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Durham CEO joins IBM, Microsoft execs urging rapid action from Congress to address chip shortage



Gregg Lowe, CEO of Wolfspeed in Durham. TBJ file photo



By Lauren Ohnesorge – Senior Staff Writer, Triangle Business Journal – December 1, 2021

A coalition of 59 CEOs and senior executives have signed a letter urging Congress to take immediate action on measures to bolster chip production in the U.S. and respond to a global shortage that's creating barriers in a slew of industries, from automobiles to aerospace.

The letter was sent Wednesday morning to members of Congress and includes the signatures of several executives with Triangle ties.

Gregg Lowe, CEO of Durham semiconductor manufacturer Wolfspeed (NYSE: WOLF) signed the letter, as did a slew of other executives whose firms have major Triangle footprints, including Arvind Krishna, CEO of IBM (NYSE: IBM); Chuck Robbins, CEO of Cisco (Nasdaq: CSCO); and Satya Nadella, CEO of Microsoft (Nasdaq: MSFT).

The letter called for the House to back funding for the CHIPS Act, a measure that could be a big deal for U.S. manufacturing.

In January, Congress enacted the CHIPS (Creating Helpful Incentives for the Production of Semiconductors) for America Act as part of the 2021 National Defense Authorization Act. But the law, which authorizes incentives for domestic semiconductor manufacturing and investments in chip research, requires funding. On Nov. 17, House leaders announced an agreement to go to conference on the Senate-passed United States Innovation and Competition Act (USICA), which includes \$52 billion to fund the CHIPS Act.

The bill's promise could ring true particularly in North Carolina, according to Mike Walden, economist and professor emeritus at North Carolina State University.

“North Carolina has an \$11 billion annual production in computer and electronic product manufacturing, of which chips would be included,” he said. “So expansion in domestic chip production could have a favorable impact on our state.”

John Boyd, a site selection consultant out of Florida, said it presents a major economic development opportunity for North Carolina.

“North Carolina's overall positive business climate, its diverse presence of leading manufacturer's reliant on CHIPS and the State's critical mass of universities and tech skills make it a major player in the battle for new semiconductor industry,” he said. “Site selection factors like tech skill sets, dependable power and water resources and strong academic linkages position the state well as a location for semiconductor manufacturing.”

The Triangle's life sciences prowess gives it yet another edge, Boyd said, noting that medical device makers are increasingly reliant on chips. And North Carolina State University, already recognized as a semiconductor center of excellence, means another opportunity.

Chris Chung, CEO of the Economic Development Partnership of North Carolina, declined to detail any specific opportunities North Carolina may be in the running for when it comes to semiconductor companies. But he agreed that the legislation the CEOs are pushing for could boost the state's position in attracting investment.



John Boyd, principal of corporate site selection consulting firm The Boyd Company

“To the extent the U.S. is more competitive because of federal legislation, then by definition North Carolina will be more attractive to domestic and international semiconductor manufacturers seeking their next location,” Chung said.

The letter from CEOs said the legislation is critical for U.S. competitiveness.

“As you know, semiconductors are essential to virtually all sectors of the economy – including aerospace, automobiles, communications, clean energy, information technology and medical devices,” the letter says. “Unfortunately, demand for these critical components has outstripped supply, creating a global chip shortage and resulting in lost growth and jobs in the economy.”

The CHIPS Act could meet the long-term challenge by incentivizing both semiconductor research and manufacturing,

the letter notes. It also calls for a strengthened version of the Facilitating American Built Semiconductors Act to include an investment tax credit for both design and manufacturing.

The bill comes as the share of global semiconductor manufacturing capacity in the U.S. has decreased from 37 percent in 1990 to 12 percent today, according to a report by SIA and the Boston Consulting Group. The decline is largely blamed on the substantial incentives offered by the governments of global competitors, the Semiconductor Industry Association said in a prepared statement Wednesday. Those competing incentives packages place the U.S. at a competitive disadvantage in attracting new construction of semiconductor manufacturing facilities, or “fabs,” the group stated.