

Hynix, solar company talk

Building: State, local officials report negotiations but say it's no sure thing

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KEVIN CLARK/The Register-Guard

People walk along the back side of the Hynix semiconductor plant on Thursday afternoon. The factory is scheduled to close over the next two months, leaving more than 1,100 people without jobs.

The soon-to-be emptied Hynix computer chip plant eventually could be converted into a solar-power component factory, officials said.

Top Hynix officials are negotiating with a firm to occupy the 1 million-square-foot factory in west Eugene after the chip manufacturer shuts down later this year, Gov. Ted Kulongoski told The Register-Guard earlier this week.

Jack Roberts, head of the Lane Metro Partnership business recruitment agency, confirmed Thursday that the talks involved solar-power- generating silicon product manufacturing.

“It makes sense,” Roberts said. “It’s a process very similar to what (Hynix does). It’s a similar employment base. Their demand for energy and water is very much the same — and we obviously have all that stuff.”

But Roberts and state business recruitment officials — who are negotiating with a half-dozen out-of-state solar panel manufacturing firms and expect to land one or more somewhere in Oregon this

year — cautioned that the outcome is not guaranteed.

“The economy is weak,” Roberts said. “This is a competitive area (of business). I wouldn’t want to hold out any false hopes that this is going to happen. On the other hand, we’re going to do everything we can to make it happen.”

Hynix’s departure will put 1,113 employees and 300 contract workers out of work over the next three months. The Hynix jobs started at about \$12 an hour, and they included medical, dental, vision and vacation benefits. The large layoff is considered a massive blow to the local economy.

Solar panel making is an iffy prospect for a town looking for economic salvation, officials warned.

If the local area’s experience with other large, vacant high-tech facilities is any indication, it may be a long wait before another user sets up shop in the Hynix plant.

Sony’s 327,000-square-foot compact disc plant in Springfield was shuttered for more than a year after the company pulled out in April 2003.

PeaceHealth bought the building in August 2004. It now houses PeaceHealth’s lab division, Oregon Medical Labs.

The former 106,000-square-foot HMT Corp. hard drive disk factory in west Eugene languished on the market for four years before it was sold to a water bottling company that markets Aquarius brand bottled water.

Both buildings sold at substantial discounts from their initial asking prices.

“The prospects for immediate re-use (of the Hynix plant) are not high,” Eugene commercial real estate broker Alan Evans said.

“Large facilities such as this are built with a single purpose in mind. So if they’re closed, the pool of potential users is very limited. Thus, the down time of the property is usually measured not in months but in years.”

Still, there are reasons for hope.

The demand for solar energy systems is increasing globally by at least 25 percent a year and more than 50 percent a year in the United States, which has lagged behind Germany and Japan in the technology, according to industry estimates.

Now, in Oregon, it is getting a lot of attention.

“Solarmania!” said Jim Craven, spokesman for the AeA Oregon Council, an electronics trade association.

Venture capitalists, large corporations and institutional investors are pouring money into solar energy development, said Bruce Laird, an Oregon state government business recruiter.

Oregon uses tax breaks to try to lure ventures here. The state’s “renewable energy resource equipment manufacturing facility” tax credit, for instance, is good for 50 percent of the facilities up to \$40 million.

That is in addition to enterprise zones, strategic investments and other incentives the state offers.

In the past year, as many as a half-dozen solar manufactures have toured Oregon in search of factory locations, Roberts said. It’s a highly competitive business, so they keep their activities

secret. State and local economic officials refer to them with code names, such as Project Ark, Project Tahoe and Project Harvester.

“There are some legitimate companies behind this,” Roberts said. “They’re talking about huge investments and employment.”

Firms are looking to locate on large tracts of land — more than 100 acres. The scale is amazing, Laird said.

“We will not talk about customers we have in the works, but I can tell you there’s more than one,” he said. “When I say this is a historic market opportunity, I am being very factual. We hope to have several new (solar) projects hit the ground yet this year.”

The Hynix plant sits on 205 acres, but about three-quarters of the property has extensive wetlands, making it hard to obtain construction approvals. The Hynix factory complex itself is huge — about the size of nine Costco stores.

Oregon has precedent for a solar manufacturer taking over a vacant semiconductor plant. The Germany-based SolarWorld AG bought the Komatsu-Group chip plant in Hillsboro in 2007 and expects to begin turning out solar cells in October. Initial employment is 350.

Hynix employees — who on Thursday declined to be identified for fear of retribution by the company — report contact at the Eugene plant with Jusung Engineering, a South Korean equipment manufacturer, which recently launched a solar-panel manufacturing venture with the Indian firm Goldstone Infratech.

The group is building a production facility in Hyderabad, India, to supply the European market. It’s expected to begin production in March, according to news reports. Goldstone Infratech intends to set up solar panel plants worldwide, according to a company news release.

Kiseung Lee, manager of Jusung America Inc., the Korean firm’s U.S. subsidiary based in Austin, Texas, declined to comment about the Hynix plant.

Jusung’s solar design-and-manufacturing process produces thin-film solar panels, an appealing technological development, Laird said.

Oregon has “targeted thin film as a way to diversify our manufacturing base. We’d really like to see a project in that area,” he said.

Laird was cautious about the Hynix plant’s future.

“I don’t want to be overly optimistic because that could play out in a cruel fashion,” he said. “(But) the community is fabulous. It’s got all the right green policies. It’s got a drop-dead work force, a university structure. It’s got a strong solar component that’s growing. If there was a place we should see success it would be there: in the Eugene market.”

If a solar business fails to emerge at the Hynix site, there are other possibilities.

“It has to be some kind of major manufacturer to take advantage of that large space,” said Roberts, the business recruiter, who will help Hynix try to find another use for the site.

Hynix’s hillside location probably wouldn’t be ideal for building RVs or airplanes, he said.

“Hynix chose that for a certain type of use, and we’re more likely to find something similar that will fit there, rather than to retrofit it to something else,” Roberts said.

The site’s next occupant might not be immediately apparent, he said.

“When Sony shut down and we were thinking what to do, Oregon Medical Labs didn’t immediately come to mind,” Roberts said.

Hynix officials have said they are closing the Eugene plant because it manufactures dynamic random access memory chips from outmoded 8-inch wafers. The industry standard has become the more profitable 12-inch wafers.

Hynix and Micron, a computer memory maker based in Boise, are using some of their older 8-inch facilities to make image sensors, which are used in digital cameras.

The problem is that so many companies have turned to that market that it has created a glut of image sensors, said Bob Merritt, memory market analyst with Semico Research in Phoenix, Ariz.

Hynix may consider the Eugene plant obsolete, but plenty of nonmemory semiconductor manufacturers would not, he said.

“The fact that (the plant is) no longer commercially viable for memory products does not mean it’s not commercially viable for other semiconductor products,” Merritt said.

Producers of semiconductors for communications or automotive industries, for example, would consider an 8-inch facility an upgrade, he said.

If a lower-tech semiconductor company went into the Hynix plant, it probably would close down an older facility of its own, said Semico Research’s Senior Vice President Sherry Garber.

She suggested that Eugene might see if Microsoft or Google would convert the Hynix plant to a “server farm” — a huge bank of networked servers to run complex databases. Some former chip plants in Texas have been transformed into server farms, Garber said. Microsoft and Google already have server farms in Washington because of the low electric rates, she said.

Such a facility probably would require slightly fewer workers than Hynix, but at higher pay, Garber and Merritt said.

Beyond that, the factory would appeal to any business that uses lots of power and could use sophisticated air filtration and pressurization systems.

Garber and Merritt said they had never heard of a semiconductor factory turning into a hospital, but Merritt said that the huge air filtration systems that scrub the air in Hynix’s clean rooms would be consistent with a hospital environment.

Craven, the AeA Oregon Council spokesman, hadn’t heard of any hospital conversions, either. But he said the air filtration systems are amazing.

“People who work in the bunny suits who suffer from seasonal allergies say it’s wonderful,” he said. “At least on that 8- to 12-hour shift, there’s no pollen.”

McKenzie-Willamette Medical Center in Springfield has been looking for an expansion site, but hospital spokeswoman Debi Farr said, “At this point, (Hynix) is not a site that we have under consideration.”

The Hynix site is too far away from the hospital’s Springfield base of patients and it also would be too far away from other area hospitals where physicians practice.

“Physicians want to spend their time caring for patients, not in the car,” Farr said.

