

Intel Sets Alliance to Invest \$3.5 Billion in U.S. Start-Ups, Hire College Grads

by Don Clark and Pui-Wing Tam

Intel Corp. and 24 venture-capital firms pledged to invest \$3.5 billion in U.S. companies over the next two years, a largely symbolic gesture that underscores efforts to influence government policies that could aid the tech sector.

The effort—which includes a \$200 million commitment from Intel's own venture-capital arm—is expected to help fund start-ups in fields such as computing and information technology, so-called green-technology efforts and biotech. In addition, a group of 17 big U.S. companies agreed to increase the number of recent college graduates they hire this year, Intel said.

Intel Chief Executive Paul Otellini, who announced the moves during a speech at the Brookings Institution, argued that they will help reverse a decline in U.S. competitiveness and drive job growth in the country.

On the other hand, Intel and several venture-capital firms acknowledged that the investment initiative doesn't entail raising new capital or necessarily increasing the amount they will invest domestically. Many put the bulk of their money into U.S. investments already.

Intel, of Santa Clara, Calif., has been a more vocal presence in the nation's capital as tech markets have been rocked by recession and the company's own business practices have been challenged in a suit by the Federal Trade Commission. A year ago, Mr. Otellini announced during another speech in Washington that Intel would invest \$7 billion over two years to upgrade capabilities of its U.S. chip factories.

In his latest speech, Mr. Otellini again focused on factors that have made the U.S. less competitive in attracting and nurturing technology companies, including corporate-tax rates, credits for research and development investments and education. He said that when Intel considers building a new manufacturing plant, it must weigh whether to invest the extra billion dollars that it costs to build in the U.S. versus other countries.

"We're continuing to invest in the US, but the opportunity cost of these decisions is larger," Mr. Otellini said.

Intel said the pledges to boost college recruiting should create a total of 10,500 new U.S. jobs this year—in some cases doubling the number of recent college graduates that participating companies hired in 2009. Besides Intel, companies participating in the recruiting effort include Google Inc., Microsoft Corp., Dell Inc., Yahoo Inc., Cisco Systems Inc., Broadcom Corp. and General Electric Co.

The investment plan, dubbed the Invest in America Alliance, attracted venture-capital firms that include Kleiner Perkins Caufield & Byers, Menlo Ventures, Mohr Davidow Ventures, New Enterprise Associates, Draper Fisher Jurvetson, Khosla Ventures, DCM and North Bridge Venture Partners. Some firms said they would commit \$150 million to \$200 million each over two years.

"This is a simple statement of intent," said Dixon Doll, a general partner at the venture-capital firm DCM, which plans to allocate \$200 million toward the effort. Rather than change his firm's actions, he said the alliance will largely raise awareness and understanding among politicians about what the venture-capital industry does, "to inspire confidence and make people feel better."

The commitment is "very consistent with our current investment practice," added Norm Fogelson, a general partner at Institutional Venture Partners, which also committed \$200 million over two years to the alliance. It is simply "putting a message statement around what we're doing," he said.

Intel's own investing arm, Intel Capital, has been particularly active outside the U.S. Where almost all of its investments during the 1990s were in U.S. companies, the company in recent years has set up funds to focus on investments in Latin America, China and India. Last year, about half the \$327 million it invested targeted U.S. companies, Intel said.

So a commitment by Intel Capital to invest \$200 million over two years doesn't necessarily indicate a boost in domestic investing. But Arvind Sodhani, an executive vice president who is Intel Capital's president, said the alliance should help keep a focus on spurring innovation and job-creation in the U.S.

"I think getting investors' consciousness raised is a good thing," said Michael Skok, a venture capitalist at North Bridge, another participant. "I would say it is going to have an incremental impact" in increasing domestic investing.

DCM's Mr. Doll said some venture firms "chose not to participate" in the alliance. But Mr. Sodhani insisted that Intel "got very enthusiastic support" since it began contacting venture firms about the alliance two and a half weeks ago.