



Intel joins other techies building plants in USA

By Michelle Kessler, USA TODAY

SAN FRANCISCO — Not all high-tech manufacturing is leaving the USA.

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No. 1 chipmaker Intel (INTC) on Monday announced plans to build a cutting-edge semiconductor plant in Chandler, Ariz., near Phoenix. The plant, which will cost \$3 billion, will employ about 1,000 workers when completed in 2007.

Intel also said it would spend \$105 million to revamp an old factory in New Mexico that is now idle. About 300 jobs will be created there.

Other tech firms are building U.S. plants, too. No. 1 PC maker Dell (DELL) recently broke ground on a giant factory in Winston-Salem, N.C. Computer memory-maker Infineon Technologies (IFX) expanded its Richmond, Va., plant last year. And giant IBM (IBM) opened a huge chipmaking plant in East Fishkill, N.Y., in 2002.

That may seem counterintuitive as the tech industry becomes increasingly global. The Semiconductor Industry Association (SIA), a trade group, estimates that two-thirds of the newest kind of chip factories will be built in Asia. Tech companies, including Motorola (MOT), Nokia (NOK) and Google (GOOG), have recently opened new facilities there.

But Intel Senior Vice President Robert Baker says the USA is the best place for Intel's new plant. "Arizona offers some unique advantages," he told reporters.

Among them:

- Skilled labor. Employees who manufacture extremely high-tech products, such as computer chips, must be able to understand statistics and scientific principles, says chip factory analyst Dave Cavanaugh of Semico Research.

"We're very pleased with the education system here in Arizona," Baker said.

- Intellectual-property protection. The USA has some of the world's strongest, best-enforced patent-protection laws. Tech companies may have a harder time protecting their intellectual property in other countries, Cavanaugh says.

- Tax breaks. About 70% of a chip plant's cost is the equipment that goes into it, not labor, Cavanaugh says. A tax break can help mitigate that cost.

Intel got a huge boost this year from a new Arizona law that allows companies to cut income taxes if they spend at least \$1 billion in capital investments.

- Easy oversight. Keeping a factory close to a company's headquarters allows managers to keep an eye on it. Intel is based in California.

Still, the USA has to fight hard for every new factory. SIA President George Scalise recently told Congress that the chip industry needs more tax breaks. Otherwise, he said, it will be forced to move more operations overseas.

North Carolina state and local governments gave Dell \$279 million in tax breaks to land its new factory, a deal now being challenged in court by several North Carolina businesses.

And many factories are still moving to other countries. Intel Chairman Craig Barrett told Israeli Prime Minister Ariel Sharon on Sunday that Intel plans to build a new factory in southern Israel that will employ 2,000, Sharon's office said. Intel declined to comment.

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