

Intel to spend up to \$8B on US manufacturing

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In this file photo taken July 12, 2010, the exterior of Intel Corp. headquarters is shown, in Santa Clara, Calif. Intel said Tuesday, Oct. 19, 2010, it will spend \$6 billion to \$8 billion on new chip manufacturing technology in its U.S. factories and will build a new development plant in Oregon.(AP Photo/Paul Sakuma, file)

(AP) -- Intel Corp. on Tuesday revealed the scope of its latest infusion to keep its factories cutting-edge and push the chip industry's pace: an investment of up to \$8 billion to build a new factory in Oregon and upgrade four existing plants in Arizona and Oregon.

In all, the projects will create up to 8,000 temporary construction jobs

and up to 1,000 permanent positions in Oregon when that factory opens in 2013.

Intel's problem with factories is akin to your car needing a new engine every couple of years to avoid becoming a dinosaur. Intel's factories are the Ferraris of the semiconductor world. They need constant, massive investments to keep up with the breakneck pace of technological progress that Intel itself set and has pushed for more than 40 years.

"Today's announcement reflects the next tranche of the continued advancement of Moore's Law and a further commitment to invest in the future of Intel and America," Intel President and CEO Paul Otellini said.

Moore's Law is Intel co-founder Gordon Moore's famous prediction in 1965 that computer chips' performance will roughly double every two years as manufacturing technology improves and more transistors, or tiny on/off switches, can be crammed on to the chips. The other side of that prediction is that prices will also fall.

Tuesday's announcement underscores Intel's role as the world's biggest manufacturer of microprocessors, which are the "brains" of computers. It also shows the importance of the company's size and ability to spend heavily in maintaining its lead in the semiconductor world.

Few companies can stomach the cost of competing against Intel. Advanced Micro Devices Inc., Intel's main rival in computer microprocessors, spun off its factories into a separate company, called GlobalFoundries Inc., in 2009 to unload debt and free itself from the heavy upkeep costs. AMD's revenue is seven times less than Intel's.

Intel's new investment will support its transition to 22-nanometer manufacturing technology. Intel's last major investment was a \$7 billion outlay announced in February 2009.

The two plants in Chandler, Ariz., and two in Hillsboro, Ore., that are getting the upgrade make Intel's most advanced chips. Intel has plants around the world, including Ireland and Israel, but three-quarters of its chip manufacturing is done in the U.S. That's partly a function of strict U.S. export rules on the most sophisticated chip-making equipment. Those rules effectively limit the kinds of chips that Intel can make in certain countries, such as China.

The heavy costs are the result of the price of new chip-making equipment. Lithography and other types of machines can cost more than \$1 million each and come from companies such as Nikon Corp., Canon Inc. and Applied Materials Inc.

Intel owns about 80 percent of the worldwide market for PC and server microprocessors. AMD is second with about 20 percent. Intel is expanding aggressively into new markets for its chips such as cell phones and televisions and cable set-top boxes and tablets.

Intel shares increased 14 cents to \$19.33 in midday trading Tuesday.

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