

Press release: Historic signing seals world's first compound semiconductor cluster in Wales

An historic signing ceremony took place today (Monday, September 11) to ratify the development of a compound semiconductor industry cluster in South-East Wales.

The signing followed an agreement in May by the Cardiff Capital Region (CCR) Regional Cabinet to contribute £37.9 million from the CCR City Deal's Wider Investment Fund towards the establishment of a major, cutting edge facility, as an anchor in the region for high end production of compound semiconductors.

The aim being to support the development of a compound Semiconductor Industrial cluster in the region, with the potential to:

- lever £375m of private sector investment,
- create up to 2,000 high skilled jobs,
- return the investment for use on other regional schemes, and
- create hundreds more jobs in the wider supply chain cluster

It is the first such investment since the £1.2 billion CCR City Deal programme was formally signed by the leaders of the ten local authorities in the region on March 1.

The facility at Newport will be owned by the 10 Councils in the Regional Cabinet under the special purpose vehicle 'CSC Foundry Limited' / 'LDC Ffowndri' and the space leased to IQE plc for compound semiconductor manufacturing and applications development, helping the establishment of the world's first Compound Semiconductor Cluster, CS connected, in the region.

The project is not a grant or a loan – it is a commercial investment with ownership of the foundry shared between the 10 Councils. The proposal seeks to return the original investment plus interest over the life of the project.

The project was formally confirmed in a signing ceremony today at IQE's headquarters in Cardiff by Secretary of State for Wales, The Right Hon. Alun Cairns MP, Welsh Economy and Infrastructure Secretary Ken Skates, CSC Foundry directors Councillors Bob Greenland (Monmouthshire) and Andrew Barry (Merthyr), and IQE chief executive Dr. Drew Nelson.

The CCR City Deal seeks to position the region as the global leader in compound semiconductor-enabled applications, which was initiated by a £12 million investment from the Welsh Government.

In 2016, Innovate UK – the UK Government's innovation agency – announced a £50million investment to establish a new Compound Semiconductor Applications Catapult in South-East Wales. This new Catapult will build on existing

investment by Cardiff University, IQE, and Welsh Government.

Councillor Peter Fox, Leader of Monmouthshire County Council, and Deputy Chair of the CCR City Deal Regional Cabinet, said:

The objective of this commitment is to create a complete compound semiconductor eco-system in South Wales to take advantage of the growing prominence of compound semiconductor technologies.

The opportunity this investment creates, to help the establishment of the world's first compound semiconductor cluster in South East Wales, should not be underestimated

It has the potential to place our region at the heart of this cutting edge sector and will require the development and integration of a compound semiconductor supply chain in South Wales, with the economic and social benefits that will bring.

Secretary of State for Wales Alun Cairns said:

Compound semiconductors are at the heart of many devices we use today, from smart phones to tablets and satellite communication systems. It is an area of UK strength and today's confirmation of the development of a cluster of excellence in Wales reinforces our own strong position in the growth of this important and growing technology.

Of course, government does not create innovation, but it can be a catalyst to getting the scientists and engineers, the designers and the entrepreneurs together to make it happen.

This collaboration is important because innovation is a shared endeavour and I look forward to seeing the cluster take shape and create a lasting engineering and manufacturing legacy in Wales.

Economy Secretary Ken Skates said:

It is hugely encouraging that Welsh Government's initial £12m investment in developing the cluster back in 2015 has been the catalyst for today's announcement that IQE plans to expand into the City Deal's new facilities. Not only is it extremely exciting news for the Welsh economy, securing additional jobs and investment, but it further cements Wales as a world leader in this state of the art technology.

With the world's first compound semiconductor cluster located here in South East Wales, we are punching well above our weight in developing technology which not only plays an increasingly vital

role in the way we live our lives today but will drive innovation which will shape the world we live in tomorrow.

Dr Drew Nelson, Chief Executive of IQE plc said:

Compound semiconductors are rapidly defining 21 century technologies and Wales is uniquely positioned to be centre stage of this global, high-tech industry sector.

This dedicated compound semiconductor facility between Cardiff and Newport will act as a key component of the burgeoning cluster that is already cementing Wales reputation for technology leadership.

The initiative is a shining example of what can be achieved through collaboration. The Welsh and UK governments, along with the ten councils that form the Cardiff Capital Region, have worked closely with academic institutes and industry to build an innovation infrastructure that will support and nurture the region as a true global player in new and emerging technologies.

The facility will become the base for a number of compound semiconductor related activities, including IQE, where we expect to rapidly expand our production capacity to meet increasing demand for our technology.

Notes to editors:

- The Compound Semiconductor Cluster builds on Wales' recognised company strengths to create critical mass and commercial value in the supply chain by bringing together next-generation semiconductor materials and end-user applications such as 5G smart phones, the Internet of Things, tele-health and autonomous vehicles
- Compound semiconductors are more complex than silicon technology and offer lower power consumption, higher operating speeds and temperatures, light-emitting and detecting properties
- Four translational infrastructure pillars are already operational and bridge the so-called "valley of death", pulling through early stage academic research into commercial activity. They include:
 1. Institute for Compound Semiconductor Technology, at Cardiff University, part-funded by Welsh Government.
 2. Compound Semiconductor Centre – a joint venture between IQE plc and Cardiff University
 3. Compound Semiconductor Applications Catapult, funded by InnovateUK
 4. Future Compound Semiconductor Manufacturing Hub at Cardiff University, funded by EPSRC
 5. The Cardiff City Deal is a £1.2 billion deal to unlock significant economic growth across the Cardiff Capital Region (CCR)

6. The specific aims of the CCR City Deal can be summarised to: improve productivity; tackle worklessness; build on foundations of innovation; invest in physical and digital infrastructure; provide support for business; and ensure that any economic benefits are felt across the region

- The Shadow Regional Cabinet comprising the leaders of the 10 local authorities in south east Wales was set up in 2016 to provide the leadership, vision and strategic direction for the Cardiff Capital Region; help shape and manage the City Deal programme and structure; integrate and align the City Deal agenda with the Metro; prioritise projects which demonstrate the potential to achieve real economic improvements across the region; establish a secure platform for development encouraging alignment of relevant functions and activities and strategic application of funds as part of a fully integrated City Region approach; engage with wider stakeholders to encourage and support a collaborative approach to make the Cardiff Capital Region a success.
- The ten local authorities are: Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taf, Torfaen, The Vale of Glamorgan.
- The City Deal includes funding of £734m for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125m from the UK Government.
- The CCR Deal was formally signed on March 1, 2017, and the Regional Cabinet came out of shadow, and the programme entered a transition phase
- The Cardiff Capital Region Transition Plan will detail key activity to be undertaken, including establishing a Regional Office to drive the delivery of the Regional Cabinet's work programme in anticipation of receiving proposals. This includes the creation of a bespoke impact assessment model for those proposals.
- The transition phase will also see the creation and development of three advisory bodies to the Regional Cabinet – the CCR Economic Growth Partnership, a region-wide business representation organisation, and an Employment and Skills Board, and one delivery body, the Regional Transport Authority.
- The ten partnering Councils approved the Cardiff Capital Region City Deal (CCRCDD) Wider Investment Fund (WIF) totalling £495 million, consisting of £375 million grant from HM Treasury, passported via Welsh Government over the next 20 years. The remaining £120 million will be contributed by the ten partnering councils based on their respective population base and is currently modelled as being 100% capital in nature.