

## Samsung expansion creates jobs for North Austin businesses

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By Joseph M. de Leon Friday, 22 October 2010

AUSTIN — At a time when high-tech manufacturing jobs are declining, Samsung Austin Semiconductor LLC is expected to hire 600 workers by mid-2011. It is also credited with contributing to more than 6,500 jobs outside of the company and accounts for nearly \$300 million in annual payroll for support businesses.

Samsung's presence in northeast Austin is also estimated to account for more than \$1.4 billion each year in local economic activity, according to a report released in September by economic consulting firm TXP Inc. The Greater Austin Chamber of Commerce commissioned the report earlier this year.

**Economic impact by the numbers**  
Samsung Austin Semiconductor

**\$9.2 billion:**  
total investment in Austin plant

**\$112 million:**  
estimated annual payroll in 2011

**1,600:**  
expected number of workers to complete Samsung's \$3.6 billion expansion project



A Samsung worker operates a processing chamber to produce circuitry commonly used in mobile phones and digital cameras.

Courtesy Samsung Austin Semiconductor



### Samsung invests in community

Officials from Samsung Austin Semiconductor announced Sept. 1 the company would donate million to the United Way Capital Area's Success by 6 program. The donation was made to celebrate the company's \$3.6 billion expansion of its 12-inch semiconductor fabrication plant in Northeast Austin.

The donation will help fund the program over the next two to three years.

Samsung and its workers have made about \$9.5 million in charitable contributions to area organizations since the company began operating in Austin in 1996. Employee charitable contributions have reached approximately \$1.4 million.

Top three recipients of Samsung Austin Semiconductor employee charitable contributions:

**Manor Education Foundation**

**Habitat for Humanity**

**Meals on Wheels**



### **Samsung could receive refund for retaining jobs**

Austin City Council approved a proposal by Samsung Austin Semiconductor LLC in August to take advantage of a refund of some of the state sales taxes it has paid. The State of Texas's Office of Economic Development and Tourism will decide on the refund in late 2010.

Samsung eligible for up to \$3.75 million over five years from the Texas Enterprise Zone Program depending on number of jobs retained

Samsung expansion expected to add 600 jobs; qualifies for the tax credit because at least 35 percent of new employees will be residents of an enterprise zone or economically disadvantaged individuals

Source: Samsung Austin Semiconductor, Office of Economic Development and Tourism

Officials for the South Korea-based company launched a \$3.6 billion capital spending effort in June that will build out the computer chip manufacturer's second fabrication plant that opened in 2007. In August, Samsung applied for a state tax credit related to job creation worth up to \$3.75 million. The following month, company officials donated \$1 million to United Way Capital Area to celebrate the expansion.

TXP President Jon Hockenyo said such investments are vital to Austin's economy, especially considering the competitive global market.

"Knowledge, capital and human resources are the three legs of the technology stool," Hockenyo said. "A community has to continue to invest in each."

The investment's ripple effects will continue to help job growth in Austin. He said Samsung's direct employment of 1,600 workers will translate into more than 6,000 jobs in support industries.

Starting in 2011, Samsung will manufacture logic chips, which store commands onboard and are used in cellular handsets and digital cameras.

Catherine Q. Morse, spokeswoman for Samsung Austin Semiconductor, said the move will help diversify the company.

“This expansion sends a message to the market that we’re going to be a bigger player in the logic sector, and that’s exciting,” Morse said. “Industry analysts have said we’re an up-and-comer in that market, and we will be here to be reckoned with when it comes to logic in the future.”

## **Samsung rebounds**

Samsung opened its first international fabrication plant in Austin in 1996. By 2011, Samsung will have spent more than \$9 billion on its Austin operation, making it one of the largest foreign investors in Texas.

In the late '90s, Samsung’s Austin plant, commonly called Fab 1, focused on producing Dynamic Random Access Memory, memory chips universally used in personal computers.

At its peak, Samsung employed 900 workers in the 900,000-square-foot Fab 1 but ended production in October 2009 because the personal computer market waned with the declining economy, Morse said.

Samsung soon retooled Fab 1 into a copper processing operation to improve the quality of chips Samsung can make in Austin. Production started in April.

In 2007, Samsung’s Fab 2 opened, but officials were only able to fill about half of its 1.5 million-square-foot capacity. The production line makes NAND Flash memory, commonly used in digital music players and memory sticks. Samsung can make up to 80,000 NAND flash chips every month.

Samsung’s original plan called for the remaining Fab 2 space to be built out to produce more memory chips, but the strong mobile phone market shifted focus to logic chips.

“There is a high demand right now in the semiconductor industry for advanced electronic devices with handsets leading the way,” Morse said. “These chips are the brains of those devices.”

The new operation will be capable of producing about 40,000 logic chips per month by the end of 2011. The larger, more sophisticated chips take about twice as long to make than memory, but the chips also sell for significantly more.

“We have had starts and stops because of the global economic picture, but one could view this investment as a local recession buster,” Morse said. “Had we not expanded in 2007, when DRAM expired, we would have had to close in Austin.”

## **Local companies benefit**

In addition to helping Samsung advance in a market led by such companies as Intel and Texas Instruments, the expansion is contributing to thousands of jobs in support industries, Morse said. For example, about 3,000 construction workers are helping to complete the project.

Jeff Henkener, Austin operations manager for Dynamic Systems Inc., said Samsung has been vital to area contractors.

Austin-based Dynamic Systems employs 250 workers and expects to add about 100 more in the coming months. The mechanical contracting company installs pipes that supply gases, chemicals and water to hundreds of Samsung tools that manufacture computer chips.

“Our volume of work and headcount follows right along with Samsung,” Henkener said. “On large ramp-ups like this, we do a lot of work, but Samsung never stops installing tools because they continue to refine their process.”

For electrical contracting firm JMEG LP, doing business with Samsung has meant the former subsidiary of a national company that went out of business eight years ago can continue operating in Texas.

Ray Naizer, president for JMEG, said Samsung was the company's first client when the company formed in 2002.

The business relationship has helped JMEG keep 30 permanent workers in Austin. On average, JMEG employs about 100 people each year, but 2010 could be the company's best year to date. Naizer said the current expansion will push the company's work force past 250 employees through December.

"It's not all permanent work, but when you're able to recall more than 100 people and put them to work, those workers see real economic benefits," Naizer said. "Samsung has been a wonderful customer that has allowed us to maintain a significant presence in the Austin market and provide good-paying jobs for many employees since our inception."

**Courtesy of JB Goodwin**