## THE ECONOMIC IMPACT OF BOEING IN SOUTH CAROLINA

If Boeing grows at the same pace as BMW's plant in Greer, the aircraft company's investment in the state will be almost $10 billion.



| | BMW | | Boeing | |
|---|---|---|---|---|
| | 1992 | 2009 | 2010 | 2027 |
| Employees (Direct) | 2,000 | 5,000 | 3,800 | 9,500 |
| Capital investment (Millions)* | $459 | $4,400 | $1,025 | $9,831 |
| Capital investment per job | $229,370 | $880,000 | $269,737 | $1,034,873 |
| Annual compensation | $80,000,000 | $435,000,000 | $152,000,000 | $826,500,000 |

*1992 capital investment equaled $300M in 1992 but is reflected in 2009 dollars. Based on the Consumer Price Index

Sources: Miley & Associates, Inc., BMW

SUZIE RIDDLE/Staff

# Impact of Boeing will ripple across the state



WADE SPEES / The Post and Courier

Workers install systems in an airliner in North Charleston. Boeing's presence in the state could exceed BMW's.

## Investment is a 'local-economy maker'

By David Dykes and Jenny Munro
STAFF WRITERS

Boeing's impact on South Carolina will be significant on several levels, just as BMW and Michelin have reshaped the economy not only of the Upstate but of communities across the state, economists said Thursday.

"Everybody in the state that was involved in attracting BMW to South Carolina would have been ecstatic had BMW opened with 2,000 employees and $300 million worth of investment" and not increased either one of those numbers, said Harry Miley, a Columbia-based economist who was chief economic adviser for Gov. Carroll Campbell.

"The lesson for Boeing is that this may be the beginning of another growing company that has nothing but additional positive impacts on the economy," Miley told *The Greenville News*.

"Just like BMW, this is a marque for the state of South Carolina that says, 'You can do cutting-edge manufacturing in South Carolina,'" said Mark Vitner, senior economist with Wells Fargo Economics

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# BOEING

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Group. "It puts to rest the nonsense that you can't find quality workers in the state."

Another example, Miley said, is Greenville-based Michelin North America, which came with one facility but now has several plants across South Carolina, thousands of employees and a huge capital investment.

"These types of investments by these types of companies are deal makers and local-economy makers," Miley said. "They can change the nature of an economy and add thousands and thousands of jobs."

Boeing's selection North Charleston for $750 million aircraft asse bly plant would add $6.1 l lion a year to South Car na's economy and have presence that could exce the impact of BMW's au motive plant in the Upsta

Over the first 30 years operation — the length time for the state's inf structure bond issue Boeing will generate most $2.76 billion in st tax revenues, far more th the cost of state incentive according to a new ec nomic analysis by Miley.

If Boeing's investment South Carolina grows a similar rate as that of BM over the next 17 years, t company would empl 9,500 people and have a $ billion capital investme the study found. BMW only North American m ufacturing facility emplo 5,000 permanent and co tract workers in Greer a represents a $4 billion vestment in South Car na.

Miley conducted the Boeing study for the Alliance for South Carolina's Future, a nonprofit group in Columbia that works for economic growth in the state.

"By every measure, the effect is profound," said Ed McMullen, the alliance's co-founder.

The Boeing manufacturing facility, for the company's 787 Dreamliner jet, will have a $5.9 billion annual impact on the Charleston region. The study's numbers are based on a projected 3,800 jobs Boeing will create along with thousands of new jobs in other areas of the economy.

The study also said that based on the assessment rate and local millage rates, the Boeing facility will pay almost $2.5 million a year in Charleston school taxes. That increases to $5 million in school taxes each year once the 15-year tax incentive is over, the study said.

The state incentive package totals $275 million, which includes $170 million in General Obligation Economic Development Bonds under provisions of the amended Economic Development Act.

Boeing selected North Charleston for the assembly plant last year in the largest single industrial investment in South Carolina history, and the impact already is being felt across the state and in the Greenville area.

A joint venture of the BE&K Building Group and Turner Construction, with design partner BRPH, was awarded the design-build contract for the plant, and the BE&K's South Carolina regional office in Greenville is the headquarters for the design-build team.

In addition, CMC South Carolina Steel, founded in 1952 and located in Taylors, is the structural steel subcontractor.

Boeing recently announced it had chosen South Carolina as the location for fabrication and assembly of airplane interior parts to supply the 787 Dreamliner final assembly and delivery site under construction in North Charleston.

The company is reviewing potential sites for the new airplane interiors facil-



ity and anticipates making a final decision by midsummer.

Boeing officials said the new facility, Boeing Fabrication Interiors South Carolina, will be located near the North Charleston final assembly and delivery site. As many as 150 employees will work at the new facility, the officials said.

Aircraft assembly requires more suppliers than most other types of manufacturing, Vitner said. While Charleston will gain some of those, "a significant number of plants are likely to locate around the state," he said.

But "I think South Carolina is clearly in the best position," and many of the suppliers could decide to locate off Interstate 26 because of the ease of transportation to Charleston, Vitner said.

According to Miley's analysis, the construction phase of the Boeing project is expected to have a major short-term impact as well with almost 9,900 direct and spinoff jobs.

Construction activity will generate an estimated $246 million in direct labor income. When multiplied throughout the region in indirect and induced impacts, the total increase in labor income is estimated to be more than $413 million.

Other findings in Miley's analysis include:

- The announced capital investment for Boeing, $1.025 billion, nearly equals all of the private capital investment made in South Carolina in 2003, or $1.128 billion.
- Boeing's capital investment per job, $268,816, more than doubles the statewide average in 2003 and is significantly above the average in South Carolina since then. The capital investment per job is a good indicator of whether a new facility will help support local governments.
- South Carolina must compete for jobs and new investment with incentive packages in part because the state's property taxes on industrial property are too high. One study ranks South Carolina highest in the nation, putting the state at a significant disadvantage.

"There has never been a

more important time in the last 50 years for South Carolina to support and attract new manufacturing investment," the study said, citing state unemployment well above the national average.

In a statement, Boeing reiterated that it has agreed to investment and job creation targets included in the memorandum of agreement with South Carolina officials, "and we're obligated to repay a proportional share of the bonds to the state if those targets are not met."

"We feel we're not just creating jobs in South Carolina; we're creating careers for generations to come — and we're creating an aerospace hub that has a long and prosperous future in the state," Boeing said.

The question of incentives, however, remains controversial.

Jack Norman, research director at the Institute for Wisconsin's Future, a nonprofit organization, has studied Boeing's approach to tax breaks from city, county and state government and he concludes the corporate strategy is harmful.

"On one hand, these are incredibly important community assets, companies like Boeing," Norman told *The News*. "But on the other hand, in our opinion, they are using their muscle to just really push for extreme benefits and doing it in a way that is not really healthy in the long run for communities."