Boeing could bring $10 billion

Wilkins played central role in landing Boeing

Ex- federal judge says Aug. lunch turned into mission to land Boeing

By Tim Smith
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COLUMBIA — As state legislative leaders shuttled in and out of a second-floor Statehouse office on Wednesday to talk over final details of an incentives package they hoped would lure Boeing to build a major new facility in the state, one figure that moved among them was not an elected official.


Wilkins

Yet the work of Greenville attorney and former federal judge Billy Wilkins played a pivotal role in landing the aerospace giant to North Charleston and awakening state leaders to the possibility of a deal officials now say could mean billions of dollars for the state over time.

Sen. Larry Martin of Pickens, chairman of the Senate Rules Committee, said while he was not a member of the negotiating team from the Senate on Boeing, he talked with those who were about Wilkins' help.

"Judge Wilkins played a tremendous role in helping bring the Boeing folks back in the discussion at a point in time when it was very critical and contributed greatly to the ultimate success of what occurred this week," he said.

Wilkins, the former chief judge of the U.S. 4th Circuit Court of Appeals and chairman of the U.S. Sentencing Commission, said he first learned of the possibility of Boeing building a plant in the state during an August luncheon in Greenville with six to eight businessmen.

"Others spoke up and said yes but Boeing is just using South Carolina to leverage itself with the state of Washington, and they are not really serious about South Carolina," Wilkins said.

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He said he was more than curious about what was going on, especially since his firm, Nexsen Pruett, had represented Boeing in purchasing a plant in North Charleston that made fuselage components for the 787 Dreamliner.

Wilkins said he called Boeing's corporate headquarters in Chicago and spoke with a top-level official, repeating the conversation he had heard. The official said he was not aware what the company's feelings were about South Carolina but would find out.

"He called me back and said Boeing was serious about South Carolina, but so far they didn't seem to see a lot of movement from South Carolina as far as reaching out to Boeing, and I said to him, 'We need to change all that.' "

So the official, he said, told Wilkins to form an economic development team and "let's see if you can really produce and meet the needs of Boeing."

Wilkins declined to discuss who he talked with at Boeing, saying it was a private conversation.

Michael Luttig, Boeing's executive vice president and general counsel, served as a judge with Wilkins on the 4th U.S. Circuit Court of Appeals. Luttig, appointed by President George H.W. Bush, served on the court for 15 years.

Wilkins said he was aware Gov. Mark Sanford was making calls to Boeing and talking with officials there but he did not know the content of the conversations.

Sanford on Wednesday said the success of landing Boeing was a team effort and praised legislative leaders and Commerce Secretary Joe Taylor, among others. He has declined to publicly discuss the substance of his calls. Sanford has been friends for many years with Boeing's chairman, Jim McNerney.

Wilkins also said Sanford's political troubles did not surface as an issue in the talks.

"That was never discussed," he said.

Team assembled

Wilkins said he then assembled a team, including Leighton Lord, Ric Tapp, Burnie Maybank, Stephanie Eames and himself.

Boeing sent a "top-level executive" to the state for a meeting, a signal Wilkins said, that the company was "really serious about South Carolina."

Wilkins' team set up a Charleston meeting, he said, between the official and Senate President Pro Tem Glenn McConnell of Charleston, Senate Finance Committee Chairman Hugh Leatherman of Florence, and two Berkeley County senators: Larry Grooms and Paul Campbell.

"The Boeing executive

expressed the fact that Boeing was serious about South Carolina," Wilkins said. "If South Carolina would meet them halfway, we would be a real contender. "

The senators, he said, "were able to impress upon him that if that were the case, then South Carolina was also serious and 'we'll demonstrate that, beginning immediately.' "

The executive also met with House Speaker Bobby Harrell and Commerce Secretary Joe Taylor.

"Things began to move," he said, following the meetings.

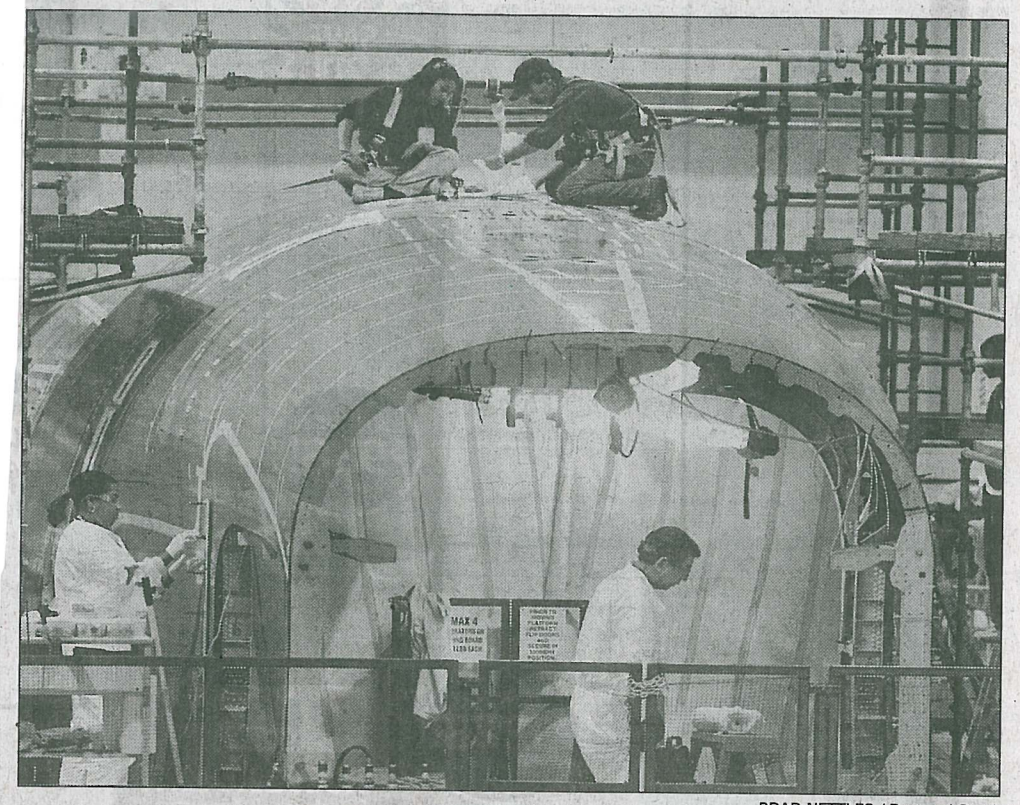
Not that it was easy, he said. There were myriad details that had to be addressed, Wilkins said, all of which had to be negotiated "under the radar screen" to keep from alerting the state of Washington that it might lose the proposed facility to North Charleston. Boeing officials worked past midnight with state officials on multiple nights in a "very detailed and complicated process," he said.

Special session

As work on the legislation progressed, Boeing explained that while time was of the essence, it also didn't want a special session called just for the incentives because they did not want the state to spend the money.

When a glitch in an unemployment law that had to be fixed this year caused legislative leaders to call a special session, "that picked up the pace."

The eventual legislation was completed over last weekend, he said. The package offers Boeing $170 million in low-interest loans and a bevy of tax breaks on the condition the firm creates at least 3,800 new jobs and a capital investment of at least $750 million over 10 years.



BRAD NETTLES / Post and Courier

Boeing employees work at the Boeing facility in North Charleston Tuesday. Boeing says it will open a second assembly line for its 787 jetliner in North Charleston.

Wilkins said lawmakers and officials of the Commerce Department all worked closely without any turf battles.

Meanwhile, he said, officials in Washington believed that Boeing wouldn't dare leave the state for its new facility.

"The unions there were not cooperating," he said.

Both sides in South Carolina, he said, developed a mutual trust.

"If Boeing said something, we believed them," he said. "If we said something, they believed us. That always is a factor that is necessary if you're going to move rapidly and this, in the scheme of things, happened very quickly."

Wilkins said he thought the final incentives package was fair.

"They were not greedy," he said. "They did not ask for anything they did not need."

Lawmakers passed the package unanimously without identifying the prospect and legislative leaders waited for Boeing's official announcement, which came at about 5 p.m. on Wednesday.

"I'm extremely proud of South Carolina," he said. "It's very difficult to describe the overall economic impact this will have on the state of South Carolina in an extremely positive way. "

He also believes the initial announcement will produce additional good news for years to come.

"History dictates that you never shut down one of these plants," he said. "Once this plant is operational and established, it will only get bigger over time."

Private policy group criticizes incentives package

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COLUMBIA — Boeing's new production line in North Charleston could ultimately bring $10 billion to the state's economy, according to an analysis by a state economist.

The analysis by the Board of Economic Advisors was provided to Senate Finance Committee Chairman Hugh Leatherman, who along with Senate President Pro Tem Glenn McConnell issued a statement Friday that the income tax alone collected from new employees at the plant would pay for the state incentives package offered to Boeing, which Leatherman has valued at $450 million.

"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," the two Senate leaders said in their statement. "The cost of the incentives is eliminated by the financial benefit. We think that most South Carolinians understand this."

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BOEING

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The statement was released in response to criticism of the incentives by the South Carolina Policy Council, a Columbia-based research group, which called it "bad public policy."

Gov. Mark Sanford signed the incentives legislation Friday in North Charleston.

Sanford, who philosophically opposes incentives, has said Boeing's incentives were warranted and will be more than outweighed by the benefits.

"This is the largest jobs and investment announcement in South Carolina history," Sanford said. "Just as BMW catalyzed a now extensive automotive presence across South Carolina, we think Boeing will set off a ripple effect of high-tech manufacturing and [illegible] across the state."

Robert Martin, a BEA economist, said that his analysis showed that Boeing's direct and indirect investment in the state over the next 15 years would top $5 billion. When all suppliers are considered in the equation, he said, the total impact reaches $10 billion.

Greenville attorney and former federal judge Billy Wilkins of Greenville, who helped negotiate the incentives package, said he believes the $10 billion estimate "may be on the conservative side."

The aerospace giant is guaranteed incentives, including $170 million in low-cost loans, provided the company brings 3,800 new full-time jobs and a capital investment of at least $750 million over 10 years.

Boeing announced Wednesday it would build the North Charleston facility for a second production line of its 787 Dreamliner aircraft. Construction on the plant is expected to begin soon and production is expected in 2011.

The Policy Council argued that the process for deciding the incentives was less than transparent, with no public cost-benefit analysis. It also argued that targeted tax breaks have failed in the past to create jobs and grow the economy and that there is no guarantee the state will see 3,800 jobs or that its incentives will produce rewards for taxpayers. Washington State in 2004 gave Boeing $3.2 billion in incentives, the Policy Council argued, yet Boeing decided to open its newest facility in South Carolina.

McConnell and Leatherman, however, accused the Policy Council's report of being filled with inaccuracies "that paint a false picture of how this deal came about and what it means for South Carolina."

For every job created at Boeing, the two said, two to three jobs will be created at suppliers and elsewhere in the economy.

While there is no guarantee of 3,800 jobs, the company must produce at least those numbers or repay the tax breaks, the two leaders said. There is no cost to the state unless the jobs are created and the investment made, they said.

A BEA fiscal impact statement of the legislation concludes the incentives will not reduce sales tax or income tax revenue to the state this fiscal year.

"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," the two men said. "We wish the Policy Council had more faith in the people of this state than outsiders do."

Ashley Landess, president of the Policy Council, said the organization is pleased at Boeing's announcement but believes the issues it has raised are justified.

"We aren't trying to just create discord," she said. "We're trying to raise substantive legitimate concerns about whether politicians ought to be investing public money in economic development when it hasn't paid off and we are in such dire unemployment straits."

She said incentives packages have not paid off for the economy as a whole during the past two decades. Politicians, she said, would better serve the state's businesses and taxpayers by cutting taxes than by offering hefty incentive packages to draw new industry.

"No one should get the impression we aren't delighted Boeing is in South Carolina," she said. "But they should come here for the right reasons, not because we pay them to do it. We contend that they'll do just fine on their own. Boeing is a successful company that doesn't need politicians to tell them how to run their business."



GAIL HANUSA / For Boeing

Boeing is expected to bring 3,800 new full-time jobs to the state.

"We think Boeing will set off a ripple effect of high-tech manufacturing."

Gov. Mark Sanford

Get Boeing details

Find out more about how the Boeing deal came together as well as video and other documents at:

greenvilleonline.com