



# Tech Giants Spend \$80 Billion to Make Sure No One Else Can Compete

Companies that deal in data are some of America's biggest buyers of equipment.

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ILLUSTRATION: GEORGE WYLESOL FOR BLOOMBERG BUSINESSWEEK

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General Motors Co. and Google couldn't be more different. GM musters an army of people and machines to produce the 10 million cars it sells each year. What Google makes doesn't really exist: You type on a laptop or click play on a YouTube video, and Google zips back bits of digital information.

But Google parent Alphabet Inc. and the other four dominant U.S. technology companies—Apple, Amazon .com, Microsoft, and Facebook—are fast becoming industrial giants. They spent a combined \$80 billion in the last year on big-ticket physical assets, including manufacturing equipment and specialized tools for assembling iPhones and the powerful computers and undersea internet cables Facebook needs to fire up Instagram videos in a flash. Thanks to this surge in spending—up from \$40 billion in 2015—they've joined the ranks of automakers, telephone companies, and oil drillers as the country's biggest spenders on capital goods, items including factories, heavy equipment, and real estate that are considered long-term investments. Their combined outlay is about 10 times what GM spends annually on its plants, vehicle-assembly robots, and other materials.

The splurge by tech companies is behind an upswing in capital-goods spending among big U.S.

companies, which is seeing its fastest growth in years, according to a Credit Suisse analysis. The \$80 billion tab also is a snapshot of why it's tough to unseat the tech giants. How can a company hope to compete with Google's driverless cars when it spends \$20 billion a year to ensure it has the best laser-guided sensors and computer chips? There are a lot of physical assets behind all those internet clouds.

- Hot and Cold

At a time when companies are criticized for spending extra cash on sugar highs such as buying their own stock, investors are generally happy about tech giants investing—except when they freak out. In April, the day after Alphabet released first-quarter earnings showing a big jump in capital spending, its share price fell as much as 6 percent.

- Small Change

According to Bloomberg data, GM is the 12th-biggest American company by annual revenue, but its spending on capital goods in 2017 (\$8.5 billion) pales in comparison with tech companies'.

- They'll Have the Usual

GM's capital spending has risen about 20 percent, from \$7.2 billion, since 2015—but that's still sluggish compared with the major tech companies.