

# THE ARIZONA REPUBLIC

Intel plan may bring Chandler new plant

Expansion could produce 500 jobs

<http://www.azcentral.com/arizonarepublic/news/articles/0218Intel18.html#>

Jane Larson

The Arizona Republic

Feb. 18, 2005 12:00 AM

Intel Corp.'s Chandler plant is putting itself in the running for the company's next multibillion-dollar expansion.

Managers will file plans with Chandler today to build up to three more computer-chip plants and upgrade an existing one. The move is being made to increase Arizona's chances of being selected by corporate officials as the home for projects that could cement Arizona as one of Intel's top manufacturing locations worldwide. About 500 new high-paying jobs could be created.

It is no sure bet that Arizona would get the upgrade or the new plants, but analysts say its chances are as good as rival states Oregon and New Mexico.

"We all really want this to happen. We're optimistic," Intel spokeswoman Jeanne Forbis said.

John Kelly, public affairs manager for Intel in Chandler, added, "We're trying to position Arizona to put our best foot forward."

Intel, like other high-tech manufacturers, makes long-term plans for where to build factories and how to equip them with the latest technology.

Its latest factory opened last year in Ireland, and a Chandler factory, approved in 2003 for a \$2 billion upgrade, is to begin production late this year. Intel executives will decide on the company's next new plant in the second half of this year, possibly as early as June.

"This is great news. It's something that we secretly have been wanting to occur," Chandler Mayor Boyd Dunn said, adding that the city has been told that it meets Intel's requirements for expansion.

"It would mean great jobs and great economic development for the city," Dunn said. "It means that Intel is here to stay. It is not a done deal, but certainly by submitting, it means they consider us very viable. We want to make certain they are happy and remain here."

Arizona is competing for the expansion with other locations inside and outside the United States. Intel also has key manufacturing locations in Oregon, New Mexico and Ireland and derives an increasing share of its sales from Asia.

The plan proposes a two-phase expansion for Intel. It asks Chandler to amend a development plan approved in 2000 for the 692-acre Ocotillo Campus at Price and Queen Creek roads.

Site development manager David Olney said the first phase would be upgrading the second of its two wafer-fabrication plants. It also asks approval to build a third factory and related buildings.

Upgrading the plant known as Fab 22 would mean at least \$1 billion in new equipment and conserving hundreds of current jobs, Intel officials said.

If the third plant was built, it would mean more than \$2 billion in construction and equipment and adding an additional 500 high-paying jobs to the Valley.

The plan also has longer-term proposals for two more new factories on the site. That phase would be years away, if ever.

The near-term projects could be worth \$2 billion to \$3 billion, Kelly said. "I can't even speculate on the long-term potential," he said, "but obviously it is big."

If Chandler was passed over, it still would be up for future investments.

Intel has 9,500 employees in Arizona with an average salary, including bonuses, of \$66,000 a year. The company, headquartered in Santa Clara, Calif., is the world's largest semiconductor manufacturer, with \$34.2 billion in sales last year.

Intel is Arizona's fifth-largest private employer, and its chief executive officer, Craig Barrett, has lived in the Valley since moving to Arizona about 25 years ago to launch Intel's operations.

Analysts said Arizona has as good a chance as any place of winning Intel's next project.

"There is a strong advantage of building on an existing site or refurbishing it, because if you are happy where you are, and I assume Intel is, you are going to be a little reluctant to go to a new place where there are unknowns," said Bob Goforth, a partner in Leak-Goforth Co. LLC, a Florida site-selection company that has worked for the chip industry.

He called Arizona as well-positioned as Oregon and New Mexico in terms of its educated workforce and business climate. New York, where the chip industry has made big recent investments, is another possibility, he said.

Trevor Yancey, vice president of technology at Scottsdale research firm IC Insights Inc., noted Chandler is one of Intel's major production centers.

"Intel already has its centers pretty much established, so it seems like a logical move (to expand here)," he said. But Oregon and New Mexico are also contenders because of their advanced factories.

Asia would be a less likely choice, Yancey said, because Intel has tended to keep its front-end manufacturing closer to home and put its back-end operations in Asia. They are closer there to computer and motherboard manufacturers.

When choosing sites, Kelly said, Intel considers four general factors: the quality of an area's workforce and educational system, research activities, communications and other infrastructure, and the business climate.

Costs, including taxes, are part of the business-climate issue. Intel is among the multinational companies supporting a bill in the Arizona Legislature that would change the way corporate taxes are calculated. House Bill 2139 would allow companies to use a formula that relies less on the share of property and payroll they have in Arizona and more on the amount of sales they make within the state.

"The current formula is a demotivating factor for growth and investment, because if we increase our property and payroll in the state and our revenues stay neutral, we pay increased taxes," said Hillary Juel, government affairs manager for Intel in Chandler.

She declined to say how much the change would save Intel in corporate taxes.

The company also will consider the outlook for the semiconductor industry and how much capacity it will need to meet demand for computer chips, spokeswoman Jeanne Forbis said.

Although most analysts expect 2005 to be a flat year for the industry, the outlook for 2006 and beyond is bright.

"Those are going to be good years for the industry," said Tony Massimini, chief of technology at Phoenix-based Semico Research Corp.

Reporter Betty Beard contributed to this article.