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Study touts impact of chip fab: State investment similar to one offered to AMD would be beneficial, analysis shows

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COLONIE, Apr 02, 2008 (Albany Times Union - McClatchy-Tribune Information Services via COMTEX) -- -- An Arizona company revealed a study Tuesday that shows New York's billion-dollar incentive package for Advanced Micro Devices Inc. could pay hefty dividends in new jobs, economic growth and tax revenue.

The company, Semico Research Corp., did an economic analysis of the impact that a \$650 million investment by the state in a computer chip factory would have on the upstate economy.

The analysis found that the \$650 million, paid out over six years, would help create 5,514 jobs, for a cost of about \$117,800 per job.

When new tax revenue and goods and services created both directly and indirectly are measured, the return on the state's investment would be a whopping 466 percent after five years, the study claimed.

In the first year alone, the impact on the economy would be \$377 million. That's more than the \$200 million the state would pay out in the first year.

"When you attract a manufacturing facility to your region, you bring a lot of other businesses, and you bring enterprises that spawn other businesses so it's much more than a semiconductor fab," said Sherry Gerber, a senior vice president with Semico.

AMD is planning to build a \$3.2 billion computer chip factory, or chip fab, at Luther Forest Technology Campus in Saratoga County.

But Semico officials said the study did not use AMD's project as an example, although it's similar.

Instead, a generic fab with 1,160 workers was used. AMD is planning to employ 1,465 people at Luther Forest.

National Grid, upstate New York's dominant electric and natural gas utility, paid for the study, along with the Center for Economic Growth, an economic development group based in Albany, and Mohawk Valley EDGE, a similar group in Oneida County.

National Grid would benefit greatly from the construction of a chip fab because the buildings use a tremendous amount of electricity and natural gas.

EDGE is marketing its own site in Marcy, outside Utica, for a chip fab. AMD says the Marcy site, an undeveloped property known as the Marcy NanoCenter, came in a close second to Luther Forest for its new fab.

The Semico study was presented Tuesday afternoon at The Desmond Hotel & Conference Center in Colonie. Semico found that construction of the fab over the first year and a half would create 1,500 laborer jobs.

Supporting businesses, such as warehousing, delivery, chemical disposal and security, would spring up to employ 435 people.

The need for more schoolteachers, police officers, restaurant workers and hotel staff would create 2,419 more jobs.

F. Michael Tucker, chief executive of CEG, said the study was done to get "verification and validation" that further investment by the state in the semiconductor industry would pay off in upstate New York.

The study also rebuts media reports that the state's \$1.2 billion incentive package for AMD equals \$1 million per job created. AMD initially said the fab would employ 1,200 people, but the figure was later revised.

Semico said the average fab wafer operator -- an entry-level job -- would earn \$40,000 a year, with engineers getting \$75,000 and managers getting \$110,000.

While 70 percent of the wafer operators would be hired from the local work force, up to 80 percent of the engineers and 70 percent of the managers initially hired would have to be recruited from outside the region, the study found.

Semico officials also said a chip fab in upstate New York would have other benefits, such as lifting real estate prices 15 percent over two to three years.

"It's a boost to the local real estate market," said Semico President Jim Feldhan. "It's certainly good for the local homeowner."

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Future jobs

Semico Research Corp. estimates \$650 million in state aid for an upstate computer chip factory will help create 5,514 jobs. Here is the breakdown: Construction staff: 1,500 Fab workers: 1,160 Outside fab support: 435 Support industry and local business jobs: 2,419 Cost per job: About \$117,800

Source: Semico Research Corp.