



Intel Puts Together Big Partners to Spark U.S. Tech

By James Detar
February 23, 2010

With U.S. tech jobs and venture investment lagging, chipmaker Intel (INTC) on Tuesday gave the sector a shot in the arm.

The world's No. 1 chipmaker announced an alliance called Invest in America. Its 41 venture and corporate members plan to invest \$3.5 billion in U.S. tech startups through 2011 and hire at least 10,500 U.S. college grads for tech jobs by year-end.

Intel CEO Paul Otellini disclosed the initiative Tuesday during a talk at the Brookings Institution, a Washington, D.C., think tank.

"All my life I have believed that America's best years are still ahead of it. If we focus, invest and work hard, that belief will hold true," Otellini said in his talk.

The effort is two-pronged.

First, Intel's venture arm and a group of 24 venture capital firms promise to invest \$3.5 billion in U.S. tech companies within two years. The VC firms include Kleiner Perkins Caufield & Byers, Khosla Ventures, DCM, Draper Fisher Jurvetson and Sevin Rosen Funds.

Intel is committing \$200 million in new funding via its Intel Capital fund.

DCM Partner Dixon Doll says the plan doesn't represent new money raised by his firm. "But 24 firms committing \$3.5 billion is a pretty strong statement," he said. "It's a statement of positive commitment to get everyone optimistic about job creation." He said one goal was "to educate the White House and Congress about the positive leverage associated with venture investing."

In the second prong, Intel and 16 other U.S.-based companies promise to hire at least 10,500 U.S. tech college grads by year's end.

The goals are lofty and the details still sketchy. Otellini didn't announce any specific investments. Intel says the investments will mainly come in cleantech, information technology and biotech.

Paul Saffo, a consulting associate professor at Stanford University and a well-known Silicon Valley tech forecaster, says the important thing about the alliance is the effect it will have on other companies.

The federal government is running deep deficits, and many state governments are broke or nearly so. "So if governments are stepping back, companies have to step up," Saffo said.

He says the initiative reminds him of when Microsoft (MSFT) co-founder Bill Gates set up the Bill and Melinda Gates Foundation. He says the move prodded other billionaires to set up foundations too.

Intel, he says, has set the bar for other companies.

"You've got to believe this alliance will have big impact," Saffo said. "It emphasizes the right things. It's leadership. It's partnership. Not the least of all, it's some fairly serious money."

The companies that committed to hiring new tech grads include Dell (DELL), Hewlett-Packard (HPQ), Cisco Systems (CSCO) and eBay (EBAY).

It's "part of Intel's DNA" to step up investment during recessions or the early stages of a rebound, says Keith Larson, a vice president of Intel Capital, Intel's venture arm.

"We invest in downturns so that we come out of the downturn much stronger than we were before. This is a very good time to invest," Larson told IBD.

The effort will pump up the tech industry, says George Scalise, president of the Semiconductor Industry Association trade group.

"That \$3.5 billion is a big number," Scalise said. "It has to foster some important research, and following that, new technologies and new products."

Scalise says that for every job created by chip companies and computer makers, several others are created in ancillary fields such as shipping.

What's important, he says, is the "ecosystem" of jobs that are enabled as a result of the investment.

"The fact that it's coming now underscores that we're coming out of the recession," Scalise said.

But the recovery has been slow. The U.S. venture capital industry invested \$17.7 billion in 2009, down 37% from 2008 and the lowest total since 1997, according to PricewaterhouseCoopers and the National Venture Capital Association.

VC investing is expected to improve somewhat this year, as is hiring. It's been a tough tech job market in the U.S., including Silicon Valley, for well more than a year, but studies show that more tech hiring is expected this year.

The new alliance will help the recovery, Darrell West, the Brookings Institution vice president who introduced Otellini on Tuesday, later told IBD.

"Proposing to hire more than 10,000 new college grads is a step in the right direction," West said. "The Invest in America fund is a strong vote for the future of the U.S."

The alliance announcement comes almost exactly a year after Otellini said Intel would spend \$7 billion over the next two years to build and refurbish Intel chip factories in the U.S.

"A year ago, we were focused on avoiding economic calamity," Otellini said in his talk. "Today, we need to start focusing on our future."