

MO Jobs Chief Defends Review Of Sweetener Maker

David A. Lieb, Associated Press

JEFFERSON CITY, Mo. (AP) — Missouri's economic development chief defended the state's review of a Chinese firm that failed to follow through on a pledge to open an artificial sweetener factory in rural Missouri but insisted Wednesday that it would have been a waste of taxpayer money to more thoroughly screen the company.

Testifying before a House committee investigating the collapse of Mamtek U.S. Inc., state Economic Development Director David Kerr said the agency must walk a fine line between scrutinizing and scaring off companies seeking government incentives to locate or expand in Missouri

"We try to balance due diligence with taxpayer accountability with making sure we don't present a climate that we're not a business friendly state," Kerr said.

In the case of Mamtek, a state trade consultant in China raised concerns in an April 2010 email to economic development officials that a Mamtek factory in Fujian Province, China, had never started to manufacture artificial sweetener. That email was never shared with Moberly officials seeking a Mamtek plant, though Kerr said Wednesday that a state official had informed Moberly's economic development leader that the agency was having trouble verifying the existence of the Chinese plant.

Corey Mehaffy, president of the Moberly Area Economic Development Corp., subsequently had conversation with a patent attorney for Mamtek who assured him that he had observed the Chinese plant in production. Kerr testified Wednesday that agency officials had doubts about whether their own consultant's report was completely accurate. He said they concluded the concerns were unfounded because of the endorsements of various private-sector experts, including the patent attorney and Standard & Poor's, which gave the project a good bond rating.

Gov. Jay Nixon announced in July 2010 that Mamtek would open a factory in Moberly that could employ up to 612 people. Moberly issued \$39 million of bonds to finance the facility's construction, and the state offered about \$17 million of incentives. Work stopped on the partially built plant this September after Mamtek missed a bond payment to Moberly, which in turn said it would default on the bonds. No state incentives ever were paid, because the project collapsed before the aid could be triggered. The Missouri attorney general and federal Securities and Exchange Commission now are investigating the Mamtek project.

The legislative hearings have focused largely on whether government officials exercised due diligence in researching Mamtek before approving incentives.

MO Jobs Chief Defends Review Of Sweetener Maker

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Kerr said the department did follow its due diligence procedures. But he said the "performance-based" nature of Missouri's incentives make it unnecessary to conduct a more in-depth review of companies because they receive no taxpayer money until a capital investment is made and employees are hired.

"Where there is no risk to taxpayers, it is an inefficient use of taxpayer dollars by DED to double check or second guess anything a company says. It is an inefficient use of tax dollars to do a background check on the CEO ... and it is an inefficient use of taxpayer dollars to run a credit check or to evaluate the business plan of a company seeking only a performance-based benefit," Kerr said.

More importantly, Kerr added, "this vetting for vetting's sake sends a strong message to companies — it's telling them we won't take a chance on them, it's telling them that they're not welcome to try to succeed in Missouri."

Missouri's Democratic governor and Republican-led Legislature both have declared job-creation a top priority. But a special legislative session recently ended in failure when the House and Senate were unable to agree on legislation that would have curtailed some existing tax credits while authorizing new incentives intended to transform the St. Louis airport into a trade hub with China, attract computer data centers to the state and prevent Missouri businesses from being lured elsewhere. The bill's demise was due partly to the tension between those wanting a more cautious and aggressive approach to business incentives.

On Wednesday, some lawmakers suggested Missouri's economic development agency hadn't been cautious enough with Mamtek.

"It doesn't seem that anybody independently verified one single shred of information that Mamtek presented," said Rep. Todd Richardson, R-Poplar Bluff, a member of the House Interim Committee on Government Oversight and Accountability.

Another committee member, Rep. Rory Ellinger, D-University City, said the department's due diligence process didn't work.

"I think there might have been enough information to blow a whistle and say, 'Everything stops, we're going to check things out,'" Ellinger said. "I think the people of Moberly would feel better now if they did."

Source URL (retrieved on 08/20/2014 - 1:45pm):

<http://www.impomag.com/news/2011/12/mo-jobs-chief-defends-review-sweetener-maker>