

# Intel move is a coup for California

■ **Top Story:** \$400 million project to add 250 jobs here.

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Countering the decade-old trend of high-tech manufacturing leaving Silicon Valley for lower-cost states or countries, Intel Corp. said Tuesday it will spend \$400 mil-

lion transforming a Santa Clara research facility into a major state-of-the-art factory.

The heavy reinvestment in Silicon Valley, which includes the addition of 250 jobs, sends a strong message that California can compete for high-tech manufacturing, government and business leaders said.

It also signals that California is still in the running among states competing for Intel's next major construction project — the building of its \$1.5 billion Fab 11,

which will manufacture future generations of microprocessors.

"The fact that a company as respected as Intel has made a determination to expand here will be watched by other companies," said Gary Burke, head of the Santa Clara County Manufacturing Group, an organization with 110 member companies that tries to shape public policies.

The factory is expected to produce 300,000 to 500,000 of Intel's advanced 486 and P5 microprocessors a week, once it

gears up late in 1993.

The output will make the plant — called D2 — as productive as any in Intel's system and will boost plant employment to 650.

Several factors influenced Intel's decision. It had a 300,000-square-foot building that was mostly empty and a pool of trained workers. Executives believed it was important to bring manufacturing close to the research and development

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wings.

In addition, company and state officials credited the streamlined regulatory permit process for taking the pain out of Intel's expansion. Getting approvals to install new equipment, instead of taking 18 months, took only three.

"It was so fast that permits are no longer an issue," said Intel Chairman Gordon Moore, in an interview after ceremonies announcing the move.

"We want to see to it that companies (that want to expand in California) aren't artificially hamstrung," said Gov. Pete Wilson, who attended the ceremonies Tuesday at the soon-to-be expanded plant next to Intel's headquarters.

"State and local officials have gotten the message that we have to be competitive at the bottom line," said Julie Wright, director of the California Department of Commerce. "Time is money."

Until recently, it looked as if all significant chip production were headed out of the valley. Intel eliminated all significant Silicon Valley production in 1990 when it closed its Fab 1 and Fab 3 facilities in Santa Clara and Livermore.

Two other major Silicon Valley companies recently announced plans to keep production in California:

■ Applied Materials Inc., a semiconductor equipment manufacturer, said last month it will add a research lab to its Santa Clara campus on Bowers Avenue.

■ And Apple Computer Inc. said it is closing manufacturing facilities in Fremont. But it softened the blow with news that it will move production to the Sacramento area, not out of the state.

"If you'd asked me a year ago if we'd ever invest this kind of money in a fab (fabrication plant) here in the valley, I'd have said, 'No way in hell,'" said Jerry Parker, Intel senior vice-president and general manager for components manufacturing and research and development.

Industry observers have generally felt that other Sun Belt states — primarily Arizona, New Mexico and Texas — were best positioned to land Intel's Fab 11, with their cheap land, low labor costs and willingness to cut deals.

"I think it's important that manufacturing be kept close to R&D," Moore said, signaling that California is still a viable contender. "Some companies have had models where R&D was here in Silicon Valley and manufacturing was elsewhere. What we're seeing is there's a lot of synergy to be realized by having them together."

Intel's main research facilities are in Santa Clara; Folsom, 25 miles east of Sacramento; and Aloha, Ore.

If Intel builds Fab 11 in California, it probably would be on a 236-acre parcel it owns in Folsom. The facility now there, which employs 2,500 people, is using less than 50 acres of the large site.

"Certainly California is not a cheap place to operate," Moore said. "But basic costs like for equipment and engineers are about the same everywhere, and labor is a smaller and smaller part of the total cost. A lot of our concerns are over things like permitting, what with our short product cycles. We can't afford to wait around. Getting good cooperation with public officials is really important to us."

State officials will make their pitch to Intel executives for Fab 11 Tuesday in Sacramento. It will be the second round of presentations. Intel also has confirmed it is considering proposals from Arizona, New Mexico, Oregon and Texas.

Intel executives said expansion at the Santa Clara site made sense because its 300,000-square-foot facility, built in 1989, was underutilized.

The facility had housed a production line that made six-inch wafers used to produce prototypes of flash-memory chips.

Most of the \$400 million is going for chip-making equipment, roughly half of which is being bought from U.S. equipment makers, reversing a trend toward buying from Japanese suppliers.

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