

Chips Act: The Bad and the Good (not sure of Ugly)

I have advocated for a Chips act like program for 20 years. The reasons are simple:

- 1) Fabs require tons of capital, Only the massive companies can afford it. help needed
- 2) Fabs are an amazingly positive addition to any community or country. High paying jobs, tons of ecosystem and construction jobs. If I started a city from scratch, I would start with a Fab and we would be wildly successful city in 10 years.
- 3) Other countries subsidize large fabs for this reason. Nearly all Asia countries have great incentives. The US is behind on this as a nation. Some States (like New York) subsidize.
- 4) Fabs do not use up all the water, do not cause massive pollution, and they can recruit employees from all over the world. This downsides are not as real as feared (we can discuss)
- 5) Oh ya, The world needs chips!

When the Chips Act passed, I was instantly disappointed. Tons of money and yet no one was sure who would get the money, when, and why. All the discussion was on “requirements from those receiving money and government oversight”

18 months later:

- 1) **The Bad:** Minimal grant money has been awarded. Politicians and semi companies make speeches about plans for a program and committees forming and new sites. There may or may not be limitations on the companies that can receive funds. Should TSMC get more money than Intel? Should Skywater get more than Samsung? Do they have daycare and pay prevailing wage? Should we promote growth in that state or this state. Recent announcement of R&D programs and training programs (Programs, not factories or products). It is every nightmare I had. I don't expect much out of the Grants activity other than for university and start up companies and consortiums (none of these will make leading edge chips). I hope I am wrong.
- 2) **The Good:** Years ago, I was asked what makes people locate fabs in other countries. My answer was government support, subsidies, simple clear requirements. Cheap labor is minor compared to subsidies. An oversimplified contract from other countries states:
 - a. We will reimburse 25-30% of all spending on the fab. Show us receipts, we send you check for 30%.
 - b. Hire at least 2000 people, 1400 have to be local citizens. Pay a fine of 500M per year if you do not do this.

This is perfect, simple and companies jump at this. After looking at the “Bad Items” listed above, I wanted to say the Chips act is useless for getting fabs into the US. I was wrong. When I told a leader at a major company of my disappointment in the Chips act awards, he said “We don't care about those awards, we will still see billions in subsidies on our projects”.

Turns out, the investment tax credit is everything I dreamed of in a subsidy. You buy qualifying equipment, you get a check from the government for 25%.... And what companies are doing

today is spending on qualified equipment. No approval from the “house oversight committee for blah blah blah”. No “let us see your programs” needed. No debates on whether Intel should get a subsidy when they make tons of money. No debates on whether building in New York is better than building in Arizona. Buy equipment? get a check.

I assume the Ugly will come when congress tries to update the act to achieve new goals and requirements based on inputs from both sides of the political aisle. And we will probably end up with too many fabs in the world. But for right now, the ITC of the Chips act is making a difference in bringing fabs back to the US.

We can discuss more on how this is working and how companies are timing their new fabs and some numbers we can expect to see. Contact us

Mark Webb

www.mkwventures.com