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Suffering Chip Companies Should Consider Wireless

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Ottawa's struggling semiconductor firms should look to wireless to make up for their shrinking traditional markets, Mosaid Technologies' chief executive George Cwynar said last week.

Cwynar was the keynote speaker at the first local Wireless Industry Congress at the Fairmont Chateau Laurier Hotel. He said local semiconductor firms should take a long, hard look at developing new chips for wireless devices, rather than rely on a recovery in the personal computer (PC) semiconductor market.

"Historically, the demand in the semiconductor market has been concentrated in the PC market," he said. "The PC market will rebound, but the growth will be in the single-digit range."

Mosaid and local peers Tundra Semiconductor and Zarlink Semiconductor have felt the pinch. As global PC sales plummeted this year, all three have trimmed their workforces to cope. Zarlink was the first to make cuts in May, when it chopped 18 per cent of its global workforce in response to shrinking margins. Later in the summer, Tundra cut 15 per cent of its staff for similar reasons. Mosaid cut about 17 per cent of its workforce.

The semiconductor sector's slump doesn't reflect a lack of opportunity or good ideas, said Glen Egan, investment manager with the Business Development Bank of Canada.

"I can assure you that the venture capital sector is still taking a close look at this sector," he said.

Cwynar said Ottawa's semiconductor firms are already taking preemptive measure to ensure their business models don't rely so heavily on the PC chip sales.

"This is an ideal time for semiconductor firms to look at the wireless sector," he said. "Many companies are rethinking their approach. It's one of the largest opportunities for the industry."

Wireless industry projections give Cwynar good reason for optimism. Jeremy Depow, research director with the Yankee Group of Canada, says more than half of Canada's population will be using everything from the simplest cellular voice services to the most complex mobile Internet applications in about four years.

"We expect to see a 58-per-cent penetration rate by 2006," he says. "We're slightly behind the Americans, but that gap will close."

Nazmin Alani, vice-president of the Gartner Group, says the penetration rate in North America could be as high as 70 per cent by 2006. It's numbers like these that Cwynar said will fuel the need for new types of chips that can power new wireless devices.

"We're facing some challenges right now, but the wireless revolution is still blazing around the world," he said.

Cwynar said chip firms are expecting increased demand for technology that powers fixed wireless Internet access systems and wireless local area network (LAN) systems in particular.

Fabless semiconductor company **Sigpro Wireless Inc**. has waited for this trend to arrive. It unveiled its first product at the conference. It develops system-on-a-chip technology for wireless personal communication devices such as cellular phones.

Its first product will be called **Centium**. It's a semiconductor chip with related software that can deliver services such as voice, e-mail, Web surfing, GPS navigation, music and video to handheld devices.

The product announcement is the culmination of 18 months of research and development activities. The **Centium** product will be tested for several months before it's available to manufacturers of personal communication devices.