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RESPONSE TO POLICY COUNCIL'S REMARKS ABOUT BOEING

By Senator Glenn McConnell and Senator Hugh Leatherman

We feel compelled to respond to the flawed research that the South Carolina Policy Council released yesterday relating to the decision of Boeing to bring thousands of jobs and billions of dollars of investment to our state. They claim that bringing Boeing to South Carolina is bad public policy. We can think of no better public policy for our state to have than bringing jobs to our citizens. Sadly, the Policy Council's report is full of inaccuracies that paint both a false picture of how this deal came about and what it means for South Carolina.

Policy Council President Ashley Landess claims that legislative leaders misled the public about the purpose of the special session. She also contends that the sine die resolution did not allow for the General Assembly to consider economic development issues. While Ms. Landess may be good at some things, obviously parliamentary procedure is not one of

them. Clearly, one of the powers contained in the sine die resolution was for members of the legislature to amend the sine die resolution. That power has always been included so as to allow the General Assembly with a super majority vote to amend the sine die resolution so that issues that may have not been contemplated when the sine die resolution was originally passed can be handled. That is what we did with notice to the members and public in the Judiciary Committee. When we described why the sine die resolution needed to be amended to deal with economic development issues, it was amended unanimously in the Committee and on the floor of the Senate.

The first reason the Policy Council stated for the Boeing deal being bad for South Carolina is that it is a “short sighted approach.” Their claim that the Boeing plant will bring 3,800 jobs is only partially correct. The Boeing plant needs that number to even be eligible for the incentives that the legislature passed. We expect those high paying jobs to be filled so that the plant can become functional as soon as possible. That is in the best business interests of Boeing, so that they can quickly produce airliners to meet existing orders. We guess we cannot expect people in ivory towers to understand how business works and, in this case, the Policy Council has proven that. They also contend that there is no guarantee these jobs will be given to South Carolinians. While we cannot under our federal constitution limit employment opportunities to only our residents, it seems obvious that the great majority of the jobs created will go to people who already reside in our state. The Policy Council also conveniently leaves out the multiplier effect that the Boeing plant will have. We can expect that for every job created at Boeing, two to three other jobs will be created. Finally, the Policy Council states “targeted tax breaks have failed to create jobs

and grow the economy.” That statement is quickly and decisively dismissed in a single elegant word - Boeing.

Secondly, the Policy Council claims that the “costs are unclear.” They wonder whether there will be a net gain for the economy based on the costs of the incentives. Furthermore, they bemoan the fact that no BEA analysis was done of the project. A BEA analysis was provided to the members of the General Assembly, and that analysis showed that with the projected income tax from the plant and its employees alone would more than pay for the incentives and would result in a net gain to our economy. That analysis shows that the increase to our economy over the next ten years will be in the billions. It does not or could not compute the value from a global perspective of having an iconic business choose to locate a major facility here.

Third, the Policy Council says that the Boeing deal was accomplished behind closed doors and passed unanimously without any debate. Once again, the Policy Council shows its ignorance of how economic development is achieved. Negotiations on deals of this magnitude must necessarily be conducted in a quiet manner. That fact is universally acknowledged. However, to claim the incentive package was consummated behind closed doors is patently false. The elements of the incentive package were painstakingly presented to the members of the Finance Committee in an announced and public meeting. It was public enough that Policy Council staffers were there video recording the event. Each member of the Senate was informed of what was in the incentive package being offered as well as the thresholds a business would have to meet in order to be eligible for the

incentives. After the details were discussed both in the Finance Committee and on the Senate floor, the bill was passed unanimously on two separate days with roll call votes.

Fourth, the Policy Council claims that the Boeing deal was a “step backward for tax reform.” They argue that for the cost of the incentive package corporate income taxes could have been cut by 5 percent for all South Carolina companies. Once again, in an attempt to foment discord, the Policy Council ignores the simple fact that in order to access the incentives, Boeing would have to create thousands of jobs and invest hundreds of millions of dollars. Simply put, the money the Policy Council would have us spend is not there and would not be there without landing Boeing. In fact, bringing Boeing to South Carolina along with the revenue generated from its operation may give future legislatures the opportunity to cut taxes - something the Policy Council mistakenly chided us for not doing.

Finally, the Policy Council contends that the Boeing deal is bad because there is “no guarantee for the future.” They claim that Washington State gave Boeing substantial incentives, but that Boeing still chose to bring the new plant to South Carolina. The Policy Council again misses the mark. The incentives Washington State gave Boeing resulted in the first 787 production facility being built in Everett, Washington. That plant is still there and is still being operated. What South Carolina won was a new plant that will also produce the 787. While no one can guarantee the future, we along with many others are confident that the new Boeing plant will prosper due to the hard work of our workers and the support of both our elected officials and business leaders. We wish the Policy Council had more faith in the people of this state than outsiders do.

Ms. Ashley Landess concludes by stating, “Legislative leaders are congratulating themselves for creating jobs. They didn’t. Instead, they increased the cost of government at the expense of already-struggling citizens, who cannot afford the cost of this subsidy.” The General Assembly didn’t create any jobs yesterday; what we created were the conditions necessary for Boeing to create jobs here. However, there cannot be any doubt that the decision of Boeing to open a huge new plant in South Carolina will bring jobs - thousands of them. We have a track record with BMW and Michelin to show that we can expect great things with Boeing and the tremendous impact they will have on our state.

What Ms. Landess does not understand is that our citizens cannot afford for us to do nothing. If we followed her rationale, the best result would have been that Boeing would open their new plant in Washington leaving our state without those jobs and that investment. Why? She claims we are spending money we do not have. She conveniently omits the fact there is no cost to our state unless many jobs are created and an enormous investment is made. The cost of the incentives is eliminated by the financial benefit. We think that most South Carolinians understand this. Before sending out half truths and falsehoods that distort what was truly a monumental day in our state’s history, we wish the Policy Council, an organization that calls itself a think tank, would stop and actually think.

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