

ANNEX BULLETIN

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INDUSTRY TRENDS

Updated 8/03/06, 8:30AM PDT, adds [Note 2](#)

***While Others Move to India, Russia... AMD Invests in New
York, Hailing High Quality of Local Labor Force***

"Phenomenal" Power of Human Infrastructure

***IBM R&D: Magnet for Innovative IT Companies; New York
State Gets Competitive: New Hudson Silicon Valley***

NEW YORK, Aug 2 - Ostensibly, it was a press conference to announce new IBM System x models based on the Advanced Micro Devices' (AMD) Opteron technology (see the photo).



Bill Zeitler, Hector Ruiz, Susan Whitney (from right to left) in New York, Aug 1, 2006

But the biggest industry news to emerge from the August 1 IBM/AMD media bash at the St. Regis hotel in New York (see above photo) came during the Q&A session. Asked to explain why AMD decided to invest several billion dollars ([\\$5.2 billion to be exact - see Note 1](#)) to build a new semiconductor plant in New York, at a time when its competitors, like Intel, Motorola, Boeing etc. are moving to India or Russia (see "[Go East, Young Man!](#)" and "[A Tale of Two Blues](#)"), Hector Ruiz, AMD's CEO, replied that it was because of the outstanding quality of the local IT talent.

"Human infrastructure is the most important (factor) for our kind of business," Ruiz said. "The amount of highly skilled work force (in upstate New York) is phenomenal. Other countries just don't have it."

Dr. Ruiz should know what he is talking about. A native of Mexico, he earned his bachelor's and master's degrees in Electrical Engineering from the University of Texas, Austin, one of our nation's IT brainpower hubs. He got his doctorate in Electronics from Rice University. Prior to joining AMD in



2000 and becoming its chairman in 2004, he had served as president of Motorola's Semiconductor Products. In short, the man is steeped in global IT and R&D.



Bill Zeitler, senior IBM vice president who co-hosted the press conference with Ruiz, added that the IBM R&D facilities in upstate New York have become "a center of gravity for innovation" in the IT industry. He pointed to several other multinational companies that have also been attracted to the area, such as Sony, Toshiba, Tokyo Electron etc. that have also set up their R&D shops in the vicinity of IBM research facilities.

"That's the power of concentration of skills," Zeitler summed it up.

Many of these companies have been lured to the area through business deals and technology partnerships with IBM. The newly-formed Technology Collaboration Solutions unit (right chart), that encompasses IBM's fast-growing Engineering & Technical Services (E&TS) and Microelectronics activities, is the magnet that's attracting attracting IBM competitors and partners alike into the area.



Decades ago, the same power of skills concentration led to the formation of the Silicon Valley where prune orchards once reigned, and of the Route 128 "silicon alley" (near Boston) where tall maples grow. Now, the Poughkeepsie-Albany axis in upstate New York seems to be becoming a magnet for global IT innovators.

Of course, none of that would have been possible without the State of New York providing a "business friendly" environment. The State put together "a very compelling package," said AMD's Ruiz, in order to attract R&D and semiconductors business (for details, see [Note 2 below](#)). "It was the first state in the union to do it."

The results was "one of the largest private sector industrial investments in New York State history -- a multi-billion dollar deal that would enable AMD to build and operate the most advanced semiconductor manufacturing



facility in the world at the Luther Forest Technology Park" (near Albany), AMD said in a June 23 press release. "This unprecedented economic development project is projected to create more than 1,200 new high-tech jobs, thousands of construction jobs, and more than 3,000 indirect jobs."

So while other state and federal politicians were whining and pining for "good old times," New York governor took the (Indian) bull by the horns and tackled the offshoring trend head on - by making his state more appealing to business. Power of competition. Take that, Bangalore...

Happy bargain hunting!

Bob Djurdjevic

NOTE 1: Under the terms of the agreement between the State of New York and AMD, AMD would be able to construct a new, \$600 million, 1.2 million square foot facility, equipped with approximately \$2.6 billion in state-of-the-art tools designed to produce 300 mm wafers using 32nm process technology. Expenditures at the facility are projected to total more than \$2 billion during the first five years of operation, bringing the projected total investment to \$5.2 billion. The Luther Forest site in Saratoga County was selected by AMD after an extensive review of a number of sites nationwide and internationally. The agreement enables construction on the 1.2 million square foot plant to begin between July 2007 and July 31, 2009 and be fully operational sometime between December 31, 2012 and December 31, 2014.

NOTE 2: In consideration of AMD's historic agreement with the State of New York , AMD is eligible for a \$500 million capital grant to defray the cost of the facility and equipment. New York will also make available to AMD a \$150 million research and development grant to help develop new innovative microprocessor technologies within New York for use at the Luther Forest facility. It is also expected that AMD will be eligible for benefits under New York 's world class Empire Zones Program.



Red Bull Racing, a division of Red Bull® Energy Drink, has accelerated its Formula One design studio's computing power with new IBM System x servers based on the AMD Opteron processor. The high performance computing cluster will help the company further improve its race car design and speed car production. Here's a Red Bull race car on display on 55th St at Fifth Ave.

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