

Google cutting 4,000 jobs at Motorola unit (Update)

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In this Feb. 2, 2011 file photo, a Motorola Mobility Xoom tablet is shown at Google headquarters in Mountain View, Calif. On Monday, Aug. 13, 2012, Google announced it is cutting about 4,000 jobs at its Motorola Mobility cellphone business and will close or consolidate about one-third of its 90 locations. (AP Photo/Paul Sakuma)

(AP) — Google Inc. is making its largest round of layoffs ever as it announced plans to cut about 4,000 jobs at Motorola Mobility just three months after buying the struggling cellphone pioneer.

The move isn't surprising given years of plummeting sales at Motorola, but it signals that Google doesn't intend to drag Motorola along as a money-losing venture.

After the announcement, Google's stock rose \$18.01, or 2.8 percent, to

close Monday at \$660.01.

The reductions represent about 20 percent of Motorola Mobility's 20,000 employees and 7 percent of Google's overall work force. Google says two-third of the job cuts will take place outside of the U.S.

Google, which has been growing for more than a decade, doesn't have a history of mass layoffs. In previous rounds of layoffs, Google at most had cut a few hundred workers.

Motorola, however, cut thousands of jobs in recent years as its cellphone division saw sales plummet. Although it pioneered the U.S. cellphone industry in the 1980s, it hasn't produced a mass-market hit since it introduced the Razr cellphone in 2004. Once the second-largest phone maker in the world, Motorola no longer ranks in the top 5.

Motorola now makes phones that run on Google's Android operating software, but rivals such as Samsung Electronics Co. have been more successful at it.

Motorola split into two in early 2011. Google snapped up Motorola Mobility, the half that makes cellphones and cable set-top boxes, for \$12.4 billion. Motorola Solutions, which makes police scanners and other professional products, remains a separate company.

The Motorola deal is Google's largest acquisition ever and plunges it into the business of consumer products. It puts Google in a position of competing with the same companies it considers partners.

Google has pledged to keep the Motorola hardware business separate from its Android software division and promised to treat Motorola like an outside company. It turned to AsusTek Computer Inc. rather than its own division to make a Google-branded tablet computer called Nexus 7.

Google's chief goal in buying Motorola was to use its large patent portfolio to bolster its legal defenses.

Apple has been suing Samsung, Motorola and other makers of Android smartphones, saying they copied the iPhone. By acquiring Motorola's patents and transferring them to Android phone makers such as HTC Corp., Google can bolster their legal defenses and set them up to counter-sue Apple.

Morgan Stanley analyst Scott Devitt wrote in a morning report, before Google's announcement, that he believes Google is limiting its ambitions for Motorola Mobility, a strategy he believes to be good for investors. Devitt expects Google to curtail Motorola to producing just a few smartphone designs per year and perhaps some tablets as well.

Before the acquisition, Motorola had been trying to turn itself around by focusing on smartphones, which have higher profit margins than regular cellphones. In the first quarter, Motorola sold 5.1 million smartphones and 3.7 million "dumb" phones. The cuts announced Monday will shift the company toward smartphones even further.

The migration toward smartphones has slowed Motorola's decline, but it has still lost money in 14 out of the past 16 quarters.

Google said in a filing with the Securities and Exchange Commission that the latest cuts are intended to make the business profitable. But the company warned that investors should expect revenue to fluctuate over the next few quarters, and sales will drop before the cost savings take effect.

Severance payments will cost Google about \$275 million, which will largely be charged in the current quarter. The company also expects to book an unspecified amount in restructuring charges, mostly in the

quarter.

Google also said it will close or consolidate about one-third of its 90 locations.

Motorola announced in June that it would move its headquarters from the Chicago suburb of Libertyville to downtown Chicago.

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