Taiwan looks to transform D-Ram sector

By Robin Kwong in Taipei
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Taiwan yesterday unveiled a long-awaited plan to restructure the country's struggling dynamic random-access memory (D-Ram) chip industry, announcing a new government-backed company that will buy key technology from foreign competitors and consolidate the domestic market.

The initiative could transform the global D-Ram memory chip industry, which had sales of $23.6bn last year, by allying Taiwan's large production base with technology from Japan or the US.

The resulting alliance, which some analysts estimate could claim as much as 35 per cent of global market share, would pose a threat to South Korea's Samsung, currently the world's biggest D-Ram maker.

The new Taiwan Memory Company will seek to invest in either Elpida of Japan or Micron of the US within three months, in exchange for D-Ram patents and technologies, said John Hsuan, chairman of TMC.

Both Elpida and Micron, respectively the world's third- and fourth-largest D-Ram makers, have approached the Taiwan government for aid as falling demand for the chips, mainly used in personal computers, caused heavy losses across the industry. Elpida in Taiwan declined to comment yesterday and could not be reached in Tokyo. Micron was unavailable for comment. Both have joint ventures with Taiwanese producers.

"There really is no clear plan yet by the government as they have yet to decide between Elpida or Micron," said Daniel Amir, analyst at Lazard Capital Markets.

Memory chipmakers have slashed capacity, and some, such as Germany's Qimonda, have already fallen into bankruptcy. But prices for D-Ram chips on the spot market have yet to recover significantly and many D-Ram producers are still losing money.

Yiin Chii-Ming, economics minister, said the government would seek out private investors to capitalise TMC, adding the government's stake in the new company would be less than 50 per cent. He declined to say how much the government would invest in the company.

"This is not to save individual companies. This is a project to transform the entire industry," he said.

He declined to say whether the government would take stakes in the existing companies, but said that because of the complexity of the situation, "we could not proceed with the traditional way of industry consolidation. We had to think outside the box to create this new platform for consolidation."

Frank Wang, an analyst for Morgan Stanley, said the government's announcement helped set a definite direction for industry consolidation, even if it lacked concrete details.

Additional reporting by Chris Nuttall in San Francisco

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