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AMD incentives called good investment

By Jason Subik

COLONIE — Taxpayer dollars spent on incentive packages to lure semiconductor companies like AMD to build chip fabrication plants will be more than worth it if the plants are built in New York state, according to a report released Tuesday by independent research firm Semico Research Corp.

Semico gave a presentation to business and economic development leaders Tuesday at the Desmond Hotel in Albany. The Phoenix, Ariz.-based firm was hired by National Grid, the Center for Economic Growth in Albany and the economic development agency of Oneida and Herkimer counties — Mohawk Valley EDGE.

"With the investment the state has made in this industry, and the public concerns about whether it was worth it, we thought we needed to be able to demonstrate from an independent source the region is well poised for the future and additional investment will only help to ensure a return on what has already been spent," CEG President and CEO Mike Tucker said.

According to Semico's research, if New York state were to commit to a \$650 million incentive package over six years, equal to the cash amount offered to AMD by the Empire State Development Corp. to locate a chip fab plant in the Luther Forest Tech Park in Malta, the investment would result in 5,514 new jobs, a cost of about \$117,000 per job.

Semico President Jim Feldhan said some critics of large government incentives spent to attract companies to build new facilities usually don't factor in the creation of other businesses and jobs that spring up to support the lured business.

"If you had \$1 billion in investment to build a chip fab that employed 1,000 people, that might seem like \$1 million a job, but fortunately the semiconductor fab doesn't work in a vacuum. Operating a semiconductor fab takes a tremendous amount of support industries," Feldhan said.

Semico estimates that New York state would break even on its investment in a chip fab plant the first year after construction of the plant began.

Some of the businesses Semico anticipates a chip fab would need near it include computer sales and maintenance, warehousing, chemical disposal, private security and even a business to clean "clean" suits worn by workers in a chip fab.

"[A chip fab plant] isn't going to want to send those to California every week for cleaning. Some local entrepreneur is probably going to start that business," Feldhan said.

Linda Hill, a principle economic investor for National Grid, said National Grid helped fund the study to find out if a semiconductor chip fab is a good long term fit for its service territory.

"We don't want to build the infrastructure for something and then have it leave or die in a few years," Hill said.

Semico Vice President Sherry Garber said 91 percent of the world's semiconductor manufacturing capacity is being used to meet the demand for consumer electronics, which means companies will be looking to build new chip fab plants soon. She said upstate New York benefits from having no Intel plants here because smaller companies like AMD and others will be looking for areas where they don't have to compete with the giant company for resources. She said the area also has the ability to supply a steady stream of college-educated employees, something many foreign countries competing for plants do not have.

"The time to get a semiconductor [chip fab] here is right now. They are the engine that will pull the train of growth," she said.

The state's \$4 billion investment in the University at Albany Nanocollege and its successful investment to lure International Sematech to locate at the Nanocollege were seen by Semico as major plus factors in any semiconductor company's decision to locate in upstate New York.

According to Semico's estimates, a typical chip fab would add \$353.5 million to New York's gross domestic product in its first year of operation and grow steadily to \$681.5 million in added GDP by its 10th year of operation.

Gary Dyal, the director of Long Island-based CVD Equipment Corp., said his company, which has a plant in Saugerties, would likely do business with a chip fab if it were built in upstate New York. He said he doubts the economic impact numbers reported by Semico because the nanotechnology research at the Albany nanocollege is going to enable many new markets for semiconductor chips.

"I think their estimates are very conservative. I think the growth will be much more explosive," he said.

Garber said if AMD, or any other semiconductor company, does build a chip fab plant somewhere in upstate New York it will make it more likely that another plant will also be built, if New York provides a similar incentive package.

"They will be attracted by the ecosystem created by the first plant," she said.

Steve DiMeo, president of Mohawk Valley EDGE, said his organization helped fund the research study to help persuade Empire State Development Corp. officials to continue to support chip fab projects. DiMeo said the Marcy NanoCenter, near Utica, was the runner-up during AMD's site selection process and he hopes that if AMD does build its plant, another company will take advantage of the Marcy location.

AMD has until July 2009 to accept an incentive package to locate a new chip fab at the Luther Forest Technology Campus in Malta, or else lose a combined \$1.2 billion in state grant and tax incentives. AMD officials said last week that the company is eyeing January 2009 to begin construction at Luther Forest, if the company decides to go ahead with the project.