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**I N T E R O F F I C E   M E M O R A N D U M**

**Doc. No:** 030318  
**Date:** 20-Aug-1992 11:27am EDT  
**From:** Ken Olsen  
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**Dept:** Administration  
**Tel No:** 223-2301

*Bob Palmer*  
**TO:** See Below  
**cc:** Win, BOB, & others

**Subject:** CUTTING OUT THE POWER SUPPLY FUNCTION

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I hear it is your plan to cut out the Power Supply Design group and to shut down the Hong Kong power supply Manufacturing group. I would like to insist, as Chief Executive Officer, that you do not do this at this time and that when you are ready, you propose this move to the Board of Directors with input from inside customers.

One of the key premises on which Digital was built was that we would not produce power supplies as IBM did where specifications were drawn in detail, passed on to the power supply specifying group, then to purchasing, and then to the supplier with each person adding cost and "improving the specifications".

It has been a key strategy at Digital to have the power supplies an integral part of the design of any device we build. To drop this capability now, without being initiated by our equipment designers, I think will have very serious consequences.

Buying outside sounds easy and is a cheap way of avoiding the need for expertise, but it often costs more, i.e., our terrible experience with selling someone else's PC.

We also laid down the rule that we would never build anything we could buy. This is not inconsistent with the first rule. The design and specifying of power supplies does not mean we design them all ourselves. It just means we have power supply experts take part in the design, whether it means using something that had already been designed and was in production, or buying something that would do the job that was readily available, reliable, and trustworthy. A new design should only be

initiated to be manufactured at Digital when there is an  
overwhelming good reason for it.

KHO:lp  
KO:7677  
(DICTATED ON 8/20/92, BUT NOT READ)

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