

HOUSE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

February 05, 2003 **Field Trip**
Noon

MEMBERS PRESENT: **Rep. Patti Smith, Chair**
 Rep. Mary Gallegos, Vice-Chair
 Rep. Mark Hass
 Rep. Dave Hunt
 Rep. Steve March
 Rep. Dennis Richardson

MEMBER EXCUSED: **Rep. Vicki Berger, Vice-Chair**

STAFF PRESENT: **Kimberly A. Medford, Committee Administrator**
 Linda K. Gatto, Committee Assistant

ISSUES HEARD: **Tour of SUMCO Facility**

Background

SUMCO is located in Salem and manufactures silicon wafers. See **(EXHIBIT A)** and **(EXHIBIT B)**.

Prior to touring the manufacturing facility, the committee was provided with background information on why Oregon was chosen as the location for this plant. Semiconductor facilities require water, electricity and a trained workforce. Today, Oregon is less desirable than it was in 1982. This is due to concerns about the rising cost of energy and labor. Labor is expensive when compared to labor costs on the global market. The water situation remains good.

Today, SUMCO needs; volume to survive; end users in the computer and automobile industry, and cooperation with the community colleges to offer specialized training programs. Notes there was an increase in demand during the Y2K era but it has leveled off since.

SUMCO's customer base is 60% US and 40% export. In regard to costs, capital expenses are a consideration. SUMCO makes crystals that are 4", 6", 8", and 12" in diameter on mobile equipment. Another direct cost, 30%, is salary and benefits; the average compensation package being between \$37,000 and \$38,000. The Salem plant has 900 employees.

Expansions to China and investments in India will have an effect on their business. It is expected that people will invest in foundries in China and call centers. Refers to the last issue of Business week, India investments, **(EXHIBIT C)**.

In conclusion the future of the Salem plant is uncertain. Layoffs will be affected by the Enterprise Zone statute requirement. It is their hope that the City of Salem will have flexibility in the head count requirement for the remainder of the Enterprise Zone period. The third year ended 12/31/02.

The committee toured the manufacturing facility from 1:30 to 2:30.

EXHIBIT SUMMARY

A. Background information, SUMCO web page, staff, 1 p

B. Promotional brochures, SUMCO

C. Business Week article, staff, 6 pp