

Analysis: No Sure Things In Economic Development

ALAN SAYRE AP Business Writer - July 4, 2009

NEW ORLEANS (AP) — The past few weeks in Louisiana have demonstrated there are certain things economic developers armed with the taxpayers' checkbook can accomplish, and others they can do little about, especially during the current recession.

And in this era, risk and uncertainty are magnified.

A week after Gov. Bobby Jindal announced plans for a futuristic, startup auto manufacturer to begin producing its vehicles in Monroe, General Motors Corp. said it would have no further use for its Shreveport assembly plant by June 2012 — a manufacturing mainstay in Louisiana for nearly 30 years.

That means if V-Vehicle Co., with such investors as T. Boone Pickens on board, comes to fruition, the impact of its projected 1,400 jobs will be reduced by the 950 that will be cut loose by GM, provided at least some GM workers don't move across the state to work for a new boss.

GM said the Shreveport plant would not have a role in the "new General Motors" — the one that federal taxpayers hold majority interest. There's still the hope that after GM ends its stay there, a Chinese manufacturing company will keep building Hummers there. But if China's state radio is right, that plan is about to go down amid China's government opposition to gas-guzzlers.

Jindal, at least publicly, hasn't given up on GM, saying a top GM official told him by telephone that "many options are still on the table for Shreveport," including the possibility of GM operating the facility or selling the plant to another buyer.

San Diego-based V-Vehicle is far from a done deal yet: The company needs \$340 million in loans from the federal Energy Department — or more private investment — to build a car only described so far as fuel-efficient. A loan is not pie in the sky: Ford Motor Co. has gotten \$5.9 billion, Nissan Motor Co. received \$1.6 billion and Tesla Motors Inc. was being given \$465 million, all to build fuel-efficient vehicles.

Two days after V-Vehicle revealed its plans, and the week before GM made its plant closure announcement, Jindal's administration scored another big economic project — and one in a more-traditional area: the chemical industry. France-based SNF Holding Co. plans a \$362 million plant at Plaquemine in Iberville Parish to produce polymers that can be used to enhance petroleum recovery, employing 511.

The specialty chemical plant likely won't open before 2011.

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Specialty chemicals are the wave of a profitable future, at least according to the plan of Dow Chemical Co., which said last week it would shut down three basic chemical production units in Louisiana. The 100 affected employees can go to work elsewhere in the company.

On another front, The Shaw Group Inc. recently held a job fair for a nuclear components plant in Lake Charles where plans call for 1,400 jobs.

Still in the picture — but out of focus now — is steelmaker Nucor Corp.'s consideration of a southeastern Louisiana site for a \$2 billion pig iron plant that initially would employ 500. Nucor, which is buying land in the area, also is considering a site in Brazil. But the steel industry worldwide is having problems with red ink.

The state plans to spend \$69 million for V-Vehicle and \$26.6 million for the chemical plant, on top of \$50 million headed toward saving a chicken processing plant that once employed 1,300 in Farmerville, where the closure had brought warnings of widespread, long-term unemployment, the collapse of the chicken farming industry in the region and uncollectable farming loans that would hit area banks. The incentive plan for Nucor is still under wraps.

Risky ventures?

Perhaps, especially the V-Vehicle deal. But the days of totally solid-from-the-first ventures — especially in automotives — are out of the picture. Various auto manufacturers, such as Nissan, Toyota, Mercedes Benz and BMW, chose other Southern states in the 1990s and early 2000s.

During that time, Gov. Edwin Edwards was preoccupied with casinos, then Gov. Mike Foster touted tourism as the state's future, while appearing lukewarm about competitive economic development.

Sure things have passed Louisiana by — and with that, so have guarantees and low risk, unless the state wants to drop out of the game.

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