

27/07/2001

Various incentives for wafer fabrication investors

Marina Emmanuel

GOVERNMENT support for investments in semiconductor fabricated wafers will soon see suitable tax and other non-fiscal incentives proffered to local and foreign investors.

This move, while aimed at providing Malaysia better access to wafer technology, is also meant as an inducement for multinationals to venture into a highly capital-intensive industry, also considered high-risk owing to its cyclical nature.

"The Government is prepared to support such projects," Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday when opening the RM5.5 billion SilTerra Malaysia semiconductor wafer fabrication facility at the Kulim Hi-Tech Park in Kedah.

Using SilTerra as an example, Dr Mahathir said in addition to the 10 year tax incentive given to the company, it was also offered a training grant amounting to RM5 million.

Acknowledging the current global slowdown in the semiconductor market, Dr Mahathir pointed to statistics released by the Semiconductor Industry Association of USA, which had projected a recovery and growth rate of 21 per cent next year, 25 per cent in 2003 and seven per cent in 2004 for the sector.

This anticipated growth is due to the expected increase in global sales for the industry in 2004 to US\$283 billion (RM1 trillion).

The Prime Minister said although six projects to produce semiconductor fabricated wafers involving investments from multinational companies (MNCs) were approved only two - First Silicon in Sarawak and Silterra in Kulim - were initiated and owned by government investors.

"The Government is fully aware that among the reasons why foreign MNCs are not implementing their projects is the highly capital-intensive nature of this industry, with each one costing in excess of RM5 billion.

"Due to this lukewarm interest by the MNCs, we strongly encourage Malaysian-owned or Malaysian-majority joint-venture companies to establish wafer fabrication through strategic alliances with the MNCs," he said, adding that the Government would continue to encourage MNCs to invest in these projects and spearhead the industry in Malaysia.

The semiconductor industry serves as the leading sub-sector in the country's electronics sector, accounting for RM71.1 billion or 33 per cent of the country's total electronics exports last year.

Malaysia is home to 36 companies, which produce various types of semiconductor devices ranging from microprocessors, memories, analog and discrete components.

Dr Mahathir said once First Silicon's and Silterra's factories in Kuching and Kulim respectively had reached their optimum production levels, the country could expect additional foreign exchange earnings of RM2.2 billion annually for exports of fabricated wafers.

Present at the launch were Kedah Menteri Besar Datuk Seri Syed Abdul Razak Syed Zain, Penang Chief Minister Tan Sri Dr Koh Tsu Koon, Culture, Arts and Tourism Minister Datuk Abdul Kadir Sheikh Fadzir and US ambassador to Malaysia B. Lynn Pascoe.

Also present were Silterra Malaysia Sdn Bhd chairman Tan Sri Mohamad Sherrif Kassim and the company's president and chief executive officer Cyril F. Hannon.

Speaking to reporters later, Dr Mahathir said the Government was willing

to work out suitable incentives for investors in semiconductor fabricated wafer projects on a case-by-case basis.

He also expressed the Government's willingness to assist companies involved in the electrical and electronics, furniture and fabricated products sectors - which may be facing a dip - to find new markets for their products.

Meanwhile, Mohd Sherrif told reporters that Taiwanese semiconductor company Utron would be SilTerra's latest strategic partner and customer.

Silterra is a full service semiconductor manufacturing provider, which uses Complimentary Metal Oxide Semiconductor or CMOS 0.25 micron and 0.18 micron process technologies to produce wafers.

SilTerra Malaysia's shareholders include Khazanah Nasional Berhad, Bank Industri, the Walden Group, LSI Logic Inc and Seiko Instruments Inc.