and aggressive actions. Still, a lot of good things are being done, and I am delighted with the opportunity to help on the commission.”

Joe Perez

Joe Perez, quality assurance manager for Customer Service Center, sees his recent and successful campaign for membership on the city council of Mountain View, California, as the product of a long process of involvement. It started, he says, in the late ’60s when he began helping school districts work with minority groups, particularly Spanish-speaking people. Next the districts asked him to be a member of a tax committee, and in 1971 he was appointed by the city to work on the environmental planning commission. At the same time Joe was serving as chairman of the local Mexican-American Coalition. Out of these experiences and associations emerged a feeling that minority people should seek stronger representation in the community. The coalition helped several Spanish-speaking political candidates, and—encouraged by the public’s acceptance of these people—it was decided to put up a candidate for city council. Joe was selected for this role, and in rolling up the second highest vote his campaign proved that a member of a minority (14% of Mountain View is Spanish speaking) can win. For his part, Joe hopes to prove that a minority person can work with and even represent other groups in the community.
Tienie Steyn, manager of HP South Africa, makes no bones about it: "A real effort is being made to bring black people into the mainstream of South African life. That's essential not only for the country's welfare but also for its survival. I believe the key lies in education. At HP we have been offering special classes during work hours for the 15 or so black members of the staff. On the other hand, we would hire black professionals—if we could find any who are not committed to teaching, where they feel they are needed most. As it is, the staff-development programs are paying off. For example, Lazarus Mdolo, who joined us in 1969 as a general handy man, was 40 years old and had only five years of schooling. We offered to help him improve his qualifications, and gave him responsibility for keeping track of incoming correspondence. Now he is head filing clerk."

Further HP support is indicated by a news clipping from the October 16 edition of the Johannesburg Star: "If every Johannesburg worker matched the generosity of those at Hewlett-Packard South Africa, the Star's TEACH fund would have achieved its objective of providing schools for every African child on the West Rand.

"Eighteen months ago this firm canvassed its employees for donations to TEACH and 40 people of all races responded. This year 80 (out of some 85 total) of the staff donated money which the firm matched."

Said Tienie: "We do this because we consider TEACH—which has built more than 40 schools—to be one of the most important things we could support in creating a better future for this country."
Responding to a special invitation from the production people at Data Systems Division, some rather special assembly talent showed up in the Cupertino plant last month. President Bill Hewlett, executive vice president John Young, and Manufacturing vice president Bruce Wholey each took on the job of putting together a new 2640A CRT computer terminal. Starting “from scratch” the trio completed their work in about an hour, hooked the units up to a test computer and discovered—yes, indeed—they worked perfectly. The event, of course, was staged to draw attention to the design features of the 2640A which permit not only ease of assembly but also great convenience in field servicing. The microprogrammed CRT terminal, first such computer terminal developed by HP, is an important addition to the considerable number of “smarter” and highly productive new products that are expected to give HP a special lift in 1975.
Later this year of Fiscal 1975 when the curtain has been fully raised on Hewlett-Packard's new-product plans, what kind of scene will it reveal?

Another way of phrasing that question is to ask: What kind of new-product performance can be staged for our very considerable R&D investment, averaging some 10 percent of annual sales.

In fact, 1975 promises to be the biggest showing ever for HP in terms of bringing out important new prod-

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ucts. This has been indicated a number of times by President Bill Hewlett. To an audience of securities analysts recently, he said new products would be chiefly responsible for whatever real growth we experience in 1975 (the remaining growth will be due to inflation).

Division marketing people as well as such corporate departments as public relations and marketing communications also bear witness to the pending flood of products: scheduling the release of news concerning the major product introductions in an orderly, non-conflicting manner is going to give a special challenge to their year.

At one time in the company's history, new product introductions all were aimed directly at the Wescon show in California or the IEEE convention in New York. These annual gatherings served truly as launching pads for the electronics industry, and HP made all possible use of them. A walk through the big, busy booths of instruments on display offered a complete showcase of new HP products. All of the news broke at once, too, crowded into special show editions of the trade publications.

It's very clear that those days are over and, further, that obtaining a sharp and comprehensive view of the many results of the company's product-development activities is a problem of compound complexity. Such a view today would necessarily encompass the efforts of six major product groups subdivided into 27 product-responsible divisions operating with a unique blend of independence and interactive cooperation on a worldwide basis. You just can't put that on a shelf—or a single show.

Where, then, may one look—short of breaking security by revealing a specific list of the scheduled 1975 products?

According to professional observers, such as Ross Snyder, formerly editor of the HP Journal and now manager of technical publicity for Corporate Public Relations, a pretty fair projection of 1975 can be made from the examples and trends evident in the past year. In short, where we are going during the months ahead will look very much like where we've been—but more of it and better. Here we go:

Productivity improvers

The key to a great many new products in 1975 will be their ability to help customers improve the productivity of their processes and procedures. While otherwise cautious and reluctant about capital spending, managements throughout the world will be more eager than ever to discover inflation-fighting methods of production.

Prime candidates in this area will be small instrument systems made economically feasible for many new applications by virtue of the HP Interface Bus (Measure, Nov. 1974). More than likely the first users of such systems will be the larger customers who already know the uses and value of electronic instrumentation for enhancing productivity; later it is expected that more and more of the smaller users and less technically sophisticated customers will open their doors, too.

One productivity improver that already is off and running fast is Avondale Division's 5830A gas chromatograph, introduced last April. Known as "the analytical answer machine," its keyboard controls and other computer-based features speedily combine and integrate all of the analytical functions previously performed manually by controlling separate items of hardware.

Still growing in the face of setbacks elsewhere is the communications industry, and especially in filling the growing need for new networks to exchange digital data. Santa Clara's computer-based 5453A Transmission Parameter Analyzer (TPA) multiplies the skills of installation and maintenance engineers, from one position quickly and automatically pinpointing the source and nature of troubles that come...
up in a whole network of data communication links. It's typical of other accomplishments HP engineers are planning to increase productivity for our customers.

No less than other fields—and perhaps with even greater urgency in view of public attitudes—the medical profession needs to find new ways that improve the quality of health care while not increasing its cost. They are looking at one in HP's new 78220 cardiac monitoring system. With an HP 2100 computer running the show, the 78220 monitors the ECGs of up to 24 patients, displaying not only current status but also a trend display covering nine hours of ECG activity. Thus scarce medical skills are multiplied manyfold. In general, the prognosis for more and more computerized medical systems is considered good.

Smarter instruments

Even as systems of instruments become easier and less costly to put together, the individual instruments are becoming smarter and smarter. Not only are they capable of more functions but they also do them at less cost per function than before. In this way, quite a few new instruments are being made functionally equal to some of the larger and much costlier systems of past years.

Prime examples here are the new HP minicomputers employing semiconductor memory. The new 21MX computers were the first minis from any major manufacturer to use the efficient, reliable economical new 4K RAM memories. The result is machines that offer customers a whole range of benefits—the ability to do much larger and more complex jobs at lower price, using less space and with greater reliability.

Another good representative of the smart generation is the new 1772A oscilloscope from Colorado Springs. Basically, the 1772 uses the same IC chip as the HP 35 pocket calculator. The result is an instrument giving a digital display of time-interval and frequency measurements as well as of voltage magnitudes and percentage differences.

The key to this trend to smarter instruments is the almost universal use of LSI—large-scale integrated circuits—planned for HP products. And not only are HP designers making more creative uses of these (continued)
tiny semiconductor packages but HP is doing extensive LSI development and manufacturing on its own. Lab facilities now are located at Santa Clara, Data Systems and Loveland divisions as well as in the new IC research laboratory of HP Labs.

Better "Screwdrivers"

Members of this branch of the instrument family, while much simpler in their function and makeup than the complex systems and multi-function instruments, still are based more and more on similar advanced technology. This means in many cases we will see traditional measurements being done more conveniently and quickly by highly reliable, low-cost instruments—more sophisticated measurements done more easily at old prices. Represented here are those kinds of instruments that have become the everyday tools of the electronics engineer and technician: signal generators, function generators, voltmeters, oscillators, scopes, power supplies and various other items of standard electronic test and measurement gear. Increasingly as these instruments are converted to new semiconductor technology, their designers are taking advantage of opportunities to create more handy-size products—including handheld items such as Loveland's 970 Multimeter probe. The better-screwdriver kinds of instruments will surely find acceptance not only among traditional lab users but also in markets where greater speed and lower price-per-function is critical—including service industries and in the newer nations moving toward industrialization.
Business products

The HP-80, the pocket-size business and finance calculator introduced in 1973, illustrates a trend that involves typical HP product contributions devoted solely to the field of business. In 1974 the company introduced an inexpensive way to manage large quantities of business data such as inventories, reservations, collectables, credit ratings and other information that changes rapidly and whose accuracy is critical to the business. Known as "database management," it represents a mix of HP hardware and IMAGE (information management) software.

A related trend, at least in the sense that it brings HP marketing people more directly in contact with consumer-oriented business people, arises from our growing position in displays. The volume of LED display business now done by the Components Group puts HP among the leaders in this segment of the industry. While our own HP applications—especially the pocket calculators—account for a substantial percentage of this business, HPA Division is an important supplier to other major calculator and digital-watch makers. One big hope lighting up the skies of the display industry is the possibility of automakers converting dashboard displays to LEDs, taking advantage of their long, reliable life and great visibility.
Palo Alto — Preliminary figures indicate that Hewlett-Packard had a 34 percent increase in sales and a 66 percent increase in net earnings for the fiscal year ended October 31, 1974.

Sales totaled $883,979,000, compared with 1973 sales of $661,290,000. Net earnings amounted to $84,000,000, equal to $3.08 a share on 27,297,000 shares of common stock outstanding. This compares with earnings of $50,749,000, equal to $1.89 a share on 26,815,566 shares in fiscal 1973.

“We are greatly pleased with the company's overall results for 1974,” said President Bill Hewlett. “The operating divisions did an outstanding job in generating orders and meeting or exceeding shipment goals. And we've made great strides in improving our inventory control and accounts receivable positions from a year ago. As a result, we reduced our short term borrowings from $120,499,000 to $43,741,000, while increasing cash and equivalent from $8,925,000 to $13,457,000.

“Sales and earnings are higher than previously estimated,” Hewlett said. In October, he projected that the company's earnings for fiscal 1974 would be somewhat over $75 million, or between $2.80 and $2.90 per share, on sales “in the neighborhood of $870 million.”

“Our shipments in the final month of the fiscal year exceeded company projections,” Hewlett remarked. “In addition, although pre-tax earnings were in line with our October estimate, actual U.S. and foreign income tax liabilities turned out to be substantially lower than we projected earlier in the year.”

The company's incoming orders in fiscal 1974 amounted to $893,064,000, up 22 percent over orders of $734,504,000 in fiscal 1973.

International orders were $426,644,000, up 37 percent from $311,136,000 in 1973. Domestic orders were $466,420,000, up 10 percent from $423,368,000 in 1973.

Incoming orders increased during each of the first three quarters of 1974 compared with comparable quarters for the previous year. In the fourth quarter, however, orders were about level with those received during the fourth quarter of 1973. The fourth quarter order rate reflects the current business slowdown, Hewlett said.

He emphasized that the 1974 figures are tentative and he expects the audit to be completed in late December.

Palo Alto — HP's new Components Group has been restructured to concentrate its resources on two distinct markets.

Dave Weindorf, general manager of the Components Group, said two new operations have been formed, one responsible for HP's optoelectronic devices and the other for the company's diode and transistor business.

“These are clearly two separate businesses, each demanding specialized manufacturing and marketing techniques,” Weindorf said.

He announced that Bob Zettler has been appointed manager of Optoelectronic Devices Operations with responsibility for HP's LED product line. HP is a leading supplier of LEDs used as readout displays in calculators, instruments, computers and other electronic products. Zettler, who joined HP in 1963, formerly was manager of the Optoelectronics department.

Dick Soshea has been named manager of Microwave Operations with responsibility for the company's line of microwave and high-speed diodes and transistors. HP produces RF microwave transistors and Schottky barrier, PIN, Step Recovery and IMPATT diodes for use in consumer, industrial and high-reliability applications. Soshea joined HP in 1962 and formerly was manager of research and development for HPA Division.

In another move, former division marketing manager Milt Liebhaber has been appointed manager of Component Marketing with full responsibility for the field and distributor sales forces and product distribution. Liebhaber joined Hewlett-Packard in 1964.
As you have now seen from the official press release, Hewlett-Packard really had a great year, both in shipments and in profits—with shipments increasing 34 percent and profits increasing 66 percent. It is interesting to note that on the year-to-year comparison, this increase in shipments was achieved with an increase of only about 15 percent in personnel, and if one compares the first half of fiscal 1974 with the second half, there was an 18 percent increase in shipments with virtually no increase in divisional employment. From this it is evident that everyone did a superb job not only in getting shipments out, but also in doing this in an extremely efficient manner.

In addition to these more obvious performance indicators, there are some other performance measures that are not as evident but still of considerable significance. As you know, we made a special push during the past year to bring our assets under better control. We were concerned, in particular, about our accounts receivable and about our inventories. As a result of a concerted effort, we were able to hold accounts receivable to a very modest 7 percent increase, and inventories to an even more impressive 4 percent increase. These, of course, must be compared with the 34 percent increase in shipments.

This effort, along with improved profit margins, meant that we were able to reduce our short-term borrowings from slightly over $120 million to slightly under $44 million. Further, this was accomplished at a time when many other companies were finding it necessary to increase both their inventories and accounts receivable.

The net result is that the company is in an infinitely stronger position than it was a year ago—a fact that is very important in times of uncertainty.

On a number of occasions I have been asked, “if we had such a great year, why was the bonus not larger?” I thought it might be worthwhile to briefly discuss how profit sharing is computed.

Basically, we take the profit before federal and foreign taxes on income, and adjust for certain items that have little or nothing to do with the efficiency of day-to-day operations. This leaves us with an “operating profit,” and 12 percent of this amount is set aside for the cash profit sharing pool. The amount in the pool is then divided by the eligible payroll, thus determining the appropriate profit sharing percentage.

One of the reasons for the very large improvement in profit after tax, was the fact that this year our tax rate was appreciably lower than it was in 1973, due to the lower average foreign tax paid by the company. Thus, although our net profit after tax improved 66 percent, our profit before taxes increased only 60 percent. In addition, there were substantial pay increases during the year, and the number of eligible employees increased by about 3,000 people.

Even so, the bonus percentage paid for the year was 7.81 percent as compared with 6.85 percent last year. In dollars, the amount paid out in 1974 was $20,561,029, as compared with $13,295,323 in 1973. I think these numbers more than anything else demonstrate how effective our profit sharing plan is, for in a year of great performance by all of you, we really had something substantial to put in the bonus pot even after the increase in basic wage rates.

Enough for business. This is the holiday season and Dave and I would like to wish all of you a very Merry Christmas and best wishes for the New Year—and once again, thank you for a great job well done.

Bill Hewlett
Peace among nations
Joy to the world