

Intel Outsourcing Atom Manufacturing

Jordan Robertson, AP Technology Writer

SAN FRANCISCO (AP) — Intel Corp. is handing over the secrets of its Atom processor to an Asian manufacturer in a gambit to sell more of the tiny chips that go into smart phones, set-top boxes and other small electronics.

Intel has worked extensively with Taiwan Semiconductor Manufacturing Co. on wireless chips and other products. But Santa Clara, Calif.-based Intel said the announcement Monday marks the first time the company has licensed its CPU core to a foundry, which is a plant that make chips for other companies.

The partnership marries the world's biggest foundry with the world's largest semiconductor company; Intel supplies the bulk of the world's microprocessors, the brains of personal computers.

The agreement illustrates the importance of Atom to Intel when slumping personal computer sales is sapping demand for Intel's traditional processors. Research firm Gartner Inc. forecast Monday that PC sales are expected to post their sharpest sales decline in history in 2009 because of the recession, down nearly 12 percent year-over-year to 257 million machines.

Atom is designed for a new category of devices that is growing: "netbooks," or stripped-down laptops that are smaller and cheaper than regular laptops and are used mostly to surf the Internet. Atom chips also can be used in other electronics.

Intel's new agreement with Hsinchu, Taiwan-based TSMC covers "system-on-chip" technology, which is when the processor is built on the same chip with other components like memory chips.

It ratchets up Intel's competition in that area with other chip designers like Qualcomm Inc. and Broadcom Corp., which also have "system-on-chip" products, and U.K.-based ARM Holdings Plc., which licenses low-power chip designs widely used in mobile electronics.

Intel's expanded relationship with TSMC is significant because it opens up new sales channels for Atom. By making Atom compatible with TSMC's manufacturing processes, Intel will make it easier to sell to electronics manufacturers that already buy from TSMC and have a lot of their products' technologies tied up in the way TSMC makes its chips.

Intel emphasized that it will continue to manufacture Atom chips in its own cutting-edge factories as well in the United States and elsewhere, and that the agreement doesn't include transferring any of Intel's manufacturing secrets.

The only other time Intel agreed to turn over its processor blueprints to another

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company was 1982. That was the year Intel expanded its cross-license agreement with Advanced Micro Devices Inc. so the companies could supply chips for IBM Corp.'s personal computers. IBM had demanded that Intel find a reliable second source for the processors.

Intel shares fell 27 cents, or 2.1 percent, to \$12.47.

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