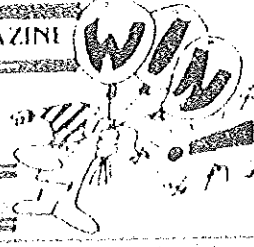
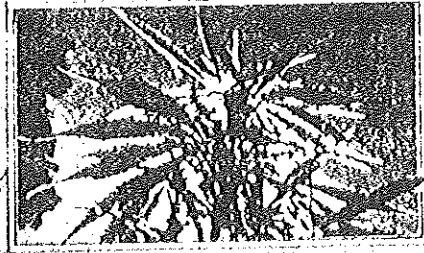


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Final Edition

How Japan stifles U.S. semiconductor industry

Chemical spills tarnish industry's image

By Susan Yoachim Staff Writer

When the apricot, prune and pear orchards of the pristine Santa Clara Valley of the 1940s began to be replaced by low slung industrial buildings, local politicians and city boosters were glad the newcomer was the environmentally clean electronics industry.

"I remember being so happy that we were having clean industry come to our community," San Jose Mayor Janet Gray Hayes said Saturday. "I remember thinking about the smokestacks at other industries around the country."

That faith in the non-polluting nature of the electronics industry has been shaken in the past month by the revelation that hazardous or, in some cases, toxic chemicals have contaminated Santa Clara County ground water, in two cases water intended for residential use.

"I didn't expect this problem to erupt in my own community," Hayes said.

"Let me put it this way," said Tom Hinkelman, executive director of the Semiconductor Industry Association. "The companies, the cities and the citizens mutually believed that (electronics) was a non-pollut-

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By Bruce Entin Business Writer

The Japanese government systematically has nurtured the growth of its own semiconductor industry and manipulated its market to discourage U.S. chip makers from doing business in Japan since the mid-1970s.

Those findings will be released Monday by the Joint Economic Committee of Congress as part of an exhaustive two-year study of the Japanese and American semiconductor industries.

The 183-page report, titled "International Competition in Advanced Industrial Sectors: Trade

and Development in the Semiconductor Industry," was compiled by researchers at the University of California at Berkeley. An advance copy was obtained by the Mercury News.

The report details what executives of Silicon Valley chip makers have been charging for years: that Japanese electronics firms, with the aid of their government, easily can raise huge sums, sacrifice short-term profitability for the sake of establishing techolds in critical markets and carve out non-competing niches of business for themselves.

The study evoked predictable reaction from American observers of

the \$14 billion worldwide semiconductor industry. Semiconductor are tiny silicon chips used to power computers, digital watches, and many other electronic products.

"This study brings into sharp focus the concept of 'Japan Inc.,"' said Warren E. Davis, director of research for the Semiconductor Industry Association, a trade group based in Cupertino. "And it clearly shows how the Japanese government excluded participation of American firms in the Japanese market. That gave Japanese companies a base for launching an aggressive semiconductor export

Continued on Page 7A

Train wreck blocks SP main line



White House wants to stall budget talks

The New York Times

WASHINGTON - The White House, conceding that President Reagan lacks the votes in Congress for

Chemical leaks prompt questions about firms' cleanliness

Continued from Page 1A

ing industry. That's the way it can be and should be. You talk about guarantees. I just don't have an answer for that at this point."

The national association — based in Cupertino — represents the country's 55 major semiconductor companies.

The cause of concern is a series of recent leaks contaminating ground water. In South San Jose, a public drinking-water well was contaminated from an industrial cleaning solvent called 1,1,1 trichloroethane. In Mountain View, one family's private well was contaminated with trichloroethylene (TCE), a degreasing and cleaning solvent suspected of causing cancer.

Now government officials, water company officers and industry executives are trying to learn the extent of ground-water contamination. So far, no one is sure.

"We don't know. I don't really know how many tanks are out there," Hinkelman said. "In the next six weeks, we'll know more."

Peter Giles, president of the Santa Clara County Manufacturing Group, whose members are 75 major companies in the Valley, said the recent chemical leaks are "a problem that's been identified, and a solution has to be developed. We just don't know enough about the problem and how far-reaching it is."

Hinkelman, Giles and Hayes intend to meet Monday to discuss ways of determining the extent of the problem.

Santa Clara County's largest water company considers the threat serious enough to begin testing water to ensure the purity of its wells near large electronics plants.

Homer Hyde, vice president of San Jose Water Works and a member of the Regional Water Quality Control Board for the past eight years, said his company will begin taking samples within two weeks.

San Jose Water Works has 158 wells serving 190,000 households in San Jose, Los Gatos, Saratoga, Cupertino, Campbell and Monte Sereno.

"I don't think the water industry had looked upon (electronics companies) as a potential problem. I think it's something we've now been made aware of," Hyde said. "We're going to be more alert to where these plants are, and we will do some testing."

The ground-water contamination problem has implications far beyond the Silicon Valley.

Hinkelman said the Semiconductor Industry Association is organizing a nationwide task force to study the problem of hazardous chemical storage and containment. He said he hopes the task force will be able to recommend improved standards that could be codified in the Uniform Building Code, used in every state.

Hayes said the past month's discoveries have taken her by surprise because she "honestly thought there were higher levels of government that were focused in addressing this problem, such as the regional water quality board, and the health departments in the county and state."

"I was assuming that these other agencies are monitoring the situation. I think it is a shame that I, as mayor, have to read it in the newspaper," Hayes said.

Meanwhile, officials from the state Regional Water Quality Control Board and the state Department of Health Services are investigating seven chemical leaks at five major electronics companies in the county. In each case, the ground-water supply extending 15 to 20 feet into the ground has been affected.

Most county residents get their drinking water from the deeper aquifers, or porous underground rock layers containing water, located about 50 feet beneath the surface.

Here is a list of the recent chemical leaks contaminating ground water.

✓ Fairchild Camera and Instrument Corp. in South San Jose. The cleaning solvent 1,1,1 trichloroethane seeped from an underground solvent storage tank into the ground water and into one of the 12 wells owned by the Great Oaks Water Co. The levels of the chemical contaminant found in the well were as much as 29 times greater than the state's acceptable standard. The water company serves about 16,500 households.

✓ Fairchild Camera and Instrument Corp. in Mountain View. The cleaning solvent trichloroethylene, a suspected carcinogen, is believed to have oozed into the ground water from an underground neutralization pit. The levels of TCE found in ground water near the plant were more than 10,000 times higher than the state's acceptable standard. No public drinking-water wells were found to be contaminated.

✓ The former Intel Corp. plant in Mountain View. TCE leaked into the ground-water supply from an underground solvent-storage tank that had not been used by the company since April 1981. The levels of TCE found in the ground water were up to 10,000 times greater than the acceptable standard.

✓ The private drinking well of Joseph and Linda Silva, Mountain View farmers, was found to contain levels of TCE 14 times higher than the standard. Their well is near both the Fairchild and the Intel leaks, as well as other electronics-company plants. But so far, state water officials are not certain of the source of the TCE.

✓ Signetics Corp. in Sunnyvale. Chemicals including TCE, perchloroethylene, xylene, phenols and other

toxic chemicals leaked into the ground from a split in a pipe that leads to an underground storage tank. City officials closed three of Sunnyvale's nine public wells Thursday as a precaution until water-analysis test results are received this week.

✓ Hewlett-Packard Co. in Palo Alto. Industrial solvents, including isopropyl alcohol, alcohol, xylene and TCE, leaked into the ground water in 1980 from an underground solvent-storage tank. Public drinking water was not affected.

✓ Hewlett-Packard Co. in Palo Alto. A second underground storage-tank leak involving the above solvents and acetone reached the ground water in 1981. No public drinking water was affected.

✓ IBM Corp. in San Jose. Hazardous chemicals including 1,1,1 trichloroethane, xylene and kerosene seeped into the ground water from underground storage areas in September 1980. The leak did not affect public drinking water, according to tests of water from the wells on IBM property.

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