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Apple Plans Billion-Dollar Austin Campus in Wave of New Sites

Tech giant joins Amazon and Google in industry expansion beyond West Coast



Apple is planning a new campus in Austin, Texas, that could eventually have the capacity for 15,000 employees. PHOTO: JAY JANNER/AUSTIN AMERICAN-STATESMAN/ASSOCIATED PRESS

By Tripp Mickle and Timothy W. Martin

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Apple Inc. AAPL 1.09% plans to invest \$1 billion to build a second campus in Austin, Texas, for 5,000 employees, widening its footprint in a familiar region rich with engineering and business talent as it joins other tech giants in expanding beyond the West Coast.

The iPhone maker laid out its strategy Thursday in an announcement about new jobs it will add across the country. The move would be a step toward fulfilling a pledge made in January when it said it would invest \$30 billion in capital spending and create 20,000 jobs in the U.S. over the next five years.

Apple said it would add more than 1,000 employees apiece in San Diego, Seattle and Culver City, Calif., areas where it has been increasing staff to support its development of custom chips, machine-learning systems and Hollywood programming. It also plans hundreds of additional jobs in cities where it already has offices, including New York, Boston and Portland, Ore.

The Austin campus would have the capacity to eventually accommodate 15,000 employees, Apple said, and was expected to make the company the city's largest private employer.

The announcement came weeks after Amazon.com Inc. and Alphabet Inc. GOOGL -0.02% said they would expand in regions where they already have a presence. Amazon last month awarded campuses to New York and Northern Virginia, bringing 25,000 jobs to each area; Alphabet said its Google unit would double its workforce in New York to more than 14,000 over the next 10 years.

The tech industry's growth in recent years has challenged companies to push beyond their headquarters for new talent, particularly as living costs rise and options for nearby expansion dwindle. Instead of spreading operations into new pockets of the country, though, the companies have opted for familiar locales where they already have a presence.

"You have an element of bet-the-company on each location," said Jeff Forsythe, an adviser with the consulting firm Forsythe & Associates Inc., which helps companies choose new sites. "If you're comfortable doing business in an area, it doesn't hurt to grow in the same area." All three companies have been eager to claim credit for creating American jobs as their power grows and their market values soar. President Trump has applied specific pressure to Apple, calling on it repeatedly to bring manufacturing jobs home from Asia.

Apple's choice of Austin is a surprise in one respect. After the company said in January it would select the location of a new campus by year's end, Chief Executive Tim Cook said the facility would be outside of California and Texas, where Apple already has substantial operations. An Apple spokeswoman declined to say if the Austin expansion is the promised new campus. The company in its announcement said there is potential for additional expansion in the U.S. over time.

In making its decision, Amazon also pivoted late in its process, opting to spread what was supposed to be a second headquarters with 50,000 jobs across two locations. Apple and Amazon approached their campus searches and announcements differently. Apple discreetly explored options in markets such as North Carolina and Northern Virginia, according to people familiar with the search. The company announced its selection of Austin overnight.

Amazon, meanwhile, held a more than yearlong, public search with the fanfare of an Olympics host-city selection process. The e-commerce giant received 238 proposals and winnowed the list to 20 finalists before trumpeting its choice of Northern Virginia and New York's Long Island City neighborhood in the morning hours of Nov. 13, maximizing its potential for attention. It also said it was creating more than 5,000 jobs at a new campus in Nashville, Tenn.



Apple reached a market value of \$1 trillion in early August, propelled by the sustained success of the iPhone. WSJ's Spencer Jakab takes a look at how Apple got here. Photo illustration: Heather Seidel/The Wall Street Journal

The expansion comes as business challenges mount for Apple. Its shares have dropped more than 25% since early October, shedding more than \$300 billion in market value, driven in part by investors' concerns about the future of the iPhone.

In Austin, Apple committed to spending at least \$400 million on the campus, according to its 15-year pact with Williamson County, where the campus will be located. The company said those jobs would be in areas including customer support, engineering, finance, sales and operations. In exchange, the governor's office said the state has pledged to extend \$25 million to Apple from the Texas Enterprise Fund, contingent on Williamson County passing a property-tax package next Tuesday that would give Apple a 65% tax break annually.

Those incentives are in addition to \$21 million the state committed in 2012 over 10 years for Apple's current Austin campus, which has doubled the company's local workforce. Apple now

employs 6,200 people in the area, the largest concentration of Apple employees outside of its Cupertino, Calif., headquarters.

A longtime lure of Austin, which once promoted itself as the Silicon Hills, has been its low cost of living compared with San Francisco and New York, as well as its lack of a state income tax.

The metro-area population of 2.1 million residents is younger and better educated than the rest of Texas and the U.S. It hosts music festivals throughout the year and has a surfeit of high-end restaurants. That has made it attractive to the type of younger workers companies want to hire. Austin was a dark horse in the quest to land Amazon's second headquarters, dubbed HQ2.

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Google and Facebook Inc. also have opened large offices in Texas' capital city. The area is home to Dell Technologies Inc., while chip giant NXP Semiconductors NV has a major presence there after buying Freescale Semiconductor in 2015. Many videogame companies have studios around town.

Texas has more representation in Washington than other states Apple considered, potentially giving Apple more clout on Capitol Hill at a time when tech companies face increasing scrutiny over issues such as digital privacy and antitrust, said John Boyd, principal at the Boyd Co., a site-selection firm.

Austin also has been one of two U.S. locations where Apple has manufacturing operations. In 2012, amid mounting criticism of its reliance on overseas manufacturing, Apple said it would invest \$100 million to make the Mac Pro its first "Assembled in the USA" product in years. The project in Austin was led by Flex Ltd.

Mr. Trump has renewed calls for Apple to shift manufacturing to the U.S. from China, where most iPhones are assembled. Analysts and people familiar with Apple's operations say it isn't easy to shift production out of China. Much of the electronics supply chain is based in China and neighboring countries, and many steps of assembling the iPhones still rely on the hands of hundreds of thousands of workers.

The new 133-acre Austin campus will be located less than a mile from Apple's existing facilities. The company added 6,000 jobs in the U.S. and now employs 90,000 people in country, many retail workers at its stores.

—Russell Gold, Yoko Kubota and Stu Woo contributed to this article.

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