Branstad Offers Defense of Iowa Fertilizer Plant

Ryan J. Foley, Associated Press

FORT MADISON, Iowa (AP) -- Gov. Terry Branstad offered a fiery defense Tuesday of his administration's efforts to woo an Egyptian company to build a $1.4 billion fertilizer plant in southeastern Iowa, seeking to get beyond criticism and negative publicity that have dogged the deal.

Branstad lashed out at critics during a meeting with residents in Fort Madison, pledging the project wouldn't be stopped. He said Democratic state senators were playing "politics of the worst kind" when they criticized the tax breaks that state and local leaders promised Cairo-based Orascom Construction Industries to build the plant.

The governor said his administration was justified in promising Orascom $100 million in state tax credits, on top of county tax breaks. He defended his decision to finance the project with $1.2 billion in bonds issued under a federal program meant to help Midwestern businesses recover from floods in 2008 — a move that might save Orascom $300 million but add to the federal deficit. Branstad said Iowa's share of the bonds expired Dec. 31, and would have been lost if they weren't used.

His defense comes after a disastrous stretch of publicity for the project, which has been the subject of criticism from neighbors, tax watchdogs and environmentalists. Recent publicity has focused on the discovery of Native American artifacts on the Iowa site where Orascom wants to build and the company fighting allegations of contract fraud and tax evasion.

Branstad told a room of about 100 people that the plant being developed in nearby Wever would create 2,500 temporary construction jobs, 165 permanent jobs, and save farmers $740 million annually by cutting the price of fertilizer. He said the deal would create jobs in Lee County, which has the state's highest unemployment rate, and additional tax revenue for state and local governments.

"It's not very often that a project of this magnitude comes along," he said. "This is an investment that's going to be here for 50 years or more."

Branstad repeatedly blasted Sen. Joe Bolkcom, D-Iowa City, who has criticized Branstad for giving too much to Orascom during negotiations. He said Bolkcom, chair of a tax-writing committee, was standing in the way of his plans to cut corporate taxes, which he said is why the state had to offer the tax breaks to Orascom.

"I think he is very partisan and uninformed and has misled the public as to the benefit this project will have," Branstad said.

Bolkcom said Tuesday he would continue questioning the Orascom incentives,

calling it the worst economic development deal in Iowa history.

"I think their judgment is in question," Bolkcom said. "I think every Iowan should be concerned that more of our money will be wasted on deals like this."

Branstad also suggested that some of the criticism was fueled by prejudice against foreign companies and an attempt to kill competition by the powerful brothers Charles and David Koch, whose company operates fertilizer plants in Iowa and elsewhere.

The Associated Press reported last month that Iowa Economic Development Authority Director Debi Durham put the incentives package together without knowledge that an Orascom subsidiary was being sued by the federal government for $338 million for allegations of contract fraud in Egypt.

Durham faced tough questioning from Democratic senators during a committee hearing last month, where she acknowledged her aides knew about the lawsuit but did not tell her. Branstad said Democrats tried to bully Durham during a hearing by interrupting and not giving her enough time to speak.

Additionally, a prosecutor in Egypt last week put a travel ban on billionaire Orascom CEO Nassef Sawiris during an investigation of whether the company evaded $2 billion in taxes during a 2007 business deal. Orascom says it is confident the company's tax position is legal and the dispute shouldn't affect the Iowa plant.

Branstad said he did not expect the discovery of Native American artifacts would delay the project. The state archaeologist said last month that workers discovered artifacts such as pottery and stone tools on the site where Orascom is seeking a federal permit to build. The discovery has triggered a review by the state's historic preservation office into the significance of the site.

"We think that's on a fast track and will get resolved very quickly," he said.

Associated Press writer Catherine Lucey contributed to this report from Des Moines, Iowa.

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