

Mo Brooks' letter:

JUNE 5, 2007 REFERENDUM:
AMENDMENT 1: \$400 MILLION SUBSIDY OF FOREIGN STEEL MANUFACTURER

Why I will vote "No"

By Mo Brooks

May 20, 2007

(Feel free to forward this memo to anyone you wish)

Background

On June 5, 2007, Alabama voters decide the fate of "Amendment 1", which increases Alabama's debt capacity by \$400 million to subsidize, build infrastructure, and otherwise entice ThyssenKrupp, a foreign steel manufacturer, to northern Mobile Bay. ThyssenKrupp, in exchange for this and other subsidies, hopes to employ roughly 2,500-3,000 people at its steel plant (2,700 being the usual estimate). ThyssenKrupp claims there will be many "spin-off" jobs in Alabama and surrounding states (estimates vary wildly but are often in five figures). No estimates consider Alabama jobs that will be lost (as is more fully explained below).

Total planned ThyssenKrupp subsidies exceed \$1 billion! In addition to Amendment 1's \$400 million subsidy:

- i. Local governments near the plant are asked to add another \$60 million to the pot.
- ii. The Alabama legislature is passing legislation that gives ThyssenKrupp huge competitive tax advantages over existing (and competing) steel manufacturers in Alabama. They are:
 - A. Income tax credits for thirty (30) years that shift all or a significant part of ThyssenKrupp's plant construction costs to Alabama taxpayers;
 - B. A ten-year exemption from payment of utility taxes; and
 - C. A twenty-year exemption from payment of non-education property taxes.

Notably, the vast majority of existing Alabama businesses are denied the competitive benefits of these income tax credits and utility tax and property tax exemptions.

Why I will vote "No" to Amendment 1 . . .
and encourage you to do the same.

As an overview, let me emphasize that I welcome good, responsible employers to Alabama. What I don't welcome are huge taxpayer subsidies of powerful, politically connected employers.

With that in mind, let me share with you why I will vote "No" to Amendment 1:

1. Alabama Has Changed. Perhaps there was once a need to subsidize Mercedes, Honda, Hyundai, and the like to overcome and change Alabama's image. In my judgment, that need no longer exists. Alabama enjoys a good reputation for business and industry and we no longer must subsidize businesses (to the detriment of taxpayers) in order to overcome a bad image. Times have changed. So

should our methods for recruiting industry.

2. Free Enterprise. America enjoys the most powerful economy the world has ever seen because we have, by and large, shunned socialism and government economic dictates. We adhere to capitalism and the free enterprise system. America reaps the benefits of 200+ years of economic Darwinism, where only the best and fittest businesses survive (i.e. – those that deliver goods and services better, faster, or cheaper).

\$1+ billion in subsidies for ThyssenKrupp distorts capitalist and free enterprise principles. ThyssenKrupp should be successful on its own merits, not because well-placed money and powerful politicians decide ThyssenKrupp should be subsidized and given competitive advantages that help put American steel producers out of business.

3. Breeding Ground for Corruption. It is dangerous for the citizenry to give politicians the power to determine which businesses make millions in profits (because they were subsidized) and which businesses go out of business (because they weren't subsidized and could not overcome the subsidy advantage given to competitors).

Anytime a few politicians are given the power to determine which businesses live, and which die, a breeding ground for legal and illegal corruption is created. The lure of buying profits by "greasing political skids" is just too great. It has happened before. It will happen again.

It is not in Alabama's best interest to teach companies that the best way to become rich is by reaping the greatest subsidies one can buy from hiring the best lobbyists and placing political money in the hands of the most politically powerful.

Do we want to create an environment that encourages money to flow to lobbyists, lawyers and politicians who can "make the subsidy happen"? I don't.

It is not the place of politicians to intervene in the market place and use tax dollars to decide which businesses thrive and which fail. This is true because politicians simply are not smart enough to determine which businesses are in our collective best interest (it is impossible for politicians to be as smart as the collective knowledge of everyone in the market place).

There is an old saying, "those who do not learn from history are doomed to repeat it." In Europe, subsidies of politically connected businesses are the norm. Yet their collective unemployment rates and per capita income fall far short of what we enjoy in America. And their cost of living and tax rates (to pay for subsidies) place a heavy burden on their citizenry. Do we want to copy the failing economic policies of Europe's socialist democracies? Do we want to march backwards down that path? I don't.

4. Equal Opportunity. Alabama should not create a George Orwellian economic system in which "some businesses are 'more equal' than others." Rather, Alabama should have a plan for industrial recruitment and economic growth based on equality. Everyone should be treated the same. Our goal should be the creation of an economic environment in which everyone has an equal opportunity to thrive.

Hence, if ThyssenKrupp receives tax credits that can potentially eliminate any income tax payments to the State of Alabama for thirty years, then all Alabama employers should receive similar tax credits to spur similar capital improvements, large and small.

While ThyssenKrupp is a potentially large employer, they are miniscule compared to the collective size of all Alabama employers.

5. The Subsidy Is Too High. \$1+ billion in taxpayer subsidies to ThyssenKrupp equates to over \$300,000 in subsidies for each ThyssenKrupp job! That is an astonishing figure.

There is a reason why no other state in the union was willing to match Alabama's bet for ThyssenKrupp. Perhaps Alabama voters would be wise to consider the cost/benefit analysis of our sister states. If we do, there is but one conclusion that can be reached: \$1+ billion in taxpayer subsidies to ThyssenKrupp is too great a gamble and voters should reject Amendment One.

6. Job Losses. ThyssenKrupp will produce a lot of steel. Is there a sudden new market for steel that has heretofore gone unmet? No! ThyssenKrupp will market its steel to American businesses that are already consuming steel . . . much of which is being produced by American (and Alabama) steel manufacturers.

What is missing in the media frenzy and economic analysis supporting ThyssenKrupp is the adverse effect on existing American and Alabama steel manufacturers. If subsidies of ThyssenKrupp allow it to sell steel at a lower price and take business from other American and Alabama steel manufacturers, then the resulting effect is lost jobs by American and Alabama steel manufacturers.

I often wonder why our elected politicians are so willing to risk and discard existing American and Alabama steel worker jobs. It doesn't make sense to me.

7. Lost Income Tax Revenue for Education. Alabama steel manufacturers pay income taxes to Alabama on the profits they make. As with job losses, each sale of ThyssenKrupp steel that formerly was made by existing Alabama steel manufacturers means lost profits for those Alabama companies. And less (or no) profits from existing Alabama steel manufactures means less (or no) income taxes for education paid by those Alabama businesses.

I do not understand why Alabama politicians wish to shift steel sales from Alabama businesses that pay income taxes to a foreign business that, to a large degree, is exempt from income taxes.



While there are many other factors that play in my decision to vote "No" on Amendment One, I hope you find the foregoing sufficient.

I welcome feedback from anyone who wishes to extend it. My office phone number is 256-539-6000. My mailing address is 200 Randolph Ave., Suite 200, Huntsville, AL. My e-mail address is mbrooks@leo-law.com.

Sincerely,
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