

Chip plant start date ‘next year’

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Engineers enter and leave one of the clean rooms at the Globalfoundries microchip foundry in Dresden. Jeff Topping / The National

DRESDEN // Abu Dhabi plans to start building a state-of-the-art microchip foundry in the capital as early as the end of next year as global demand grows.

Advanced Technology Investment Company (ATIC), which is owned by the Abu Dhabi Government, holds a majority stake in Globalfoundries, a maker of semiconductors in which the US company Advanced Micro Devices (AMD) divested its majority holding in March last year.

ATIC has recently pledged US\$3.6 billion (Dh13.22bn) to double Globalfoundries' capacity at its facilities in Dresden and New York. This should increase Globalfoundries' overall production to about 200,000 silicon wafers a month by 2012. Semiconductors, the microcircuitry of which is essential to the functioning of modern electronic goods, are made from silicon wafers.

The Abu Dhabi foundry will be Globalfoundries' fourth plant after operations in Dresden, Singapore and a foundry that is under construction in New York.

“There's a lot of variables,” said Ibrahim Ajami, the chief executive of ATIC. Construction of the Abu Dhabi plant could begin “anywhere from the end of 2011 to 2013. There's a lot of moving pieces here”, he said.

Rising demand for electronic goods such as mobile phones, televisions and computers in emerging markets lifted global sales of semiconductors by 4.5 per cent in May, compared with April, to a record \$24.72bn. Industry experts expect sales to grow by 12 per cent over the next two years.

ATIC has selected a 3 square km site near Abu Dhabi International Airport and the future Masdar City to build its foundry. It has begun planning the partners and strategic entities that will contribute to the creation of the emirate's semiconductor industry.

"We didn't wake up and say 'let's build a [semiconductor foundry] in Abu Dhabi tomorrow morning'," Mr Ajami said. "A lot of things have to happen ... This is as sophisticated as anything Abu Dhabi has ever seen. You don't want to build something in Abu Dhabi unless you get it right."

Although Mr Ajami did not disclose how much ATIC would spend to build the foundry, a semiconductor plant being built by Taiwan Semiconductor Company, Globalfoundries' main rival, will cost \$9.1bn and will have an output capacity of 100,000 wafers a month.

To help fund its growth, Globalfoundries will tap the debt market next year, said Doug Grose, the company's chief executive.

"We want to have some debt but certainly a manageable amount based on the huge investments that we're making," Mr Grose said. "2011 will probably be one of the first years we'll look at it."

Globalfoundries was not yet profitable but was "ahead of its plans" to become cash-flow positive, Mr Grose said. AMD, which owns 27 per cent of Globalfoundries, recorded a \$120 million equity loss stemming from its ownership in the foundry in the second quarter.

"We're ahead of our plans, so we feel the momentum of the market based on the huge customer upswing in terms of tremendous demand and interest," Mr Grose said.

Mr Ajami also said there were no plans for Globalfoundries to undertake an initial public offering in the next year but did not rule it out.

"We have a lot of goals first. We're going to look at all these variables before we go public."

He hinted, however, that ATIC could acquire other semiconductor companies to support the foundry in Abu Dhabi.

"The semiconductor industry changes tremendously. It's very dynamic and there's lots of opportunities and companies that ultimately feed into successful foundries," Mr Ajami said.

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