

Emeritus Professor Lawrie Lyons FAA,
11th July 2006

The Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Commissioners,

Intel is by far the foremost semiconductor maker in the world. Microprocessors are the brains of computers and Intel makes both Pentium and Celeron microprocessors which together are in 80% of new computers. The presence in Australia of a large company like Intel to manufacture microprocessors would give Australia a huge ability possessed by very few countries. As the result of one decision Australia would be placed at the front of clever industries. Intel also makes flash memories and embedded semiconductors for the communications and industrial equipment markets

Intel's [R&D](#) expenditure is more than US\$ 5Billion about equal to Australia's total R&D expenditure for all industries taken together.

The Intel Corporation several years ago was willing to build its own manufacturing plant here, a process that would take about three years and cost about \$8 Billion dollars. Intel would use Australia to supply their Asian market, which is larger than their market in North America. About 8000 Australians would be employed in the highly automated plant. The then CEO of Intel, Craig Barrett raised the question in Australia when Senator Alston was the relevant Minister. Craig Barrett is now Chairman of the Board of Intel, and the present CEO is Paul Otellini.

Intel declared that if Australia wanted all its know-how and all its manufacturing capability, Australia would have to give something in return, namely a tax holiday for ten years of which the first three would produce no profit whilst the plant construction was incomplete.

The deal would make Australia knowledgeable in the most basic areas of science. Intel supplies companies like Dell and Hewlett-Packard.. Because nearly all the products made in Australia would be exported to an existing market, Australia's balance of trade would be helped by about \$10 Billion a year.

Nothing would be needed from the Treasurer's budget, so why do we not go ahead and see if Intel is still willing to come here?

Enclosed is a copy of a letter from me to the Treasurer, with a reply from Genevieve Bessell, Senior Adviser in the Treasurer's Office.

A similar letter to this is going to The Hon. Ian MacFarlane MP, Senator Helen Coonan, and also to Genevieve Bessell in the office of the Treasurer.

The thought in Genevieve Bessell's letter of involving the Strategic Investment Coordination process may be a suitable path to follow.

Yours sincerely,

Lawrie Lyons

26 April 2006

The Treasurer
Parliament House ACT 2600
Dear Mr Costello

Productivity Commission Review of Public Support for Science & Innovation

If we concentrate our attention on the most fundamental aspects of research and development in the area of information and computer technology then the enormous importance of the USA company Intel Corporation must be realized and studied. In the past Intel has joined by partnership agreements a number of Australian research groups.

Intel dominates the world market in the area in which it works. It does this because it spends each year on R&D no less than Au\$6.7 B which exceeds the amount of Au\$5 B that is quoted for government support of all Australian science & innovation.

Intel has a larger market for its products in Asia than it has in North America. In the 1990s the then CEO of Intel, Craig Barrett visited Australia and made it clear to this country that Intel would like to supply its Asian market from a manufacturing plant in Australia, but before Australia could receive such a gift it would have to agree to give something in return, namely a holiday from company tax for ten years. The present CEO of Intel is Paul S Otellini. Craig Barrett is now Chairman of the Board.

The size of the Intel proposal was of the order of \$8 B. The time to build the plant is at least three years. The number of workers in the plant would be 8000, even though the processes of manufacture would be highly automated. The value of Intel exports from Australia in a year would be \$8 B.

To avoid the appearance of favoritism, if this were thought desirable, the Federal Government could agree to grant a ten year tax holiday to any company in the area of information and computer technology provided that the company invested at least \$5 B in Australia and exported at least 95% of what it manufactured.

The Australian government has operated a scheme to help companies to Invest in Australia. One relevant minister made sure Intel was apprised of this, but it was never thought likely to succeed by any advocate of Intel coming to manufacture here, nor did it succeed.

Intel manufactures in Ireland because of Government assistance, and also in Israel, and no doubt in other centers as well.

I strongly urge the Treasury & other government departments to bring Intel to Australia. Then the Australian work-force would have knowledge of the world's cleverest industry, and our balance of trade would improve. Information about Intel Corporation is available on the net.

The presence of Intel manufacturing in Australia would by partnership arrangements with Australian researchers, improve Australian research efforts in the area of ICT.

Yours sincerely,