

A future filled with promise

First published: Sunday, April 20, 2008

MALTA - When you ask officials in Dutchess County whether New York's investments in IBM Corp.'s computer chip fab expansion in East Fishkill were worth the price, they don't skip a beat.

"Those are the highest-paying jobs outside of the finance industry," said Anne Conroy, president of the Dutchess County Economic Development Corp. "It is wealth-creating. It is impossible to undervalue the value to the economy."

IBM expanded and upgraded its technology at the East Fishkill chip fab in 2002 in a \$2.5 billion project.

New York's contribution to that project was nothing compared to the \$1.2 billion package -- including \$650 million in cash -- the state is offering Advanced Micro Devices Inc. to build a \$3.2 billion computer chip factory in Saratoga County, say state economic development officials.

Original press reports put the state's IBM contribution at \$500 million, but an Empire State Development Corp. official said New York's actual cash contribution to IBM was far less.

When Gov. George Pataki announced the AMD deal in June 2006 -- and AMD was forecasting 1,200 workers at the plant -- critics said the incentives amounted to \$1 million per job.

That is one of the reasons National Grid, which would supply electricity to the AMD plant, and other upstate economic development groups paid an Arizona company to do an in-depth analysis of just how a \$650 million cash investment in a chip fab would benefit upstate New York.

The study by Semico Research Corp., which was made public earlier this month, does not specifically examine AMD's plans, although it closely mirrors them.

For example, the Semico study predicts 1,160 workers employed by the fab, about 300 less than AMD now forecasts.

And the study suggests 1,500 construction workers building the fab over a period of 1.4 years, while AMD has said it expects 1,700 workers on the job at the peak of construction.

AMD has yet to officially commit to the fab, which would be built on a 200-acre site at the Luther Forest Technology Campus in Malta.

The company has until the end of July 2009 to make a decision about the project and still be eligible for \$650 million in cash from the state. But the project already is going through regulatory review in Malta, and the company is hoping to start preliminary construction activities on the site as early as this summer, with a building permit in place by the end of the year.

Until AMD does commit to the project, the Semico study provides the only look at what New York state's proposed investment in the AMD project could provide the Capital Region economy.

Overall, the report finds a \$650 million cash investment by the state into a chip fab will result in the creation of 5,514 jobs, including the 1,500 construction jobs and the 1,160 fab workers.

Salaries would range from \$40,000 for entry-level positions to \$110,000 for managers at the fab.

The study also found the state's investment equates to \$117,800 per job, and the state's 10-year return on investment will top \$6 billion, considering all new tax dollars and economic activity generated by the plant and spinoff economic activity.

"This report confirms the incredible economic impact that AMD and the industry will have at Luther Forest," said F. Michael Tucker, chief executive of the Center for Economic Growth, an Albany-based regional economic development group that helped pay for the study.

Not everyone agrees with the report's findings or methodology.

Ron Deutsch, executive director of New Yorkers for Fiscal Fairness, a consumer watchdog group based in Albany, said he would not include the

1,500 construction jobs in the job-creation totals because they are temporary jobs, lasting less than two years. He also believes the \$117,800-per-job investment is high compared to other state economic projects.

Deutsch also wonders about the future cost of the infrastructure improvements New York and Saratoga County are making now before AMD has committed.

That includes the state's \$22.4 million Round Lake Bypass project, which would provide a route for AMD trucks around the village of Round Lake, and the county's \$67 million water line project, which would provide millions of gallons of water a day to AMD.

Deutsch said he believes those kinds of costs will run state and local governments \$300 million, all committed before AMD -- which is struggling financially -- even makes up its mind.

"What happens if they don't come?" he said. "Then we're out \$300 million?"

Both the labor unions and the study's author believe including the 1,500 construction jobs is both fair and necessary.

"Their benefit to the community is less than the permanent jobs, but still significant," said Jim Melius, a spokesman for the New York State Laborers' Union, a collection of more than 35 local unions.

He said the Semico study likely didn't take into account other construction work, such as the Round Lake bypass and building for support businesses and periodic maintenance and renovations at the plant.

"I would expect that there could be significant renovations to the facility over a 20-year period that would add to the job creation," Melius said.

Jim Feldham, president of Semico, agrees that construction jobs should be included in the job-creation totals, and he noted that an investment of \$117,800 per job is within the same range as the cost of other manufacturing jobs in the highly competitive semiconductor industry.

Timothy Dunn, vice president of economic development at Mohawk Valley EDGE, an Oneida County economic development group that also sponsored the study, said economic developers typically don't always look at the cost-per-job investment in examining potential deals.

But he said the \$117,800-per-job figure is well worth it, considering it would pay for itself -- even for entry-level jobs -- within about three years.

"In three years, it's certainly worth the effort," Dunn said.

The real reason the cost-per-job figure was included in the study was because critics had slammed the state for offering AMD what seemed to be \$1 million per job when the deal was first announced.

"We wanted to dispel this myth that had been created artificially that the semiconductor industry has a high cost-to-benefit ratio," he said.

Mohawk Valley EDGE is hoping to benefit from the study because it, too, is vying for a computer chip fab at a 300-acre site it is marketing in the town of Marcy, outside of Utica.

The group believes the study shows the merits of New York state offering a similar incentive package to a chip manufacturer that would locate at its undeveloped site, known as the Marcy NanoCenter.

After releasing the study in a two-hour presentation in Colonie April 1, Semico's Feldham said the company was extremely conservative with its economic assumptions, which helps with the credibility of the results.

Because of that, the study leaves out many benefits that others in the community are anticipating if AMD does build its fab at Luther Forest.

Malta Town Supervisor Paul Sausville said tax rates in the town already are extremely low. But property owners such as those in the Ballston Spa Central School District will benefit from the money that would flow into the district from AMD, he said, although he did not have detailed figures.

"If school budgets remain stable, property taxes in these areas will go down," Sausville said. "If the school board expands their budget to meet added school tax revenues from AMD, school taxes could remain the same."

Malta also is negotiating a package of undetermined "host community benefits" with the town. Sausville and AMD confirmed the two are still discussing the terms of those benefits, which could range from money for education to cultural amenities.

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\$500 million for upstate

Here is a breakdown of the expected economic benefits of a computer chip fab in upstate New York during the construction phase (1.4 years), using 1,500 workers:

Labor: \$135 million in construction salaries

Multiplier effect: \$353 million in construction spending

State income tax collected from construction firms: \$16.3 million

State sales taxes collected: \$7.5 million

County sales tax collected: \$8 million

Total: \$519.8 million

Source: Semico Research Corp.

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