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European experts deride hoary semiconductor proposal

by **David Manners**

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That hoary old chestnut of a proposal that Europe's Big Three semiconductor companies should merge has arisen again, only to be greeted with derision by Europe's leading semiconductor analysts.

"The bottom line is there's no merit in it", Malcolm Penn, CEO of Europe's leading semiconductor analyst company, **Future Horizons**, told Electronics Weekly. "All this rubbish about economies of scale simply doesn't work. Mergers only work if there's a true driving force between the companies involved. But in this case you'd get product overlap, corporate clashes and another classic merger disaster where $1 + 1 = \text{half}$."

"All the companies are big enough to execute in their own markets", added Penn, "if they haven't made it, it's because they haven't executed properly. Merging them will only make it worse."

At **Gartner Dataquest**, vice president Andrew Norwood had a one word response, 'Unbelievable'.

This time the merger proposal was put up by Joseph Borel, described as a former executive vice president in central R&D at STMicroelectronics.

Borel said he had argued the case to **CATRENE** (Cluster for Application and Technology Research in Europe), the successor to MEDEA as the pan-European R&D programme, and had presented it to France's new president Nicolas Sarkozy.

Borel puts forward the usual argument of economies of scale and rising process development costs, even though none of the Big Three, NXP, ST and Infineon, perform their own basic process R&D anymore, having farmed it out to TSMC and IBM.

French government circles have been the source of a lot of strange stories about the semiconductor industry.

Some years back it was leaked that ST would take over Motorola. It was the front page story in the Financial Times that day.

More recently it was leaked that a former French finance minister would **take over from Carlo Bozotti** as CEO of ST.

But the most persistent story of all, one that has surfaced a dozen times in the last 20 years, is that a merger of NXP, ST and Infineon is going to happen. It ain't.

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