

Samsung to retool older Austin plant, but job cuts are coming

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AMERICAN-STATESMAN STAFF

Saturday, August 15, 2009

Samsung Austin Semiconductor said Friday that it plans to close its older chip factory in Austin and invest \$500 million to convert it into an expansion of its more advanced, 2-year-old plant.

The company expects to cut 500 jobs — nearly one-third of its local work force — with the closing of Fab 1 by late October. It expects to fill 150 to 200 new jobs created by the expansion next year.

Spokesman Bill Cryer said the move represents a substantial commitment by the parent company, Samsung Electronics Co., the world's second-largest chipmaker, to keep advanced semiconductor manufacturing in Austin well into the future.

The expanded plant will be the largest chipmaking plant in North America and will bring Samsung's total investment in Austin to \$4 billion since it opened its first plant in 1997.

"The significance to Austin is hard to overestimate," Cryer said. "This gives the local semiconductor manufacturing industry another 10 to 20 years of additional life. We are going to bring in the latest technology in semiconductor manufacturing and put it in Austin."

Cryer said the jobs that will be cut are lower-skilled equipment operator positions. Almost all of the new jobs will be higher-level, and higher-paid, technical and engineering positions.

Austin-area business leaders said the project is overall encouraging news for the area's economy, which has lost thousands of high-tech manufacturing jobs in the past year.

"I am sympathetic to the situation of workers who will lose their jobs, but this has to be a pretty positive statement in the face of what the economy has done to the semiconductor industry," said Austin lawyer Pike Powers, who played a leading role in recruiting both Samsung factories to Austin.

Powers said it is important for Austin to have a state-of-the-art chip factory, because it opens the possibility of further investments in the future.

"It gives you something to work from versus having nothing to work from," he said. "Give me some cards in the game, and we can play. But if you don't have a seat at the table, you won't be in the game."

Mayor Lee Leffingwell said he welcomed the new investment and the jobs the project would create, saying the project would help keep Austin competitive and maintain its status "as a leader in the semiconductor industry."

But he said the job losses "are difficult to swallow."

The project also will generate more business for materials and equipment suppliers.

Mike Rollins, president of the Greater Austin Chamber of Commerce, said an economic impact analysis his organization commissioned concluded that the project would add \$1.3 billion to the Austin-area economy and create more than 5,000 spinoff jobs.

Cryer said the project also would generate business for suppliers and equipment manufacturers.

Fab 2 already is the biggest and most advanced chip plant in Austin. It makes NAND flash memory chips, the type used in smart phones, digital cameras and other consumer electronics. Samsung Electronics is a major supplier of flash memory for Apple Inc.

Fab 1 is already old by chip industry standards and uses an almost obsolete technology to make computer memory chips from silicon wafers that are 8 inches in diameter. Fab 2 uses 12-inch wafers, a much more efficient method that puts more chips on each wafer.

With the conversion, Samsung also will be able to use an advanced process that deposits copper on the silicon wafers, which produces higher-performance chips.

Samsung doesn't expect the closing of Fab 1 or the loss of jobs to affect the more than \$230 million in state and local incentives it received to build Fab 2. Most of those incentives came from property tax rebates from the City of Austin, Travis County and the Manor Independent School District.

Manor Superintendent Andrew Kim said he expects the expansion to benefit the school district and raise its tax base.

The renovation work will take about a year.

"In order to upgrade and convert the older facility, we must take the manufacturing area back to the bare walls," said Y.B. Koh, president of Samsung's Austin subsidiary.

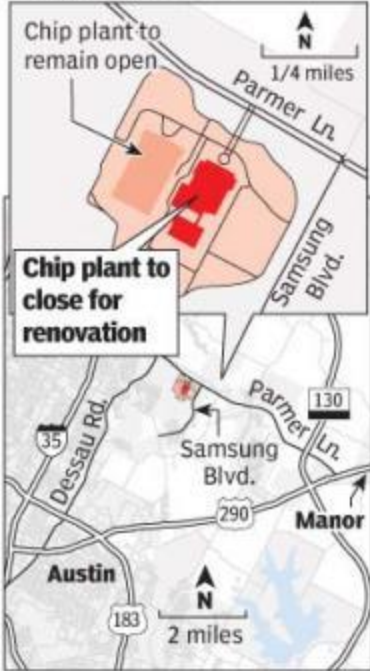
The upgrade will leave Austin with four operating chip factories, including Samsung's. Of the other three, all built in the 1990s, two are owned by Freescale Semiconductor and one by Spansion Inc.

The Austin area had 14,900 jobs related to semiconductor manufacturing in June, down from 16,700 last year and the peak of 24,000 in 2000, said Angelos Angelou, an Austin economic development consultant.

The new project "is terrific news for Austin given the alternative, which was closing the older fab and not expanding Fab 2. What should be extremely valuable to Austin is the fact that we have a corporate citizen in Samsung that is a very long-term player," he said.

Courtesy of JB Goodwin

Samsung Austin Semiconductor



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