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Posted on Thu, Apr. 27, 2006

## Dell deal could open door for Toyota plant

Incentives showed N.C. is serious

KERRY HALL

[khall@charlotteobserver.com](mailto:khall@charlotteobserver.com)

If North Carolina were to land a Toyota Motor Corp. assembly plant, economic developers might want to thank computer-maker Dell Inc.

The state hadn't had much luck landing big-ticket projects until Dell announced in late 2004 that it was opening an assembly plant in Forsyth County in exchange for \$279 million in state and local economic incentives. The key, economic developers say, is the state ponied up its largest incentives package ever to attract the computer giant.

Other companies around the country noticed.

Greensboro has been identified as a potential site for a \$2.5 billion Toyota assembly plant that could employ more than 1,000 employees, The New York Times reported last week. Other contenders include Roanoke, Va.; Chattanooga, Tenn.; and northeast Arkansas, according to the Times.

"North Carolina signaled it is open for business," said Ed McCallum, a senior principal with McCallum Sweeney Consulting in Greenville, S.C.

McCallum, whose firm has worked in the past with such heavy hitters as the Boeing Corp. and Nissan Motor Co., said his company has had more inquiries about North Carolina since Dell's announcement. "There's momentum building," he said, noting that when people in the recruiting industry talk about Dell, they also now mention North Carolina.

"North Carolina used to have a neutral image, which can be bad," McCallum said. "Now you can see they've won something."

Automakers have been migrating south for decades but they largely bypassed the Tar Heel State. They set up plants in states such as Alabama, South Carolina and Georgia, creating thousands of jobs and pouring millions into public coffers.

Does the Dell deal hint that North Carolina's fortunes could finally change?

Economic developers and site consultants say yes. But they note that competition for projects remains tight. Three years ago, North Carolina was willing to offer more than \$500 million to nab a Boeing assembly plant, which ultimately stayed in Washington.

Toyota spokesman Dan Sieger wouldn't say Wednesday whether Toyota is interested in Greensboro, but he did say Toyota is "indeed considering whether we need to expand our operations in North America."

"Our sales have been growing in North America. We have a philosophy to build where we sell," he said.

In the 1990s, the prevailing attitude in Raleigh was that the state's quality of life made aggressive economic incentives unnecessary. State law didn't let officials pony up large packages to match those offered by other states.

But then the state missed a series of high-profile opportunities.

In 1992, BMW chose South Carolina, which coughed up more than \$130 million worth of tax breaks and other incentives.

A year later, Mercedes-Benz picked Alabama, which offered an incentive package worth twice as much as North

Carolina's \$100-plus million package.

Former N.C. commerce department official Ernest Sanford helped craft the state's pitch to BMW. He suspected the state might be in trouble from the start.

The former assistant secretary for economic development said North Carolina's land choices were inferior to other states'. And N.C. lawmakers were limited in what incentives they could offer. Today, Sanford is a partner in The Sanford Holshouser Business Development Group, which specializes in economic development.

Now, recruiters have a wider array of financing available when putting together packages, Sanford said. Examples include the One North Carolina Fund, created in 2001, and the Job Development Investment Grant, created in 2002. Plus, the state has assembled better sites, complete with the necessary environmental testing and certification, he said.

"This state, I think, is geared up," he said. "We finally crossed a psychological barrier about competing for these projects."

The Dell incentives aren't without critics. Last year, a former state Supreme Court justice filed a lawsuit to stop Dell from receiving the incentives. The lawsuit is pending.

House Speaker Jim Black supported the Dell incentives and would support similar efforts, including any involving Toyota, said Julie Robinson, a spokeswoman for Black, D-Mecklenburg.

But Sen. Fletcher Hartsell, R-Cabarrus, when asked if there was an overall appetite among lawmakers for handing out large incentive packages, said, "I don't think so."

Hartsell said the state should focus on luring small-to-medium-sized companies by focusing on quality of life issues, such as good schools.

Still, N.C. State University economist Mike Walden said he wouldn't be surprised to see the state offer an automaker an incentive package that tops Dell's \$279 million in state and local incentives. That's because automotive manufacturing plants remain the marquee projects that economic developers covet, he said.

"They convey a lot of prestige to a state," Walden said.

Toyota's Sieger said the automaker is familiar with North Carolina, where the company has a strong supplier base.

When scouting potential sites, Toyota looks for land free of environmental problems, access to highways and rails, and "good, cooperative effort from local government representatives," Sieger said.

Incentives, "while not the driving force," also matter, said Sieger, who declined to quantify how much weight Toyota gives to economic incentives in deciding where to locate its plants.

But incentives provide North Carolina the route to a new future, Walden said.

After all, he said, with previous projects, "the size of the incentive package, that ultimately attracted the firms."

## Scoreboard

### SOUTH CAROLINA

BMW chooses Greer for its first U.S. manufacturing plant in 1993. Receives \$130 million in incentives.

### ALABAMA

Mercedes-Benz chooses Alabama in 1993 for a \$500 million plant. Hyundai starts manufacturing sedans and SUVs in May 2005 in Montgomery.

**GEORGIA**

Kia expected to open a \$1.2 billion manufacturing plant in West Point, Ga., this year.

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*Kerry Hall*

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