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UICC fab fire causes \$416 million in damage

By Mark LaPedus

HSINCHU, Taiwan--The fire that broke out in United Integrated Circuits Corp.'s new wafer fab here on Friday caused about \$416 million worth of damage, completely destroying the plant's production equipment, according to managers at a press conference here today.

The blaze, which began on the first floor of UICC's 8-inch fab and quickly spread to the plant's cleanroom, took 36 hours to completely extinguish, according to Robert Tsao, chairman of United Microelectronics Corp. (UMC), which is the lead shareholder of the Hsinchu-based silicon foundry company. UICC is a joint-venture between UMC and seven North American chip companies--ATI Technologies, ESS Technology, Integrated Silicon Solution, Lattice Semiconductor, Oak Technology, Opti, and Trident Microsystems.

On Friday, Oct. 3, the fire began around 5:50 p.m. In the days following the fire, nearly all of the joint-venture partners said the shutdown of UICC's new plant would have no measurable impact on their businesses (see early news coverage). UICC's fab had just begun production this summer and now it appears to be out of operation for at least one year.

Friday's fire apparently presents a bigger problem for UMC, which has completely booked its existing 6-inch and 8-inch wafer-processing capacity. The blaze knocked out about one-third of the total 8-inch fab capacity available to Hsinchu-based UMC.

In an interview after today's press conference, UMC president John Hsuan said it will take at least one year to repair the damages at UICC, but he believed the foundry will resume operations in the future. "We think we can rebuild the fab," Hsuan said, without elaborating on the exact cause of the fire.

The fire's heavy smoke "slightly affected" nearby 8-inch fabs operated by UMC, but Tsao said two of the company's plants have resumed

normal operations. Also slightly affected was a third fab owned by a UMC joint venture, called United Silicon Inc. That facility is still under construction and won't be in production until early 1998, as originally planned, Tsao said.

In the meantime, UMC has taken several actions to juggle the IC production in UICC's plant to its existing fabs in an effort to appease its customers.

In the short term, UMC has begun running wafers for its UICC customers in its current 8-inch fab, dubbed Fab 3, as well as in United Semiconductor Corp. (UMC), another wafer foundry venture in Hsinchu, according to Hsuan.

USC had been running at full-capacity before the UICC fire, but USC ceased production of UMC's own DRAM and SRAM lines in order to make room for customers, according to Peter Chang, president of USC.

UMC is negotiating with its insurance companies to receive a settlement for the UICC damage, but the company did not elaborate. Hsuan said the UICC fire will impact UMC's bottom line, but he did not elaborate.

For a long-term solution, UMC expects to obtain additional foundry capacity by signing an agreement with Taiwan DRAM start-up Nan Ya Technology Corp., based in Taoyuan. Under the terms of the pending agreement, UMC will obtain 10,000 wafers per month in Nan Ya's 8-inch fab processing wafers with 0.35-micron technology, starting in the first half of next year.

Even though UMC claims it can now satisfy the foundry requirements for its UICC customers, analysts raised some serious questions about the matter.

"Even if UMC does find some capacity, the product shipments (for UICC's customers) will be delayed by at least one-and-a-half months or more," said John Kuo, senior analyst with China Securities Investment Trust Corp. in Taipei.