

Intel to build \$20B Ohio chip facility amid global shortage

January 21 2022, by John Seewer and Andrew Welsh-Huggins



This undated rendering provided by Intel Corporation shows early plans for two new Intel processor factories in Licking County, Ohio. Intel announced on Friday, Jan. 21, 2022, that it will invest \$20 billion in the new computer chip facility in Ohio amid a global shortage of microprocessors used in everything from phones and cars to video games. Construction is expected to begin in late next year, with production coming online at the end of 2025. Credit: Intel Corporation/via AP

Chipmaker Intel said Friday it will invest \$20 billion to build a new factory in Ohio, an attempt to help alleviate a global shortage of chips powering everything from phones to cars to home appliances while also signaling the giant company's commitment to manufacturing crucial technology products in the U.S.

The move could also create a new technology hub in central Ohio as related businesses that support chip manufacturing open new facilities and bring expertise to the region.

Intel said two planned factories, or fabs, will support its own line of processors, as well as its new "foundry" business, which will build chips designed by other firms. Existing chip foundries turn out a vast number of custom-designed chips, mostly in Asia. The business is currently dominated by Taiwan Semiconductor Manufacturing Co., or TSMC.

The future production site aims to meet multiple needs, Intel CEO Patrick Gelsinger said during a White House event. Chips built there won't just reduce supply chain pressures, he said, but will also bolster U.S. national security while bringing more tech jobs to the region.

The two factories on a 1,000-acre site in Licking County, just east of Columbus, are expected to create 3,000 company jobs—many of them highly skilled—and 7,000 construction jobs. The facility will support tens of thousands of additional jobs for suppliers and partners, Intel and local and state officials said Friday.



Intel CEO Patrick Gelsinger wears a lapel pin made out of a computer chip that he designed, following Intel's announcement to invest in an Ohio chip making facility, at the South Court Auditorium in the Eisenhower Executive Office Building on the White House Campus in Washington, Friday, Jan. 21, 2022. Credit: AP Photo/Andrew Harnik

"A semiconductor factory is not like other factories," said Gelsinger, a former Intel executive who returned to the company as CEO in 2021. "It's more like a small city supporting a vibrant community of services, suppliers and ancillary businesses. You can think about this as a magnet for the entire tech industry."

President Joe Biden used Intel's Ohio announcement to push a \$52 billion bill awaiting House approval that would invest in the chip sector

and help ensure more production occurs in the U.S.

"We are going to invest in America," Biden said at the White House. "We're investing in American workers. We're going to stamp everything we can, 'Made in America,' especially these computer chips."

Construction is expected to begin this year, with production coming online at the end of 2025. The company is also investing an additional \$100 million for an education pipeline to help provide jobs for the facility. Total investment could top \$100 billion over the decade, with six additional factories, Gelsinger said.



President Joe Biden, accompanied by from left, Intel CEO Patrick Gelsinger, Commerce Secretary Gina Raimondo, Sen. Rob Portman, R-Ohio, and Sen. Sherrod Brown, D-Ohio, leaves after speaking about Intel's announcement to

invest in an Ohio chip making facility, at the South Court Auditorium in the Eisenhower Executive Office Building on the White House Campus in Washington, Friday, Jan. 21, 2022. Credit: AP Photo/Andrew Harnik

Intel said one of the products it will make in Ohio is the Intel 18A, "among the most advanced chips ever made," according to Forrester analyst Glenn O'Donnell. Those will likely be used in the high-end computers that are popular with video game enthusiasts and needed for the data centers run by tech giants like Amazon and Microsoft.

Gelsinger said he expects the Ohio site will also supply specialized chips for cars—a priority for U.S. consumers and officials—and other products such as mobile devices.

Intel's Ohio site could help relieve pressure on the company's other production lines.

But making more computer chips in the U.S. won't entirely protect the industry from supply chain disruptions and shortages because the chips still will be sent to Asia for assembling and packaging, said Nina Turner, a research analyst at IDC.



President Joe Biden, accompanied by Intel CEO Patrick Gelsinger, right, speaks about Intel's announcement to invest in an Ohio chip making facility, at the South Court Auditorium in the Eisenhower Executive Office Building on the White House Campus in Washington, Friday, Jan. 21, 2022. Credit: AP Photo/Andrew Harnik

After years of heavy reliance on Asia for the production of computer chips, vulnerability to shortages of the crucial components was exposed in the U.S. and Europe as they began to emerge economically from the pandemic.

The U.S. share of the worldwide chip manufacturing market has declined from 37% in 1990 to 12% today, according to the Semiconductor Industry Association, and shortages have become a

potential risk.

Shortages of chips have crimped the ability of U.S. automakers to produce vehicles, and last year, General Motors was [unseated by Toyota](#) as the nation's top-selling automaker for the first time.

The U.S. and [Europe](#) are pushing to aggressively to build chipmaking capacity and reduce reliance on producers that are now mostly based in Asia. Semiconductor businesses have also been trying to diversify their operations to avoid bottlenecks caused by problems—such as a natural disaster or pandemic lockdown—in a specific region.



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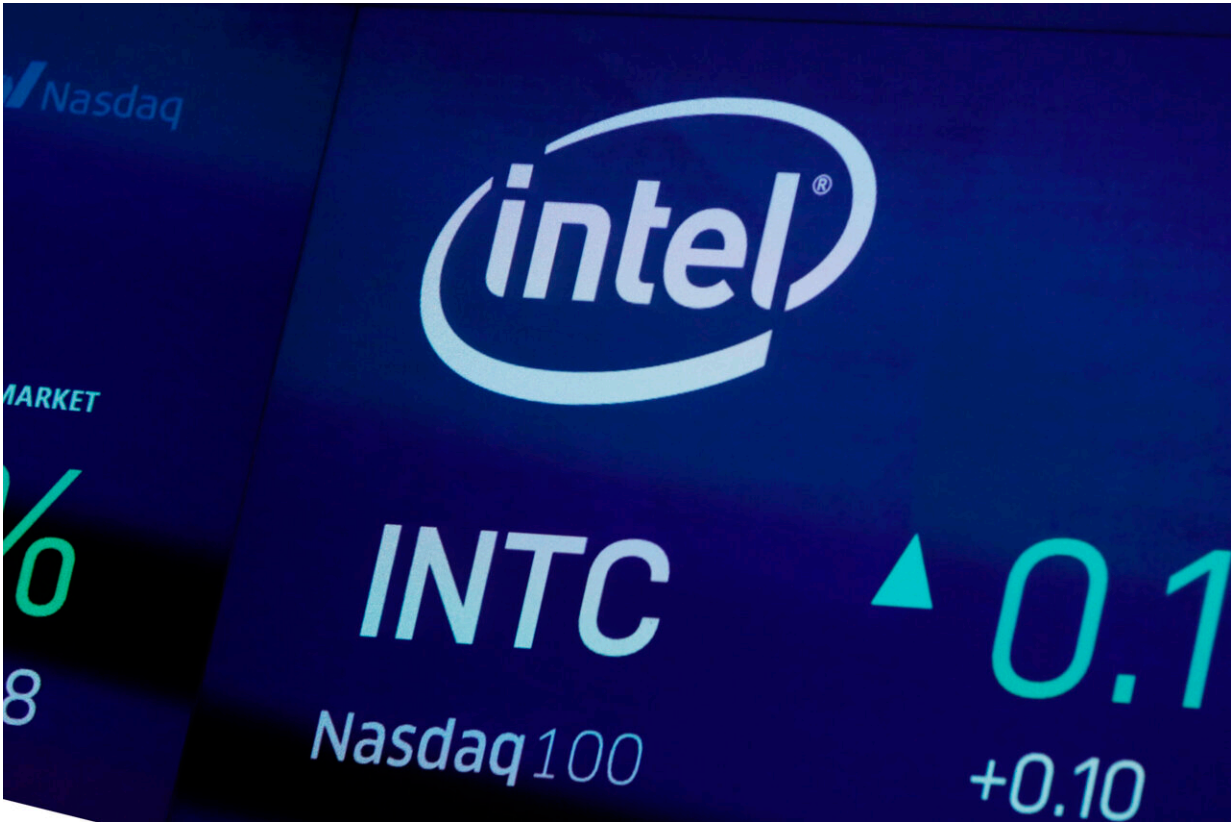
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Several chipmakers last year signaled an interest in expanding their American operations if the U.S. government is able to make it easier to build chip plants. Samsung said in November it [plans to build a \\$17 billion factory](#) outside of Austin, Texas.

As Biden alluded to, lawmakers have been urging House and Senate leaders to fully fund a law meant to address the semiconductor chip shortage. They want Congress to fully fund the \$52 billion CHIPS for America Act, allowing for stateside investment in semiconductor factories.

Not only has the chip shortage disrupted the U.S. economy, it is also creating a vulnerability in the country's defense system, since eight of every 10 chips are produced in Asia, lawmakers say.

Intel executives made clear Friday that the size of its Ohio complex will depend on passage of the federal subsidies sought by the Biden administration and Ohio lawmakers.



In this Oct. 1, 2019, file photo the symbol for Intel appears on a screen at the Nasdaq MarketSite, in New York. Intel Corp. is planning an initial investment of more than \$20 billion for two semiconductor chip plants in central Ohio to help address a global shortage of semiconductor chips. The plants are expected to create 3,000 Intel jobs and 7,000 construction jobs over the course of the build, and to support tens of thousands of additional local long-term jobs across a broad ecosystem of suppliers and partners. Credit: AP Photo/Richard Drew, File

"The scope and pace of Intel's expansion in Ohio," said a statement from Keyvan Esfarjani, Intel's senior vice president of manufacturing, "will depend heavily on funding from the CHIPS Act."

The Intel project is the largest single private-sector investment in Ohio's history, on par with an agreement in 1977 that brought Honda to central

Ohio, where it now employs more than 14,000 people.

"Intel's new facilities will be transformative for our state, creating thousands of good-paying jobs in Ohio manufacturing strategically vital semiconductors," Ohio Gov. Mike DeWine said in a statement.

Ohio beat out 40 other states for the project, DeWine said. State leaders pledged to work with the company to provide skilled workers who will need anywhere from a two-year community college education to advanced degrees.



This undated aerial photo provided by Intel Corporation shows land in Licking County, Ohio, where Intel plans to build two new processor factories. Intel announced on Friday, Jan. 21, 2022, that it will invest \$20 billion in the new computer chip facility in Ohio amid a global shortage of microprocessors used in everything from phones and cars to video games. Construction is expected to begin in late next year, with production coming online at the end of 2025. Credit:

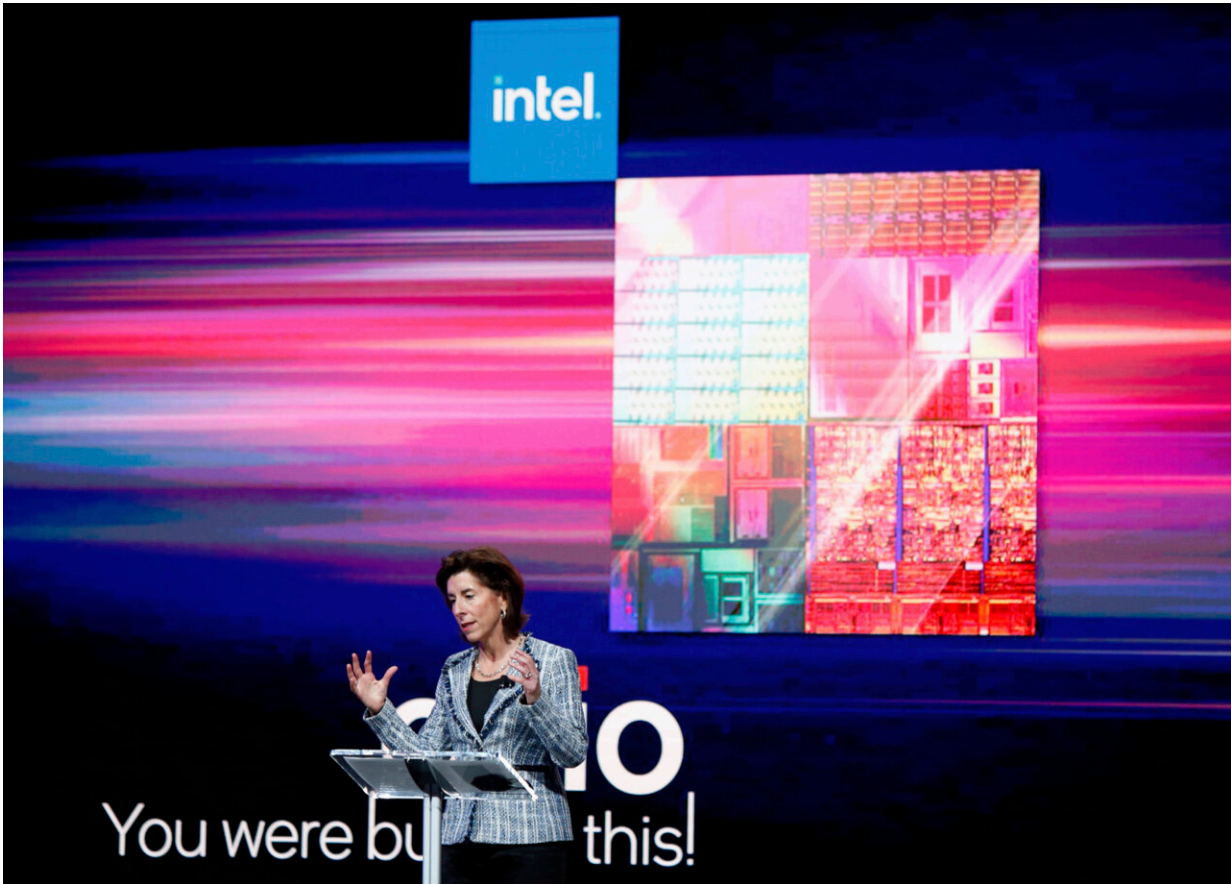
Intel Corporation/ via AP



Ohio governor Mike DeWine, center, speaks during the announcement on Friday Jan. 21, 2022 in Newark, Ohio, that Intel will invest \$20 billion to build two computer chip factories on a 1,000-acre site in Licking County, Ohio, just east of Columbus. Credit: AP Photo/Paul Vernon



Intel CEO Patrick Gelsinger, left, talks with Ohio governor Mike DeWine during the announcement on Friday Jan. 21, 2022 in Newark, Ohio, that Intel will invest \$20 billion to build two computer chip factories on a 1,000-acre site in Licking County, Ohio, just east of Columbus. Credit: AP Photo/Paul Vernon



U.S. Secretary of Commerce Gina Raimondo speaks during the announcement on Friday Jan. 21, 2022 in Newark, Ohio, that Intel will invest \$20 billion to build two computer chip factories on a 1,000-acre site in Licking County, Ohio, just east of Columbus. Credit: AP Photo/Paul Vernon



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Intel, based in Santa Clara, California, announced plans last year to spend \$20 billion for two new factories in Arizona. It's also pitching for European subsidies to build a big plant somewhere within the European Union and last month said it will invest \$7.1 billion to expand its decades-old manufacturing operation in Malaysia, home to roughly 10% of the company's global workforce.

Intel also has plants in Ireland, Israel, Vietnam and China.

Intel is the No. 2 semiconductor manufacturer globally, with \$73.1 billion in revenue last year, behind South Korean world leader Samsung Electronics with \$76 billion, according to market analysis from Gartner

Inc.

Central Ohio, long known for a largely white-collar workforce in banking and insurance, has added high-tech jobs in recent years, with Amazon, Facebook, and Google all building data centers in the region.

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