



Al Thompson Testimony

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Oregon Joint Committee on Semiconductors

Co-chair Sollman, Co-chair Bynum, and members of the committee, for the record, I'm Al Thompson, Vice President of US Government Affairs with Intel Corporation. Intel is a global leader in semiconductor design and manufacturing, and the only US semiconductor company to have the full range of semiconductor capabilities at high volume, from foundry services to semiconductor architecture and design, as well as leading-edge R&D capabilities. You may already know that the cradle for nearly all of Intel's leading-edge technologies is located just up the road from Salem, at Intel's Gordon Moore Park in Hillsboro. We like to say, if it happens at Intel, it happens first in Oregon.

I am based in Washington, DC, and in my role, I am focused on the macro environment concerning national and state economic competitiveness for semiconductor investment. I have had the pleasure of visiting Oregon on many occasions. You are fortunate to live in such a beautiful, vibrant state.

First, I want to commend the work of the Oregon Semiconductor Competitiveness Task Force. The task force put forth a comprehensive set of recommendations that address several policy areas you are considering. All of these are critical for the state of Oregon, including incentives, industrial land, workforce investments, and the research ecosystem. Tonight, I will address the economic incentive policies that we believe will help ignite industry investments that will, in turn, produce equitable prosperity and resources for the state.

Here are some quick facts about Intel Oregon.

- Intel Oregon has more than 22,000 employees and thousands of trades on site every day working on our facilities, making it Intel's largest site in the world, and providing jobs for construction workers, manufacturing technicians and world-leading research scientists.
- Intel has made over \$52 billion in capital investments in Oregon since 1974.
- Intel's annual total economic impact in Oregon is approximately \$19.3 billion based on 2019 data.
- Intel sources from over 500 Oregon-based suppliers – spread across the state, and over half of the suppliers are micro or small businesses. *You have a fact sheet illustrating our impact in the hearing materials.*
- Intel's commitment to community is significant with employees volunteering over 1.1M hours and Intel donating more than \$41M over the past five years to nonprofits and schools in Oregon.

Intel's investments in Oregon have contributed to the sustained growth of one of Oregon's most vital

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industries, fueling a technology innovation ecosystem and an economic cluster known around the world as "the Silicon Forest." While Intel may be the largest of the Silicon Forest employers, Intel recognizes and supports many of the small and medium-sized companies, many created by Intel alums, who help keep the Silicon Forest at the cutting edge of technology innovation. This magnitude of investment has been supported by the State's Strategic Investment Program (SIP). We applaud the state for its leadership in the 1990s in creating this crucial economic development tool, and we thank the local governments for their partnership in enabling the SIP. But now, the stakes are higher, and if states want to remain competitive, it's time to double down, which I want to discuss tonight.

I'll cover three topics tonight:

- Global dynamics and costs to remain at the leading edge
- Incentive landscape across the US
- CHIPS Act potential for Oregon

Global dynamics

When Intel built its first plant for making chips – also known as a "fab" -- in Oregon in 1974, it cost approximately \$7 million. Today, it costs over \$10 billion to build an advanced semiconductor fab. Twenty years ago, more than two dozen companies made chips at the leading edge. Today, only three companies in the world continue to drive the leading edge of chipmaking, and Intel is the only one based in the US.

It is essential to understand that Oregon and the entire US face competition from governments in Asia, which have made it a national priority to reduce costs for their national champions to build fabs and attract semiconductor R&D in those countries. They succeeded, and today companies like Intel face significant cost disadvantages to build in the US, on the order of 35-50%, according to a study by the Semiconductor Industry Association and the Boston Consulting Group. This dynamic was a key reason why both parties in Congress supported legislation to make the US more competitive, passing the CHIPS and Science Act last year. Now the state of Oregon faces a tremendous opportunity to maintain advanced silicon technology in the US.

Incentive landscape

The stakes for the United States, as a whole, could not be more significant. And among the states, Oregon is one of a small number, including New York, Ohio, Texas and Arizona, positioning to win and grow as destinations for semiconductor jobs and investments. You may have seen headlines lately about states working to attract billions of dollars in industry investments. As the Biden White House said in a report on chips, these states have recognized that "The semiconductor industry is a major engine for US economic growth and job creation." States are motivated to attract chipmaking investments because the industry creates jobs for workers at every education level.

As the Oregon legislature weighs options to attract chipmaking investments, you will no doubt observe how many different approaches have been developed by different governments across the US and overseas. An essential foundation for Oregon's success over the past decades has been Oregon's Strategic Investment Program or SIP. In addition to preserving the SIP, *material cash grant incentives* have never been more critical given their increasing use in Europe and East Asia as well as the escalating costs of technology. Tax
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incentives tailored to significant investments are also extremely important, such as the R&D credit and the investment tax credit. Oregon can make itself even more competitive by pairing incentives with land-use and infrastructure investment efforts that help the industry identify potential expansion sites early in their site planning processes.

CHIPS potential for Oregon

I have been very involved with the CHIPS and Science Act, and as you have heard in prior hearings, the opportunity before us is unprecedented. The federal government has put \$52 billion on the table, and for Oregon to leverage this opportunity, the state must act soon. The federal legislation requires grant applicants to identify relevant state semiconductor incentives and the US Department of Commerce has issued guidance outlining that state and local government incentives will be critical as they evaluate CHIPS grant applications.

Now, Oregon has the opportunity to extend the future of the Silicon Forest as a leading US innovation center and an engine for jobs from construction jobs to factory and lab technicians, to world-leading research scientists. You are uniquely positioned to extend the future of Oregon as a national hub for semiconductor innovation and research as well as semiconductor manufacturing, protecting and extending the critical economic benefits from Oregon's Silicon Forest.

Intel has built world-leading R&D capabilities in Oregon, and we see significant opportunities for federal support from the CHIPS Act—especially if Oregon partners with the local semiconductor industry as required by the federal legislation.

But that requires investing in tools, like up-front cash incentives that the state can use to work with businesses to land the next major investment. This means the incentives must be competitive with other states and flexible enough to meet market demands.

The time to act is now to capitalize on this once-in-a-generation opportunity. So, again, thank you for the opportunity to speak with you tonight, and we look forward to working with you.
