

Ask The Analyst

Question 13

What is the significance of TSMC's LED lighting R&D centre and fab?

Answer:

The easy answer is this is just a step on the path for TSMC to broaden its served available market. To quote Morris Chang, the motivation is "to further strengthen long-term growth in TSMC's revenues and profits, we not only continue to pursue excellence in the field of dedicated IC foundry, we are also developing new businesses". Judging by your question though I suspect you feel that there might be something more to it than just that. We concur with your 'feeling'.

Buried in the release is the seemingly innocuous statement "We will enter the market next year by offering LED light sources and light engines to pursue the broad business opportunities of the LED lighting industry." In other words, TSMC will be selling direct to the end market. In other words, you don't need a fabless or fablite company to sell LEDs for you. How long therefore before this strategy migrates to TSMC's other product lines? LEDs today ... baseband and consumer ICs tomorrow? Before you denounce this as simple scaremongering, the execution would be very simple. Buying e.g. Mediatek and expanding that as their consumer design centre would be a very simple step to market probably starting just with the Chinese 3G system and then working out from there.

Crucially TSMC's served IC market is saturating and were they an IDM today, they would have revenues in excess of US\$ 22 billion, be the world's number 2 supplier ahead of Samsung not far behind Intel, growing much faster than Intel with no Intel 'Plan B' in prospect. They would easily be the world's number 1 chip supplier by 2015.

Put it this way, this is what I would have as my long-term strategic plan! In the meanwhile I'd deny it vehemently ... until I'd fully reeled in my fablite customers and secured my market (i.e. capacity) dominance at the sub-5x nm node, which time it will be too late for anyone to stop it happening.