



Intel to keep new plant in U.S.

Arizona wins latest fabrication plant despite trend to build overseas

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SAN FRANCISCO -- Not all high-tech manufacturing is leaving the United States.

No. 1 chipmaker Intel 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.

Construction will begin immediately. Once completed in the second half of 2007, the facility known as Fab 32 will become the Santa Clara company's sixth factory to produce chip wafers that are about 12 inches in diameter.

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.

The other operating factories are in Oregon, Ireland and New Mexico, with others under construction in Ireland and Arizona.

The company declined to comment on its other growth plans. Recently, officials in Israel and India have indicated the company plans to build factories or other facilities in their countries, but Intel has refused to confirm the news.

The new Arizona factory will be about 1 million square feet, including roughly 184,000 square feet of clean-room space. It will be used to build the microprocessor brains of personal computers as well as other chips.

Other tech firms are building U.S. plants, too. No. 1 PC maker Dell recently broke ground on a giant factory in Winston-Salem, N.C. Computer-memory-maker Infineon Technologies expanded its Richmond, Va., plant last year. And 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, a trade group, estimates that two-thirds of the newest kind of chip factories will be built in Asia. Tech companies, including Motorola, Nokia and Google, have recently opened new facilities there.

But Intel Senior Vice President Robert Baker says the United States 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 United States 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 percent 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 United States 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.

State and local governments in North Carolina gave Dell \$279 million in tax breaks to land its new factory, a deal 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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