EIP

Intellectual property key UK strength in global semiconductor supply chain – Select Committee Report

A group of influential MPs from the Business, Energy and Industrial Strategy (BEIS)Select Committee has released its Report on the semiconductor industry in the UK. The Committee took evidence from various industry representatives over the summer and investigated the UK's strengths and weaknesses in the sector. Their Report was published on 28 November. A copy can be found here.

The Report has been published at a time when we are waiting for the Government to publish its Semiconductor Strategy. The Report notes that we have been waiting for almost two years for the Strategy to be published and recommends that the Government should lose no more time and publish it immediately.

One of the key recommendations is that the Government should develop the UK's semiconductor design and intellectual property (IP) expertise, an area where the UK has particular strengths. For example, the UK is home to companies like Arm and Imagination Technologies, which are world leaders in their respective fields. The Report recommends that the Semiconductor Strategy should support the UK's efforts to design leading-edge nodes (a term for the most advanced semiconductors), noting that this is far easy to achieve than trying to build manufacturing capacity.

The Report also notes other areas where the UK is particularly strong, for example in advanced semiconductor materials and compound semiconductors. The Report recommends that the Government's Semiconductor Strategy looks to support this sector,

utilising existing organisations like the Compound Semiconductor Catapult in South Wales.

The Report also touches on the UK's role in semiconductor manufacturing. It is acknowledged that the capital expenditure and skills required build new fabrication facilities means that large-scale chip production is not a viable option for the UK. However, the Committee does suggest the UK Government should look at matching our design capability with appropriate manufacturing capacity. It also suggests that there is scope to explore an open fab in South Wales, to allow design companies to prototype and manufacture their products in the UK.

Looking beyond the UK's own capabilities, the Committee strongly recommends that the UK looks to partner with its allies in the US, the EU and beyond (meaning Taiwan and South Korea). They note that the UK cannot have an end-to-end supply chain in semiconductors and must look to secure supplies by trading on its strengths.

Finally, the Report looks at national security concerns, in particular ownership of UK-based companies by state-backed organisations from countries like China. The Committee appears to broadly support the mechanisms in place under the National Security and Investment Act, noting the concerns about hostile access to IP. However, they suggest the Government could act more quickly when taking action against particular companies.

In conclusion, the Report does not include any major surprises to those who know the semiconductor sector in the UK. We need to do a better job of supporting the areas where we are already strong, and use those strengths to secure our place in the supply chain by engaging with our allies in the US, Europe and Asia.

The Government has been too slow to release its Semiconductor Strategy, at a time when the US and the EU are investing in their own industries. We share the Committee's view that the UK Government should release its Semiconductor Strategy without delay.