

Post-It™ brand fax transmittal memo 7671 # of pages > 2

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Saturday, July 16, 1994

Sematech might halt U.S. funding

Austin American-Statesman F5

Semiconductor consortium to try new strategy, scale back operations

By Kirk Ladendorf
American-Statesman Staff

Sematech signaled Friday that it will propose a phase-out of its \$90 million in annual federal government funding and a scaling back of its operations starting two years from now.

The board of directors of the 7-year-old chip manufacturing research consortium voted Friday "to propose a new model of industry-government cooperation," according to a statement released Friday.

The consortium, created in 1987 to help U.S. semiconductor companies boost their manufacturing know-how, will discuss the new

model with government officials in the next two months. No public announcements are planned until October.

Sematech employs 800 people, including 226 assigned from member companies. Most of its workers are in Austin.

The consortium has been praised by the Clinton administration as a model for government and industry cooperation in aiding a critical industry.

But Washington observers say Sematech's political allies are pushing for a plan to wind down the government's yearly financial contribution of \$90 million.

In a statement released after the board meeting in Austin, the consortium said it has succeeded in advancing chip manufacturing know-how in this country.

Now it will begin "a natural evolution" to a "project management and coordination role of the

See Sematech, F3

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Continued from F1

national roadmap for semiconductor technology," the statement said.

That new role "will lead to a change in Sematech's structure and funding levels," the statement concluded.

A consortium spokesman said that any change in Sematech funding "would provide a transition period of at least two years."

Spokesman John Pope said the board has voted to continue providing the consortium with \$90 million a year in industry funds "for the foreseeable future."

Sematech's request for \$90 mil-

lion in federal funding for next year has been passed by the U.S. House as part of the defense appropriations bill.

Friday's meeting was part of an annual exercise by the consortium's board in examining Sematech's strategic role in the U.S. chip industry.

The board is made up of representatives of the 11 member companies, the Defense Department's Advanced Research Projects Agency and Semi-Sematech, an association of equipment and materials suppliers.

U.S. Rep. Jake Pickle, D-Austin, a powerful backer of Sematech since its inception, said he expects

government funding for the consortium to continue at its present level for the next year or two.

"Our work here at Sematech will go forward as scheduled," he said. "There is no slowdown or change of pace."

After two years, Pickle said, Sematech might contract with government agencies for research work rather than receive a direct appropriation from Congress.

Sematech's announcement Friday follows suggestions from some supporters in Washington that it devise a way to phase out government assistance.

Arati Prabhakar, director of National Institute of Standards

and Technology and former government's principal with the consortium, said last month during a visit to Austin that Sematech needed a "strategy" for its financial relationship with the federal government.

Richard McCormack, president of a Falls Church, Va., new *Manufacturing News & Technology*, said Prabhakar's comments are shared widely. Sematech supporters in Washington.

"The semiconductor industry is back on its feet now," McCormack said. "It's healthy, very healthy, much more so than anyone predicted or expected."