

Kuehne+Nagel's Inside Semicon

Episode #8

Nearshoring with Silicon Saxony

Intro (0:02)

Hello and welcome to our podcast series Kuehne+Nagel's Inside Semicon and the Semiconductor Supply Chain. I'm your resident host, John Desmond, and in this series I will be exploring the complex world of semiconductors and how this effects our everyday life and how we can manage the resilience within the supply chain.

Good morning, everybody, and welcome to Inside Semicon episode #8, today I have the great pleasure of welcoming Frank Bosenberg. Frank, hope I pronounced that correctly. My German isn't exactly where it should be. But welcome today very much to this episode. And it's obviously a great pleasure for me to have somebody like yourself from Silicon Saxony on. And I look forward to our discussion today, Frank. So maybe you could tell people who you are and what you do. Hi, John. Thanks for having me. So I'm Frank and as a managing director of Silicon Saxony.

Who are Silicon Saxony and what do you do? (0:49)

I had a network we call ourselves actually cluster organisation. And in reality we are something between semi, the big association and economic development agency, marketing agency for our region and the industry and and the club connecting our members for the sake of their growth. OK And how did this like thought process come about with you, Frank? What was the what was the reason for, for forming silicon sacs? The I mean, I know there's obviously a lot going on in the world with, you know different aspects, which we touched on later at the EU Chips Act, but what was the thought process behind starting silicon saxony?

The initial case was indeed a group of SME small to medium sized enterprises that wanted to come together, collaborate and, and get Infineon and, and AMD by that time as a client. So it started as a group of 20 companies, 20 members in 2000, and now we are more than 600 members. Oh, wow, that's, that's a, that's a pretty big membership.

Nearshoring (2:02)

I suppose that's specifically driven by the fact of the nearshoring. When you, you know, think about where we are and where we're going to in the next three to four years that the amount of near shoring that's happening has actually, you know, come on in leaps and bounds on your opinion the near shoring. Do you think that's something that is going to be progressively increased going forward over the years? What are your thoughts on the nearshoring with regard to like the Intel's and the Foxconns

and the TSMC's and etcetera that are not so much Falcon obviously, but obviously with the TSMC now called ESMC gets confusing with the names. You know, what are your thoughts on, on, on those companies and how they're going to establish themselves within the silicon region?

Yeah, maybe, maybe Foxconn is even about to come. I don't know. But yeah, there's one world I would bring in that it's, it's, it's resilience. So Germany and also Europe as a whole suffered quite a lot when there were not enough chips available in the in the 20s when COVID kicked in. And together with the further growth of the semiconductor market per SE, this, this avoidance of this lack of chips is, is certainly a big driver. And you're showing it's, it's one approach besides intensifying international collaboration, just making sure that you have enough, enough chips for your own product. Products all the time. Yeah, that's I think.

And, and, you know, ourselves within Kuehne+Nagel, we've seen, you know, a lot of companies coming to us as well, you know, questions on mainly resilience. And in terms of really, you know, bouncing forward, what happens if how do we maintain our supply chain? And because of the facts, as we now know through, you know, media, through, you know, my own podcast here, chips are involved in everything from the fridge to the microwave to the car to the home security. It really is a weak point within the supply chain across.

I've made a new word. Instead of it being a vertical, actually semicon is actually across the horizontals. So I've called it a horizontal. So I'm going to try and trademark that word now horizontal, just to try to get people more aware of the fact that we have something which costs across every aspect of our lives.

EU Chips Act (4:18)

And because of this nearshoring and the fact that we also have the Chips act as well. I mean, that's helping a lot, especially in the EU mean the US, we're all aware of it, but we're in the EU, Not a lot of people are aware of the EU Chips Act, but that has really proliferated the, the how to say, the openness of companies to come into Europe and especially in Germany. What, what are your thoughts there on A, on the chips Act and B on We've had some recent delays. So I suppose the first thing would be your opinion on the Chips Act. Is it a good thing? You know, will it bring in your opinion what it says it does in terms of jobs and, and, and infrastructure?

Yes and no. So of course we are in favour of the the Chips Act And in fact it's, it's less than other regions too. And yes, it will have an effect, But will it have the intended effect of achieving 20% production capacity? No, certainly not. And why is that? Because for two reasons. First, the market is growing and 2nd, and the set is already other regions are investing even more than the EU does.

Nevertheless, we see a we see a huge growth in particular on our region with Infineon further investing a tremendous 5 billion and ESMC with A10 billion project. And even the players that are here already, Bosch, EXFAB and also global foundries have either investments plans going or in the pockets. What to say? Yeah. And I think one thing that a lot of people forget as well as the ecosystem that this creates, it's not just about, you know, the jobs within the construction sector for, you know, making the fabs, it's the engineering, you know, and the operating of the fab itself. But then you have the whole spin off, which is on the, you know, the liquid side, the chemical side, you have the hotels, then you have the infrastructure, the road, the rail, it, it really has a, you know, a spiraling effect when you have that kind of an industry, you know, moving in it, it's, it doesn't just exist in its own system. I keep referring to it as an ecosystem. Everything feeds off everything else. And it just has this like self perpetuating way of creating jobs and, and security for people in the region, which is obviously something that's, that's I suppose why Silicon Saxony is, has become so important in, you know, in, in that region to help drive this forward on that.

Though, there are, I've noticed I've been reading the articles about Intel delaying because there was some, some items with regard to the location that they were, you know, proposing to, to locate at. Have you had any update or the latest news on I think it was 2026 if I'm not correct, when they think they will reopen or Yeah, I mean, officially the project is on ice for two years. For two years. Yeah. So that's, that's the official statement. And then depending on whom you ask in the in the industry, this project will materialise or not personally are always set as long as Pat Gelsinger, CEO of Intel. I still believe in the project. So now we have a different situation. We'll have to see. I, I stay optimistic, but for sure we won't get any major updates before middle end of next year. OK, OK. And I think probably that's given the other companies a break.

STEM jobs and the talent pool (7:21)

This is kind of a good segue into, into the fact of how we're going to actually provide the jobs. So obviously with Intel being delayed, it does mean that the market from the terms of engineering and operators and, and general staff has kind of taken a bit of a breather because now what you have the likes of ESMC now say still on track and Infineon still on track, they're not all drawing from the same pool. So, um, I think this is, I cover this as well. And one of the, the earlier podcasts we did was that where are the people going to come from?

I know that recently you've been, you know, travelling a lot. I'm just wondering if you've seen or heard, you know, from your perspective, if there was any way that people have found to, to find this, this talent, you know, is it going to be sourced locally? Will they, you know, hire them in from, you know, the US or Canada or Singapore or Asia? Because it seems to me that that seems to be the Achilles heel, which nobody is talking about. Where do we get all these people from?

Yeah, it's, it's indeed a challenge. And there's not one single source where where you can rely on. We see India on device for sure, a lot of good stem, stem that can be attracted, but it won't be the single source really. We expect people from other regions of Germany, Europe, US, Asia, you name it. The settlement of of TSMC or ESMC indeed shed a light on our region, in particular for the Asian community. So, so we expect this, yeah, we see, we expect to see an increase from from that part of the world.

But again, there's no single source. And we face the same challenge as all major semiconductor regions also in the US of attracting the best people on a global scale. Yeah, will will remain challenging. Yeah, I can imagine. And how to to help those those challenging items.

How Silicon Saxony provides support (9:13)

How does Silicon Saxony itself actually provide the support? So if I was, you know, a company setting up in your region semicond company, you know, what could I expect from Silicon Saxony to to assist me to to streamline and to navigate the waters of of, you know, Germany with its regulations, but also, you know, the location. So how would Frank, you know, help me to set up in, in Silicon Saxony?

Yeah, the the good thing is as we didn't start with semiconductors only last year or, or 10 years ago. In fact semiconductors here for more than 60 years, there are always people that did what you're planning to do for sure, and in some cases for many years already. So our job is really to bring people together, bring experience together, exchange for the, for the sake of the region.

So the, the common objective is to support first the industry and 2nd to, to people or, or companies in the region, no matter where the headquarters are. And there are enough people that can help, you just have to find them. And this is where we support in, in finding the right people to help on their specific challenges. Whether it's finding an English contract for your flat or, or someone that supports you and relocating or navigating through the, the jungle of, of paperwork that you still unfortunately need in Germany. Understood.

And I think that was one of the reasons as well that, that, you know, for us and Kuehne+Nagel that we wanted to be a partner of your, you know, of your group. Because obviously for us, then having that interaction with the, with the companies themselves, allowing us to interact because we're also learning in this new industry. Semicon is not something that you can just say you learn it and you turn the key and it's, you know, it's literally just, it's on because even now, if you compare to the automotive, if you don't turn a key anymore, you push a button, you know, and things are moving that fast. Eventually it's going to be voice activated, then thumbprint activated.

Growth of the Semicon industry (10:59)

So with the silicon industry and the whole industry itself, you can see how it's very, very progressive and you need to be keeping on top of the wave, so to speak. If you're not on top of the wave, you're really going to get crushed by the amount of the tsunami of information changes, you know, regulations. And it's a very fast-paced industry and not just because of the fact that we have a lot of silicon getting smaller and faster.

I mean, AI is now exponentially growing the industry itself, but the fact that the equipment that's used to actually manufacture these chips is also changing on a yearly basis. And I suppose that's another area as well, which hasn't been touched on is that, you know, once the the Intel's or the, you know, ESMCS are up and running, the logistics of getting the large equipment in and out of these areas, you know, is also a challenge. Do you have any like, say with the local government, say to, you know, enlarge the roads or really put some, you know, extra facilities in place, parking spots for security?

Is that something that Silicon Saxony is also involved with? Yes, in fact that became major part of our activities like I don't know, three years ago maybe. So when the EU Chips Act kicked in and and our region that grow continuously over the last decade, so to say really got another huge push. So we also started to to push our regional, also national authorities in taking care of that growth that is about to come in the next months, years. Yeah, yeah. Enlarging really the transport infrastructure, whether it's train, whether it's Rd, we need to enlarge in this just to just to master the growth that the the greater region we'll see in the next. Yeah, 2, 5, 7 years. Yeah. I, I think that's a a big part of that.

I mean, myself here have, you know, living now in the Netherlands, you know, you do see that there's, you know, and being Irish, I can make a very good comparison, which is there's 16 million people living in 1/4 the size of. So you can see that the road infrastructure at the moment is straining. And you would wonder how would new industry as big as, you know, the Intel, the ESMC, the Foxconn's are they are the wolf speeds, you know, how these guys would actually set up shop here. And I think they've picked a good location in the Silicon region within Germany. You, you have access to the water, obviously, you know, going down to Magdenburg, you know, you have good access to airports both North and South. So it isn't a miracle or it isn't just placing a pin on the map for these people.

It's obviously something that has to be thought through on many occasions because not only, I think, do Silicon Saxony help them with this area, but also you have events, regular events.

Industry events (13:48)

Frank, could you maybe just give an example of some of these events that you do with the people in the industry? Yes, so, so we have a lot of really dedicated small working groups hosting people of let's say 2020 people like that on dedicated topics on the major chain. And then we do major events where we, I, I wouldn't say maybe the entire ecosystem, but a large part of it connect them four times a year minimum. The, the highlight for sure is our annual Silicon Saxony Day taking part at the airport 17th of June, up to date for 2025 with yeah, close to 800 people. It's an international event by design for, for five years.

And yeah, connecting really the people in the, in the region also with people from outside the region. And you mentioned that the industry is global is one of our core activities and that's very also on our living front. OK.

So I think on all Frank, it was, you know, a great talk having you on here today. It was very informative. We've covered a lot from, you know, near shoring to to ecosystems, the transportation to the logistics to how, you know, Kuehne+Nagel and, and, and yourself, you know, that we've actually know partnered a lot is great to be part of the organisation for Silicon Saxony. It obviously opens up a lot of of avenues. It helps the everybody to grow as well. So I think that's something that in general that, you know, we can work towards. I'll definitely look we'll be attending in June, the event itself. So I'll be there. I think you have something else before that, which I hope to get to as well. But if not, one of our representatives will will head over.

Final thoughts (15:22)

And any final thoughts, Frank, ON Semiconductor before you go? Yes, just just as you as you mentioned the the complexity, we used to say semiconductors, not rocket science, it's more complex. Yeah, yeah. So yeah. And yeah, looking forward to cooperation also with Kuehne+Nagel on that. Yeah. Thank you very much, Frank.

Outro (15:45)

Well, Frank, thank you a bid you farewell and we'll see you soon. Thank you very much, Frank. Thanks, John. Thank you.

Thanks for listening to today's podcast Inside Semiconductors and the Semiconductor Supply Chain. If you found any of the topics we discussed interesting and you want to find out more, you can find me on LinkedIn at John Desmond or go to Kuehne+Nagel's website.