



# Eugene chip plant Hynix will close, erasing



(<http://connect.oregonlive.com/user/jbrinckm/index.html>) By Jonathan Brinckman, The Oregonian

(<http://connect.oregonlive.com/user/jbrinckm/posts.html>)

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## Employees will be told today of the memory chip plant's closure, which ranks among Oregon's biggest layoffs this decade

Oregon's jittery economy took its biggest hit Wednesday with word that Hynix Semiconductor plans to shutter its 10-year-old memory chip plant in Eugene in the next two months, putting more than 1,100 employees and 300 contractors out of work.

Kim Jong-kap, chairman of the Korean company, delivered the news personally to Gov. Ted Kulongoski and to Eugene Mayor Kitty Piercy during a visit to Oregon on Wednesday. Kim told them the closure resulted from the chip industry's move to larger, more efficient 300-millimeter silicon wafers, instead of the 200-millimeter wafers used at the Eugene plant.

Employees are to be formally notified today. Hynix declined comment, pending that notification.

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"For us, this is a huge blow to our families, and it's a blow to our economy," Piercy said. She said Hynix left the door open to restarting the plant in some capacity but hadn't determined how or when.

Thus far, Oregon has withstood a sharp downturn in its construction and wood products industry with only a comparatively modest loss of jobs. A number of other manufacturers -- among them, Monaco Coach Corp. and Hewlett-Packard Co. -- also plan substantial layoffs.

But those job cuts number in the hundreds. Hynix's closure ranks among the state's biggest layoffs this decade. Its effects will be acutely felt around Eugene, where large employers are far less numerous than in the Portland area.

"It's distressing," said Dave Hauser, president of the Eugene Area Chamber of Commerce. "It feels like a bit of a step backward for our regional economy."

Hynix is Lane County's biggest high-tech employer. The average high-tech wage in Lane County is \$51,200 a year -- far outpacing the county's average wage of about \$31,000, Hauser said.

"As a region and a community, we have our work cut out for us to find a replacement for those jobs," he said.

### Product demand down

Hynix makes a kind of computer memory chip called DRAM, a market that has been under intense pressure this year as the industry has matured, competition has increased and prices have fallen. The smaller wafers Hynix uses in Eugene magnified the predicament, because they have less surface area and therefore are more costly to use than the current, 300-millimeter industry standard.

"It was a matter of dollars and cents: You can't make money making old-school DRAM anymore," said Matt Petkun, a D.A. Davidson & Co. analyst in Lake Oswego.

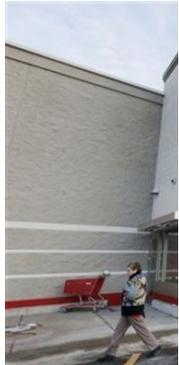
"They could have reinvested, I suppose, in that facility and brought it up to profitability. But that would take time," Petkun said.

The plant, located in an industrial area of west Eugene, has a tortured history. When the company, formerly known as Hyundai Semiconductor, chose to build in Eugene in 1995, the decision provoked a clash of cultures. Some residents welcomed the economic infusion, but others decried potential pollution and the loss of wetlands on the factory site.

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Cost overruns added an estimated \$200 million to the construction bill, and turmoil in the chip industry led to Hynix furloughing most of its Eugene employees in 2001 and closing the plant for most of 2002 while it retooled.

On Wednesday, Hynix Chairman Kim held out hope in meetings with state and city officials that the plant may yet reopen, perhaps in partnership with another company, according to the Eugene mayor's and the governor's offices.

Possible uses for fab

Trevor Yancey, market analyst for the research firm IC Insights in Arizona, said it's indeed possible that Hynix could find other uses for the factory, known within the chip industry as a fab. In particular, he said, Hynix recently entered the image-sensor market, which uses a manufacturing technique similar to DRAM and much of the same equipment.

Other Oregon chip factories found new life with manufacturers that use less sophisticated technology. That's what happened when LSI Logic Corp. sold its Gresham factory to ON Semiconductor in 2006.

"One problem is there are lots of 200-millimeter fabs on the market right now because a lot of other companies have done the same thing," Yancey said.

Word of the closure leaked early Wednesday afternoon, a day before Hynix's official announcement to employees.

Generally, third-party sources are not the best for letting workers know about an important decision, said Peter Paskill, division director for CareerMakers Division of HR Answers Inc., a Tualatin outplacement consultancy.

"The sooner in the process that we start communicating with employees, that these are the concerns we have, the better it is," said Paskill, who stressed he did not know the particulars of the Hynix situation.

"If we can get those discussions on the table earlier," he said, "then I think you're going to have a more effective and less hurtful transition than if I open my paper the next morning and read about my plant closing."

By late Wednesday afternoon, Piercy said, it was clear to Hynix officials that the notification had gone awry.

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"They're feeling kind of badly," she said, "that the news hit the media before they got the chance to meet with their employees."

Oregonian staff writers Richard Read and Anne Saker contributed to this report.

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