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# Cutbacks ahead at Roseville's NEC Electronics plant

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Roseville's NEC Electronics computer chip plant will shut one of its two production lines in March 2010, the result of the weak economy and changing technologies.

The shutdown is sure to mean layoffs for some of the plant's 750 workers, although the number isn't known. The size of the layoffs would shrink if there's enough attrition over the next 14 months, or if there's a boost in demand for the chips made on the surviving manufacturing line, said Denise Iwata, spokeswoman for NEC Electronics America Inc.

"Summer, we'll have a better idea," she said.

For now, the deepening recession is curbing overall demand for NEC's chips, which are planted in computers, cars and other products. The company's announcement Thursday is a further sign of how far the recession has spread to the technology sector.

Layoffs have hit at such tech titans as National Semiconductor and Google, and chip maker Intel Corp. announced last week it will cut 6,000 manufacturing jobs. Roseville's other big tech employer, Hewlett-Packard Co., laid off 70 workers last year, according to state records. HP could make more cuts as it integrates its new acquisition, EDS.

Chip makers "are looking at a prolonged, one- or two-year period of slumping demand," said Nathan Brookwood of Silicon Valley market research firm Insight 64. "People aren't buying as many PCs, they're not buying as many cell phones, they're not buying as many cars."

The very nature of the slump is adding to chip makers' anxiety. Previous downturns were self-inflicted; chip companies simply overbuilt capacity, said analyst Rich Wawrzyniak of Semico Research Corp.

This downturn has been caused by factors beyond the industry's control, he said.

"A lot of people in the industry are having difficulty ... getting their hands around this problem, because it's external," he said. "It's coming from a direction we've never anticipated."

The manufacturing line that NEC is closing was installed in 1991. It makes silicon wafers that are 6 inches in diameter, Iwata said. Chips are then cut out from the wafers.

Two years ago, the plant started a second line that makes 8-inch wafers, which is more cost-effective. And because of the intricacies of the production process, NEC can make more sophisticated chips from the larger wafers, she said.

Demand for those newer-generation chips has grown but not as quickly as expected. Meanwhile, demand for the less sophisticated chips has diminished more quickly than NEC forecast.

The Roseville plant has often ridden a roller coaster of sorts. Employment hit 1,500 during the late 1990s boom and shrank dramatically when the tech bubble burst. Employment has never fully recovered, although NEC hired 60 workers two years ago when the new production line opened.

Despite the reduced employment, "they are one of our basic employers," said Julia Burrows, Roseville's economic development director. "They're very important to the local economy."

Iwata said the shutdown doesn't signal a lessening of NEC's commitment to Roseville.

"We're very entrenched in the Roseville community," she said. "We've been there 25 years. We plan to have a long future there, (but) the economy's affecting everybody."

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