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Young Chip Firms Look Beyond the Gloom *Semiconductor startups eye niche networking markets*

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Many of Ottawa's young semiconductor companies are breaking away from traditional telecom markets to test their mettle in new consumer markets. It's a move that could alter the face of the local microelectronics sector.

Ottawa's Atsana Semiconductor is one of the new breed.

Among its applications, Atsana's multi-media processors can help wireless device's user to snap a picture.

It's the type of application that the former Lumic Electronics is hoping will be a must-have for wireless users in the coming years. Atsana is one of a handful of local semiconductor startups that is hoping new applications will mean a huge financial windfall.

"The market is certainly evolving," says Michael Krause, Atsana's chief operating officer. "We see a lot of development in enabling video over mobile applications."

Atsana isn't the only startup that is banking on newly emerging markets. For years, Sigpro Wireless' chief executive Sundara Murthy has been preaching the importance of recognizing convergence in the semiconductor space. His firm is developing a system-on-chip product that allows a wireless device to accommodate all sorts of video services and other bandwidth hungry applications.

"Very few are looking at the mobile industry and that is a transition the industry has to make," he says. "The problem is we saw the telecom market from the network point-of-view, not from the services side."

Murthy says it's crucial for chip companies to design new products for both the fixed and mobile Internet market at the same time.

What both Sigpro and Atsana have in common is that their products aim to reduce the amount of power chips typically use to convert audio and video information packets into useable applications on a wireless device.

Although the wireless sector is an area most industry watchers agree will have biggest revenue potential in the coming years, not every startup is working in the wireless space.

A handful of firms are sticking to the datacom market.

SiberCore Technologies continues to produce chips for the data communications markets, a sector which is suffering through a prolonged slump. The company makes chips that sit at the last mile of a network. The company says its products convert packets of data more quickly and efficiently than conventional means.

Peter Becke, SiberCore's newly installed chief executive, says there's evidence that companies are beginning to spend money on their computer networks again.

"Since we're on the edge of the network, SiberCore is in a very good position," he says. "We're one of the few companies that can say sales are better this year than last year."

Becke says he's not worried about the dwindling margins in some parts of the fixed Internet market since SiberCore's customers usually design their circuit boards around SiberCore's chips.

This means the company's chip could be used for wireless networks, he says.

Other parts of the data communications market, such as the market for chips that run a telecom carrier's servers, continue to sag. Companies like Bell Canada and Telus are reluctant to spend money to upgrade their networks since their customers are not buying into new services. As a result, the companies that build these networks like Nortel suffer. Consequently, the companies that provide Nortel and its peers with semiconductors are also suffering.

As the effects of the telecom slowdown continue to play out along the food chain, local startups are trying to find the niche areas that will require semiconductors to power new services.

Despite the continuing telecom slump, Murthy says there is reason for optimism in the chip space. The market for chips in the wireless sector, he estimates, will be 150 times larger than the market for personal computer chips.

"In two to three years, it's going to be like a wildfire," he says.