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NC seeks auto plants, but what's the cost?

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North Carolina has watched with envy as auto manufacturers, lured by huge incentive packages, have dotted the Southeast with plants. Jobs at \$15 to \$20 an hour are not easy to come by in the region, after all, and nearby states were willing to offer a variety of incentives to bring the plants home.

More than 20 years ago, the state wanted in the game, going after a Mercedes plant for a site off Interstate 85-40. But Alabama came in with a huge incentives package. It stung because South Carolina had landed a BMW plant that today is central to a “campus” from Clemson University dealing with all aspects of the automobile industry.

That’s why state Secretary of Commerce Sharon Decker spent four days in Tokyo as part of the recruitment of a large-scale auto plant. Decker used “aggressively” to describe the state’s attitude toward getting a plant she called a “catalyst for jobs.”

Indeed, it has been shown elsewhere that an automobile manufacturing plant also brings in parts plants, which in turn create even more jobs.

In the mix, when the opportunity for a plant arises, will be other states in the Southeast but also Mexico. And therein lies a big rub.

Labor at Mexican plants goes at \$5 to \$6 an hour, a third or so of the wages that would be paid in the United States, and that’s even in the South, where unions are scarce and wages tend to be lower.

Incentives can help

What’s a state to do? The News & Observer’s Andrew Curliss reported Sunday that the state’s investment, perhaps a combination of land and tax breaks and other benefits, could run from \$100 million to \$300 million. State Sen. Bob Rucho has not been a fan of incentives, and as co-chair of the Senate Finance Committee, his view is important. Rucho even wrote bills to cut back incentives. That, he said, might change, despite his view that “most incentives don’t deliver.”

If the state’s target for recruitment, however, were a big factory with potentially thousands of jobs (figuring in the case of the auto industry the additional parts plants and other related businesses) then lawmakers might be inclined to go along with big incentives.

Decker’s attempts to create a public-private partnership to help recruit businesses have stumbled and appeared to be disorganized, and that’s not helping. The state has done recruiting in the past with some success, and what works is the ability to move swiftly, with the agreement of legislators, to tell potential new businesses exactly what they can expect from the state. Businesses that are playing states, or countries, against each other for the best deal need quick answers from people in authority to offer them.

Must justify costs

When it comes to recruiting, however, the bottom line is ... well, the bottom line. In the case of an auto plant, for example, will incentives in the \$100 million or \$200 million range pay off in the long term? Will the jobs created result in a better tax base, invigorate the economy with more home sales and other positive consequences of just having more money in motion? Will the auto plant eventually contribute with taxes and by raising land values and by drawing in other businesses?

North Carolina recruiters also need to remember that good employers, large scale or small scale, also value other things beyond the dollar, and in that area, the state has much to offer in terms of education and recreation. The state also needs to continue to market itself based on those assets. Tourism still is king, and no wonder, with mountains and beaches. So even as new, high-employment business is sought, the existing strengths of what one early explorer of North Carolina described as the “goodliest land” must not be forgotten.

Read more here: http://www.newsobserver.com/2014/09/22/4174165_nc-seeks-auto-plants-but-whats.html?sp=99/108/&rh=1#storylink=cpy

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