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Belgium woos chipmakers with big bucks

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Armed with \$900 million in financial incentives, Belgian government officials have come knocking on the doors of Silicon Valley semiconductor companies.

The officials want to lure at least two new wafer fabrication plants to the northern region of the tiny country.

Government consultant Roger de Keersmaecker, who is heading the drive, said the incentives could amount to 30 percent of the cost of constructing the facilities.

He estimated the cost of a new fab plant at \$1.5 billion.

The European Commission—the regulatory agency for European commerce—has capped cash incentives of member nations at 25 percent of a project.

Those incentives are paid directly to the companies to offset construction costs.

But Mr. Keersmaecker said additional intangible bonuses, such as free or discounted environmental studies and licenses, could bump the total incentive value to 30 percent.

Several U.S. companies, including Ford Motor Co. and General Motors Corp., have distribution centers in Flanders. But Mr. Keersmaecker said his government needs technology to replace the steel and coal mining economy that dominates eastern Flanders.

Flanders isn't alone in trying to capitalize on the technology explosion in Silicon Valley and, more recently, in Boston.

During the past decade, the Netherlands, Scotland and Northern Ireland have introduced similarly aggressive recruitment efforts in the valley.

Chip companies, in particular, have been expanding in Europe and Asia to increase distribution channels and boost sales.

"Companies tend to get bigger sales if they enter new markets," said Jeff Weir, of the Semiconductor Industry Association.

Some companies are already getting lucrative incentives from foreign governments.

Sunnyvale-based chip giant Advanced Micro Devices Inc. is receiving \$967 million in loans and other incentives from the German government for a new plant under construction in Dresden.

Still, AMD corporate facilities director Don McIntosh said it's unusual for countries to court companies with wads of cash as the primary incentive.

In AMD's case, the company worked out its agreement with Dresden after it decided to move there.

"We don't usually have people knocking on our door," said Mr. McIntosh.

Late last year, Texas Instruments completed an agreement with the government of Italy to build a \$1.2 billion fab plant there.

Under terms of the deal, the Italian government is footing about 30 percent of the cost of the plant.

This will be Texas Instruments' second plant in Italy.

In 1989, the Italian government provided \$650 million in loans and grants for Texas Instruments' first wafer plant there.

TI spokeswoman Leslie Price said the company wasn't entirely swayed by the financial incentives.

"It was important for us to have facilities located where our customers are," said Ms. Price.

Incentives were among the main reasons Milpitas-based chipmaker LSI Logic Corp. expanded in Gresham, Ore., rather than build elsewhere.

LSI said it plans to spend \$4 billion over

the next 15 years on the new plant, which will be built in six phases.

Company spokesman Kevin Brett said LSI selected Oregon following a change in that state's property tax code that will save the company \$113 million over 15 years.

Mr. Brett said the state government's concession shows just how much competition there is among governments for new business.

"Oregon is not just competing against other states—it's competing against other nations," he said.

There are limits to expansion, though.

Chip companies need a surplus of labor, power and water to build new wafer fabrication plants.

Most plants need at least 1,000 workers and use as much as 1,000 gallons of water a minute for manufacturing.

The companies also prefer to be located near universities with large technical curriculums.