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EE Times: Design News

Comment: This too shall pass?

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(03/13/2009 11:40 PM EDT)

URL: <http://www.eetimes.com/showArticle.jhtml?articleID=215900279>

Nobody was willing to call the start of an upturn, or even to say that the semiconductor industry has yet sighted bottom, but optimism was a reoccurring theme of the recent Semico Summit 2009 conference in Scottsdale, Ariz.

Though their speaking topics and presentation slides differed, executive after executive who took the podium said, essentially, two basic things: "This is the worst we've seen" and "Semiconductors remain critical to solving the world's problems and will grow again."

Tim Lloyd, a supply chain director at Intel Corp., may have said it best: "We wouldn't be in this business if we didn't feel there was going to be continued adoption of electronics and semiconductors."

Hector Ruiz, the former chairman and CEO of Advanced Micro Devices Inc., and now chairman of AMD joint-venture foundry spinout Globalfoundries, told the audience that he was an eternal optimist. "There will be a recovery," he said, and the changes underway in the industry will lead to "a tremendous amount of opportunity."

Jim Feldhan, president of Semico Research, projected that the industry would decline by 15 percent in 2009. But Feldhan [sees steady growth from 2010 through 2013](#) that will result in industry revenue crossing the \$300 billion mark. And he believes that inventories have gotten so lean that a recovery could happen very quickly once the economy starts to recover.

That's not to say that the presenters see business as usual around the corner. Some suggested some very fundamental changes in the way the semiconductor business operates will go hand and hand with an eventual recovery.

Ruiz [highlighted what he called a "flight to value"](#) in consumer products—a favoring of lower cost products over the latest and greatest bells and whistles—that could have ominous implications for the industry as we know it. He also said this downturn would lead to more consolidation than any before it.

Moshe Gavrielov, president and CEO of programmable logic supplier Xilinx Inc., predicted that [venture capital funding won't return to the semiconductor industry](#) even after the recession, something that, if true, would challenge a time-tested model for incubating innovation.

So why the upbeat vibe? Why the warm fuzzies? Executives are banking on several factors.

Green technology

Most—if not all—presenters highlighted opportunities for electronics and semiconductors in green technologies, including solar, smart grids, batteries, etc. In a sense this has become a standard straw for executives to grasp, but one with real implications. The bottom line is that a tremendous amount of money will be invested in new ways to generate, store and distribute energy, and nearly all will require semiconductors and/or semiconductor industry technologies.

"I think the semiconductor industry has a lot of room to participate in the new energy economy," Feldhan said.

"Every engineer has a motivation, whether in terms of market requirements or a more altruistic point-of-view, for energy efficiency," said Michael Noonan, senior vice president at NXP.

Emerging markets

Much of the growth in semiconductors in recent years has been driven by advances in emerging markets. But to hear some tell it, the surface has barely been scratched.

Gavriellov pointed to data from *The Economist* magazine that said that for the first time in history more than half of the world's population can be considered middle class, meaning they have some sort of disposable income beyond what they need to satisfy basic needs.

He pointed to Semico data that projected that the number of wireless subscribers in India will more than double between 2009 and 2013, reaching about 1.1 billion in that country alone. The trend is similar in other emerging regions, mainly in Asia, he said.

"This will be a huge help going forward, because they get the basic cell phone and then want more features over time," Gavriellov said. "There are huge opportunities to address these markets."

Gavriellov talked of the new ways technology is being used in emerging markets, such as fisherman in India using wireless messaging to determine which market to bring their catch on a given day.

Time in the trenches

Tsugio Makimoto, the IEEE Fellow and former executive at Sony, Hitachi and others (now chairman of PDF Solutions' Japanese subsidiary), noted that attendees at the Semico Summit were in a much better mood than were the attendees at a conference he attended last October. Why? Makimoto suggested that they'd had some time to digest what is happening. In other words, people have taken some shots, sized up the opponent (sort of), and moved on to the business of fighting back.

And this can be taken even further. Most of the attendees at the Semico event have been in this business for a long time. Some, including Makimoto, Ruiz, and Mentor Graphics Chairman and CEO Walden Rhines, have careers that stretch back on the order of four decades or more. They've seen this all, in some form, before. Many times. And the industry has always come back.

The overwhelming consensus is that this recession is deeper and more broad based than any in recent memory. Many people believe that this period will change the semiconductor industry irrevocably and perhaps in ways we can't predict. Many things are uncertain.

But some things are certain. One is the wisdom of experience. Another is that, short of apocalypse, semiconductors will play a critical role in the future of our world. Consumption of electronics is only going to increase in the long run. How we get there, and what exactly the path while look like, are question marks. But, at least for the attendees of Semico Summit, there is no doubt that this downturn, like others before it, will one day pass.

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