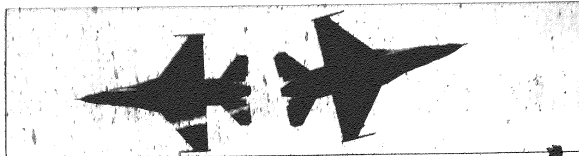


THUNDER, NO LIGHTNING

SLEEK MILITARY AIRCRAFT DRAW LARGE CROWDS TO MACDILL'S AIR FEST. THE EVENT CONTINUES TODAY. PHOTOS, 1B



St. Petersburg Times

Florida's Best Newspaper

WEATHER
High 82, low 61
sunny
rain chance 0%

SUNDAY, April 10, 2005



Companies that have run this microchip plant near Orlando got millions in incentives. Now it may close.

A SPECIAL REPORT

Risky business

The state uses millions in tax dollars to help certain companies create jobs. But does that strategy pay off for taxpayers?

By SYDNEY P. FRIEDBERG and CONNIE HUMBURG
Times Staff Writers

To government officials, the giant factory south of Orlando had long been more than a microchip plant. It was the crown jewel of Florida's high-tech future, an economic engine that would generate good jobs and help transform the home of Mickey Mouse into "Silicon Valley East."

So when AT&T threatened to move the plant to Spain in 1995, state and local government swung into action. They trained workers, bought equipment, slashed the company's taxes and even wrote new laws — all in an effort to get the plant to stay and create new jobs.

Between 1995 and 2003, they gave the plant more than \$49-million in tax breaks and benefits, promised still more and credited AT&T and its successors with creating 864 jobs and investing \$1.2-billion in construction and new machinery.

Today, however, some of the plant's equipment has been shipped overseas. Many of the jobs are gone. Employment, which climbed from about 890 in 1995 to 1,869 in March 2000, is down to about 600. Unless a buyer materializes, the plant will close by the end of the year.

The nearly empty factory could be a symbol for the flaws that beset what government and business leaders call "economic development."

Since the mid 1990s, state and local governments in Florida have showered hundreds of millions of dollars in tax breaks, cash and other incentives on companies like AT&T that promise to invest and create jobs here.

In 2004-05 alone, an examination by the *St. Petersburg Times* shows, Florida's economic development efforts could cost state government more than \$900-million.

In a state with a \$61-billion proposed budget, \$900-million could pay for nearly 11,000 new teachers, prekindergarten classes for 150,000 4-year-olds and all of next year's tuition increase for more than 250,000 university students.

Supporters say they need incentives to overcome bids from other states and countries that spend even more than Florida to meet companies' demands.

Incentives generate tens of thousands of high-wage jobs, they say, billions in state investment, a business-friendly image and a higher living standard for Floridians.

Please see **BUSINESS 14A**

The politics of red, Wal-Mart and blue

As the world's biggest retailer fights criticism from unions and others, the battle takes on political tones.

By MARK ALBRIGHT
Times Staff Writer

BENTONVILLE, Ark. — Sam Walton, founder of the world's biggest retail empire, had little interest in politics. He often contributed to both sides in elections in case he would need a favor. These days, his heirs and a new generation managing the country's largest private employer find themselves knee-deep

in partisan politics.

A growing public relations war over Wal-Mart Stores Inc. has developed its own special red-blue state political dimension. The spin doctors are describing Wal-Mart either as a company that embodies the American entrepreneurial spirit and rewards hard work, or a greedy corporation that thrives off corporate welfare and its workers' relative poverty. For organized labor, a bulwark of the Democratic Party, attacking nonunion Wal-Mart targets the company and Walton's heirs, who have been writing big checks to the Bush White House, Republican candidates and conservative causes.

Last week, reaction to the relentless spread of

Wal-Mart echoed across the political spectrum from Rush Limbaugh to the Maryland statehouse.

Lawmakers in Annapolis agreed to require that any private employer of more than 10,000 people — Wal-Mart happens to be the only one to qualify — must spend a minimum of 8 percent of payroll on employee health care. Seven other states concerned that too many low-wage Wal-Mart workers rely on Medicaid for health care are considering similar measures.

Meanwhile, in many city halls and courthouses, plots are being hatched to impose outright bans on such big-box stores — not for aesthetic reasons or

Please see **WAL-MART 20A**

NOT PERFECTION, JUST HAPPINESS



Prince Charles and the Duchess of Cornwall, formerly Camilla Parker Bowles, leave the Guildhall in Windsor, England, on Saturday.

Wed at long last

Prince Charles and Camilla Parker Bowles marry before family and friends, then leave for Scotland.

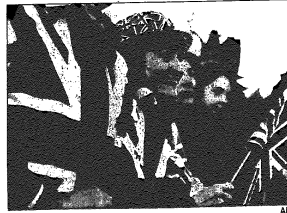
New York Times

WINDSOR, England — Given all the twists of fate and circumstance that have conspired against it, perhaps the most wondrous thing about the wedding, on Saturday between Prince Charles and Camilla, Parker Bowles is that it took place at all.

But it did, and nothing went wrong. On Saturday, after more than 30 star-crossed years, through other marriages, bitter divorces, violent public opprobrium and familial disapproval, Charles and Camilla finally married.

When the couple emerged, arm in arm from their civil wedding service at the Guildhall in the middle of the Berkshire town of Windsor, west of London, Camilla had become not only the wife of the heir to the British throne, but also a bona fide member of the royal family. Hereafter, the former Mrs. Parker Bowles will be known officially as Her Royal Highness, the Duchess of Cornwall (unless she becomes queen, which she has said she does not want to do).

The crowds on Saturday were estimated at about 20,000 people, nothing like the 600,000 that turned



Kay Clash, 61, of Birmingham, England, joins the crowd outside the Guildhall on Saturday.

out on that long-ago day when Charles married Lady Diana Spencer.

This was different, but not in a bad way. If there was a general mood in the ether during the long afternoon, which included a blessing of the wedding at St. George's Chapel in Windsor Castle, it was one

Please see **WEDDING 12A**

INSIDE

AN AFFAIR TO REMEMBER:

Times senior correspondent Susan Taylor Martin reflects on Britain's seemingly endless appetite for sex scandals — and wishes the new pair a break from tabloids. **13A**

MARCH OF FASHION:

The new Duchess of Cornwall passes on a train or veil, but makes a statement in tailored dresses and feathered, frothy hats. **12A**

THE TIMES TODAY

An unusual cult of personality

The Coen brothers film *The Big Lebowski* attracts fans from around the world for Lebowski Fests. *Times* film critic Steve Persall joined kindred dudes for Fest No. 4.

FLORIDIAN, 1E

Masterful DiMarco

Chris DiMarco has a strong lead over the field at Augusta, but Tiger Woods isn't giving up without a fight.

SPORTS, 1C

Marinel memories

Twenty-five years after the historic boatlift from Cuba, a writer who endured the voyage dispels some myths.

PERSPECTIVE, 1P

Unwelcome in Iraq

Tens of thousands of Iraqis march in Baghdad, demanding U.S. forces leave the country to police itself.

WORLD, 23A



Frozen beauty

The handiwork who brave its weather and seas find Antarctica has fascinating landscapes, adventurous tracks, penguins and lots of ice.

TRAVEL, 1T

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ALSO INSIDE

TV Times Comics Parade

Vol. 121-No. 200 12 sections
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How to call us: Page 2A

Outpouring for pontiff sways cardinals on his successor

Their lips sealed Saturday, cardinals first let slip yearning for Pope John Paul II's charisma.

New York Times

ROME — The Roman Catholic cardinals agreed Saturday to secrecy, even before their oath at next

week's conclave, but since Pope John Paul II's death many have been dropping hints about what kind of man the church now needs.

The enormous outpouring of affection for Pope John Paul has clearly had an impact on their thinking. Many of the prelates said in noticeably similar language that the next pope must above all be a communicator who can sustain the grass roots enthusiasm, especially

among youth, that was generated by Pope John Paul II.

With all but three of the 117 cardinal-electors selected by him, it is highly unlikely that the new pope will depart from Pope John Paul's conservatism on contraception, divorce, women priests or the range of what the church considers to be "sanctity of life" issues from stem cell research to abortion and euthanasia.

INSIDE

Local parishioners describe their ideal pope, "a man that will bring hope." **19A**

Before the pope's death, many cardinals and commentators said a decisive factor would be geography — whether the next pope should come from Europe, where the church is shrinking, or from

Latin America, Africa or parts of Asia, where the church is experiencing often uncontrolled growth.

Instead, they say they are looking for someone who can project universal appeal with a personal humility and pastoral presence that embodies the message of the gospel, as they say Pope John Paul did. It is not, many cardinals said in

Please see **POPE 18A**

THE HIDDEN COST OF ECONOMIC DEVELOPMENT

Economic development could cost the state of Florida an estimated \$900-million this year. The biggest chunk of that — \$792-million — is the potential revenue it loses through a series of tax breaks designed to encourage companies to invest in the state and create jobs. Because tax returns are confidential, it's often impossible for the public to find out which companies benefit and how much they get. Here are some of the tax breaks and an estimate of how much revenue Florida will lose because of each in 2004-05:



Governor disputes Times' findings



A statement from Job Bush's office said "economic development in Florida is a long-term strategy."

lives program as a rigorous, contract based process. "A company must meet the job creation terms of its contract in order to receive any tax refund," the statement said. "If the company fails to meet these terms it does not receive the tax refund period."

■ Accused the paper of focusing on a few projects "with disappointing results, generalizing them to characterize incentives as a failed strategy."

■ The newspaper "refuses to consider the fact that economic development in Florida is a long-term strategy," the governor's office said. The *Times* does not "demonstrate an understanding that there is inherent risk in business and — though it is an exception

rather than the rule — some economic development projects will not produce the desired results due to market conditions and economic events."

The governor's office also urged the paper to examine some of the success stories of economic development. It suggested four examples. One of them was JPMorgan Chase & Co., which has "located several major projects in Hillsborough County in response to incentives offered by the state and community."

Three months later, JPMorgan Chase announced it will close its credit card call center in Tampa by the end of this year and eliminate 1,900 jobs.

Tax breaks 2004-05 estimated cost

Tax breaks	2004-05 estimated cost
CORPORATE INCOME TAX	
Allows for a deduction of wages paid for targeted jobs in Florida	\$2,500,000
Credit of 5 percent of capital costs for up to 20 years	\$100,000
Credit for contributing to community projects	\$3,900,000
Credit for hiring in certain urban high-growth areas	\$1,400,000
Credit for hiring in certain rural areas	\$1,500,000
Credit for creating jobs in enterprise zone	\$900,000
Credit to new and expanding businesses in enterprise zone	\$1,000,000
Credit for child care facilities operated by a business for its employees	\$2,000,000
Exemption for certain banks catering to foreign customers	\$9,800,000
Deduction for businesses that do research and development in conjunction with state universities	\$3,100,000
DOCUMENTARY STAMP TAX	
Exemption for certain international banking transactions	\$29,700,000
INSURANCE PREMIUM TAX	
Credit for a percent of wages paid to employees located in Florida	\$196,900,000
Credit for investing in certain venture capital firms	\$15,000,000
Credit for contributing to community projects	\$500,000
Credit of 5 percent of capital costs for up to 20 years	\$300,000
INTANGIBLES TAX	
Exemption for accounts receivable, money owed to a company by a customer for products and services provided on credit	\$56,600,000
MOTOR FUEL TAX	
Refund for fuel taxes paid by air carriers with employees in the state	\$10,900,000
SALES AND USE TAX	
Exemption on leases or rentals of property used for movie production	\$4,900,000
Exemption to encourage commercial fish breeding and beekeeping	\$100,000
Exemption on items manufactured for research and development activities	\$32,100,000
Exemption for items manufactured for movie productions	\$8,500,000
Exemption for printing for out-of-state customers when they provide the paper	\$15,900,000
Exemption for sales or leases of materials and equipment used by film schools	\$800,000
Exemption on equipment purchased by new businesses	\$24,100,000
Exemption on equipment purchased by expanding businesses and spaceports	\$26,300,000
Refund for certain movie and recording equipment	\$2,600,000
Exemption on equipment purchased by expanding printing facilities	\$9,400,000
Exemption for motion picture video equipment	\$4,700,000
Refund for certain motion picture or recording equipment	\$2,600,000
Additional movie exemptions	\$13,800,000
Exemption for building material used by businesses in enterprise zone	\$300,000
Exemption for equipment used by businesses in enterprise zones	\$2,100,000
Exemption for equipment used in silicon technology	\$2,500,000
Exemption for semiconductor clean rooms	\$100,000
Refund for certain depreciable equipment used by the defense and space industry	\$2,100,000
Exemption for businesses that do certain aircraft modifications	\$25,700,000
Exemption on construction materials used in single-family homes in enterprise zone	\$300,000
Exemption on building materials in redevelopment projects	\$400,000
Credit for contributing to community projects	\$8,000,000
Exemption for newspapers and magazines delivered by mail	\$11,300,000
Exemption on labor charges for repair and maintenance of certain airplanes	\$2,700,000
Exemption on labor charges for repair and maintenance of certain helicopters	\$200,000
Exemption on parts and labor for certain aircraft repair and maintenance	\$2,700,000
Exemption on electricity charges used to operate manufacturing machinery and equipment	\$52,300,000
Exemption on purchase of solar energy systems	\$1,200,000
Exemption on shipping, parts and labor for machinery repair	\$12,700,000
Exemption on sales or lease of certain aircraft by airline companies	\$2,800,000
Exemption on materials used by certain printing businesses	\$6,400,000
Partial exemption on aircraft brought to Florida for repairs	\$6,900,000
Partial exemption on equipment purchased, used or leased to produce records, tapes and motion pictures in Florida	\$28,200,000
Exemption on electrical charges used in enterprise zone	\$400,000
Exemption on satellites, space vehicles and property placed on satellites	\$131,000,000
Credit for creating jobs in enterprise zone	\$1,400,000
Credit for hiring in certain urban high-growth areas	\$5,600,000
SEVERANCE TAX	
Credit for sales tax paid on equipment and machinery by new and expanding phosphate mines	\$2,900,000

Total for 55 exemptions, deductions, refunds or credits \$792,100,000

The office of Gov. Jeb Bush, which touts the state's economic development efforts, takes issue with some of the findings in today's *St. Petersburg Times* report.

Pamela Dana, who as director of the governor's Office of Tourism, Trade and Economic Development oversees the state's economic development efforts, declined to speak to the newspaper.

But in a statement last fall, the governor's office said it had "serious concerns about what appears to be an intentional decision" by the paper to accept only facts that support its theories and "disregard those that

may call them into question, or prove them wrong outright."

In the statement, the governor's office:

- Took issue with the newspaper's analysis of the annual cost of economic development, calling it "more than misleading."
- Defended its oversight of tax incen-

Business from 14A

dominated by executives from banks, utilities, real estate and large firms that sometimes benefit from incentives themselves.

Throughout the 1990s, dozens of similar public-private partnerships grew up across the state as the roles of industry and government became intertwined.

By the time Bush took office in 1999, broken jobmaking promises and public opposition to "corporate welfare" had tempered some states' zeal for the incentives game.

In Alabama, a coalition of religious and community groups began battling corporations that grabbed incentives but failed to pay their fair share of taxes. In Nebraska, lawmakers demanded greater public disclosure of business tax incentives.

And in Ohio, small businesses convinced a U.S. appeals court last year that a tax incentive given to DaimlerChrysler was discriminatory and unconstitutional.

In Florida, Bush has pressed for more tax incentives, helped establish more training for workers and personally intervened, like Chile, in big-ticket deals.

Today, the governor presides over an economic development spending program so vast that no one seems to know the total bill.

Shrouded in secrecy

The state's share of the total bill could top \$900-million in 2004-05, according to a *Times* analysis.

Most of that will come from tax breaks designed to encourage companies to plow money into plant expansion, new equipment, people and research and thus spur growth in the businesses and the economy. But the state seldom evaluates whether the tax breaks are working.

Over the years, the Legislature has created more than 50 of these tax breaks, sometimes at the behest of a business or a few businesses lobbying for incentives. Combined, the tax breaks could mean a loss of more than \$792-million in revenue this year.

When the governor's office tallies the cost of economic development, it omits many of these tax subsidies, saying they are not incentives but part of Florida's business-friendly tax structure available to any company.

Since tax returns are confidential, the state Revenue Department is not allowed to say — and in some cases doesn't even know — which companies benefit or how much they get.

The governor's office does, however, identify businesses that get some of the tax breaks, including firms that promise to create jobs in special low-tax areas designated by the state.

Among past recipients: Home Depot, Winn-Dixie, Publix and Wal-Mart, the world's biggest retailer with \$285-billion in revenues last year and a workforce larger than those of General Motors, Ford, General Electric and IBM combined.

Wal-Mart says incentives are "a jacked-up investment" because it pays far more in state and local taxes than it gets in tax breaks and other forms of government aid.

With 91,000 Florida employees, the company reportedly paying \$87.7-million in state and local taxes last year.

In addition to the \$792-million in tax breaks, Florida has earmarked \$119-million this year for the economic development bureaucracy and a raft of incentives for individual companies. They range from outright cash payments to training grants to road-building funds given to local governments on behalf of companies that promise to create jobs.

Only about 800 — less than one-tenth of 1 percent of all the businesses in Florida — have received funding in recent years from 10 of the most widely known programs, according to records released by the state. More than 400 of those companies have gotten a tax break designed to encourage businesses to donate to community development and low-income housing projects. Between 1997 and 2002, the *Times* Publishing Co., publisher of the *Times*, received \$42.500 for making donations to local museums and community organiza-

FLORIDA WAGES: A DECADE LATER, STILL BEHIND

When Florida joined the state bidding war for jobs in the mid 1990s, a key goal was to raise Floridians' wages, which lagged behind the national average. Today, Florida is a national leader in both job growth and population growth. But the latest full-year statistics show that, if anything, Florida has fallen a bit further behind on wages.

Year	Fl. population*	U.S. population*	All Fla. jobs**	All U.S. jobs**	Fl. wages***	U.S. wages***	Fl. compared to U.S.	% below U.S. avg.	State wages ranked high to low***
1993	13,679,000	257,782,608	5,575,078	109,402,016	\$24,670	\$27,080	91.1%	8.9	24th place
2003	17,071,508	290,788,976	7,248,097	127,795,827	\$34,520	\$38,490	89.7%	10.3	26th place
Change	25%	13%	30%	17%	40%	42%			

*Sources: U.S. Census Bureau for U.S.; University of Florida-Bureau of Economic and Business Research (for FL)
**Sources: U.S. Department of Labor and Bureau of Labor Statistics
***Average annual wage per non-farm worker; Source: Philip Hopkins, managing director, U.S. Regional Services, Global Insight

Times chart — TERESANNE COSSETTA, CONNIE HUMBURG and SYDNEY FRIEDBERG

UNMET PROMISES

Two of Florida's incentive programs, the Qualified Target Industry Tax Refund and the Qualified Defense Contractors Tax Refund, allow preapproved companies to get tax refunds for creating at least 10 jobs with wages that are at least 115 percent of the average wage in the state, county or metropolitan area. The state usually pays 80 percent of the refund and local government the other 20 percent. The governor's office, which administers the programs, says it staggers the refunds over at least four years so companies get refunds only after paying taxes and meeting scheduled job and wage targets. Between 1994 and June 2004, the state certified 512 business projects under those two programs, according to a *Times* analysis. So far, only six of those projects have been completed, getting state tax refunds totaling \$3.2-million. Of the remaining 506 projects, 294 are ongoing and 212 have been declared inactive by the state.

Here are the only six projects that the state says are now complete:

Company	County	Approval Date	Project	Jobs Promised	State paid
Hancor Inc.	Highlands	12/5/96	Plastic pipe manufacturing	45	\$133,016
Northrop Grumman Corp.	St. Johns	6/29/94	Defense contractor	295	\$1,100,000
Sanderson Pipe Corp.	Baker	5/22/96	PVC pipe manufacturing	50	\$180,000
St Paul Fire & Marine Insurance Co.	Hillsborough	9/24/96	Workers' compensation processing	50	\$140,000
Tracor Inc.	Okaloosa	11/14/94	Defense contractor	95	\$380,000
VoiceStream Wireless	Hillsborough	5/23/96	Customer service/data center	375	\$1,200,000
					Total: \$3,213,016

Here are 44 projects that got partial tax refunds for meeting part of their scheduled goals, then were declared inactive and ineligible for further refunds because they failed to meet additional job or wage targets:

Company	County	State paid	Company	County	State paid
Agere Systems	Orange	\$85,000	Joseph E Seagram & Sons Inc.	Palm Beach	\$236,483
Agere Systems	Orange	\$1,649,000	Martin Marietta Corp.	Orange	\$100,000
Athin Medical Inc.	Dade	\$110,400	National Auto Finance Co.	Duval	\$104,500
AmeriCredit	Clay	\$166,400	NEXLINK Florida Inc.	Dade	\$134,400
Arthur Andersen LLP	Sarasota	\$1,021,940	Northrop Grumman Corp.	Duval	\$42,312
Atlantic Dry Dock Corp.	Duval	\$198,360	Northrop Grumman Corp.	Martin	\$250,000
AvBorne Heavy Maintenance Inc.	Dade	\$211,281	Oracle Corp.	Orange	\$904,000
Banco Popular	Orange	\$126,820	Oracle Corp.	Orange	\$475,000
Barnett Inc.	Duval	\$214,800	Oracle Corp.	Orange	\$188,100
Bear Stearns & Co. Inc.	Hillsborough	\$181,600	Oracle Corp.	Orange	\$240,000
Casi-Rusco Inc.	Palm Beach	\$60,000	Pan American World Airways Inc.	Dade	\$49,178
CGI Group	Pinellas	\$79,899	PricewaterhouseCoopers LLP	Hillsborough	\$32,000
CGI Group	Pinellas	\$87,328	ProSource Inc.	Dade	\$136,000
CGI Group	Pinellas	\$116,227	Proven Edge Inc.	Pinellas	\$30,568
Chep USA	Orange	\$69,210	Regeneration Technologies	Alachua	\$106,600
Creative Games International Inc.	Hillsborough	\$23,369	Rexall Sundown Inc.	Palm Beach	\$46,675
CuraGen Corp.	Alachua	\$36,000	Standard Motor Products Inc.	Orange	\$32,256
Datametrics Corp.	Orange	\$61,029	Terra Networks Operations Inc.	Dade	\$12,000
Dayco Products Inc.	Marion	\$323,400	Tom's Foods	Taylor	\$27,600
Honeywell International	Hillsborough	\$78,000	Uniroval Optoelectronics	Hillsborough	\$172,000
Humana Health Insur. Co. of Fla.	Duval	\$694,000	USBI Co.	Brevard	\$21,825
InterVoice-Brite	Seminole	\$176,000	Watsita NSD North America Inc.	Broward	\$29,400
					Total: \$9,140,260

Sources: Governor's Office of Tourism, Trade and Economic Development

Times chart — TERESANNE COSSETTA, CONNIE HUMBURG and SYDNEY FRIEDBERG

There is also a third kind of spending that puts Florida's total well above \$900-million. The state will distribute about \$21.7-million this year in sales tax revenue on behalf of the World Golf Hall of Fame north of St. Augustine, the International Game Fish Association Fishing Hall of Fame and Museum in Dania Beach and pro sports facilities, notably those for the Florida Marlins, Jacksonville Jaguars, Tampa Bay Devil Rays, Tampa Bay Lightning, Florida Panthers, Tampa Bay Buccaneers and Miami Heat.

The \$900-million tab does not include the incentives provided by local and federal government. Businesses can get everything from federal and wastewater treatment plants to federal training funds. Something as simple as a change of zoning from "rural" to "business" can increase the value of a property a thousand-fold.

The total cost of federal, state and local incentives is hard to track because Florida apparently does not keep a combined list of costs.

Florida does publish a yearly report disclosing federal, state and local costs of incentives used in "enterprise zone" development. The low-tax areas that get special programs to spur jobs and investment there.

\$87.7-million for 7,702 promised jobs in 51 zones. The cost per job \$11,392.

A lead player in the deal making is the governor's Office of Tourism, Trade and Economic Development, an 8-year-old agency with about 20 employees. It works with the Legislature, business leaders and economic development groups like Enterprise Florida to set policy. It oversees some but not all incentives and approves deals recommended by Enterprise Florida.

By law, the trade office, known in government and business circles as OTED, doesn't have to disclose key information, including the wages and taxes that companies getting incentives pay.

"For these programs to be effective incentives, businesses using them must not feel that their detailed records are being exposed to public dissemination where they will be available for their competitors to see," the governor's trade office wrote in a report to the Legislature in 2001.

Some small businesses say, however, that incentive deals themselves give unfair advantages to firms chosen to get them — often at the expense of hometown companies that never threaten to go town.

"It's robbing from the poor to give to the rich," lawyer Michael Wood said in a letter to the Putnam County Commission in May 2000 before it gave 22 acres and millions of dollars for Sykes Enterprises to build a call center in Palatka. "If you want to help someone, help your own people."

Four years and many incentives later, Sykes eliminated its Palatka workforce and put its building up for sale.

The same fate

Hundreds of newly hired workers at the chip plant near Orlando met the same unhappy fate.

The factory processes silicon wafers, the millimeter-thick plates that are cut into the tiny chips inside desktop computers and cell phones. AT&T's equipment subsidiary, Western Electric, announced it would build the plant in 1989 and hire at least 1,300 employees and possibly more later (SEE TIMELINE, 16A).

From the start, the factory wore generous incentives: \$5-million for roads and sewer upgrades, \$184,035 for water mains extensions, generous permits so the plant could use huge quantities of water and wastewater, a new ultra-substation built on Western's property with enough

RISKY BUSINESS: A SPECIAL REPORT

AN UP-AND-DOWN HISTORY

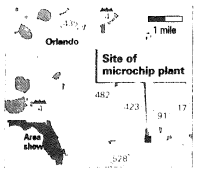
The microchip plant near Orlando has been run by a series of companies that have gone from high-tech boom to the brink of bankruptcy.

A CHIP PLANT SCORE CARD

Did the incentives from state and local government pay off? In the long run, they rarely do, some economists say, because government spends more for additional public services such as police, schools and sewers to handle the business and its new employees. But government downplays the cost side of development. It focuses instead on the increase in local taxes and the money a growing business and its employees spend, meaning more tax revenues. Here are some of the key numbers for the chip plant near Orlando.

Table with 2 columns: WHAT THE PLANT OWNERS GOT: and WHAT FLORIDA TAXPAYERS GOT:.

Figures supplied by Agere. Job number excludes 600 contract employees. Payroll number excludes \$23-million in benefits. Agere says it also pays county utility taxes and gross receipts tax.



1980: AT&T's equipment division, Western Electric, announces plans for a microchip plant to employ 1,500, and possibly more. Gov. Bob Graham's administration and Orange County provide generous permits and pay at least \$5.5-million to build roads and infrastructure to accommodate the plant.

invest \$287-million in a branch of renowned Bell Labs, with 200 employees making an average salary of \$68,750; says it will donate up to \$20-million in sales tax savings to UCF and USF, making the schools eligible for an additional \$20-million from state.

Business from 15A

juice to power 38,000 residential customers. Despite the concessions, the plant never operated at full capacity. First, the project was put on hold as AT&T fought to preserve its telephone monopoly in court.

More government aid was on the way, however: Three times in the 1990s, AT&T and its corporate offspring dangled the possibility of a major plant upgrade with more jobs or hinted that the plant would leave town — or both.

The investment will include three to four generations of technology, thus guaranteeing a commitment to Florida and Orlando of many years to come," a local business group wrote on behalf of AT&T in July 1995.

Exactly how much public money was pumped into the plant isn't clear, however, because Florida didn't keep (or won't disclose) a list of combined costs for this or any other incentive deal.

Before Gov. Chiles' administration approved the first deal in 1995, a key deputy said his staff had done a thorough review and had a stringent system in place to ensure that the company fulfilled its promises.

Yet over the years, the state relied heavily on the word of AT&T and its successors. There were no safeguards against layoffs, no provisions to give hiring preference to local vendors and no requirement that the plant owners retain the new jobs for any prolonged period.

Official letter from the Office of Tourism, Trade, and Economic Development (OTTED) to Mr. Steve Mackay regarding tax incentives for the microchip plant.

GOOD NEWS AMID THE TURMOIL

In July 2001, the Orlando chip plant was in turmoil. It had begun laying off hundreds of workers, and its owner — Lucent Technologies — was transferring ownership to its Agere Systems subsidiary while trying to rebound from a junk-bond rating.

high tech had hit the skids. Lucent Technologies, which had taken over the plant and was spinning it off to its Agere Systems subsidiary, had gotten a junk-bond credit rating.

Worried they would have to return the money. Dana told them not to worry. "There is no statutory requirement, nor is it... (the state's) practice, to require qualified applicants to forfeit prior year award payments if they cannot meet current year requirements," she said in a letter dated Oct. 22, 2001.

Agere put the factory up for sale in January 2002, but a year later Dana endorsed a new round of sales tax breaks for Agere.



The company had a plan to sell these jobs overseas," says former union leader Nicholas Frisco, who retired from the plant's maintenance storeroom in 2002.

treatment of the plant was too lenient. In fact, Openshaw, the governor's trade office spokesman, said that Florida's use of incentives in the case of the plant and other companies is conservative by comparison to other states.

He also said that, unlike some states, Florida hands out benefits only after companies create jobs and pay taxes. "You might argue that the state didn't maximize its investment, but neither did it lose money," Openshaw said.

John Lewis, Orange County's economic development administrator, said the deal paid off because the county crafted "smart agreements with safeguards so that the company got paid only for goals it met.

Some former chip workers, who lost their pensions as well as their jobs, say government wasted millions on a mirage of job creation.

Debra Aul, who went back to school after she was laid off in 2001, now teaches and does freelance editing. She said the company should be held accountable for not keeping its part of the bargain. She wonders when the government first noticed that tax breaks were subsidizing the moving van.

When the leases are up, the operations could end up selling much of the aging equipment for a fraction of its original value.

Times researchers Kitty Bennett and Carolyn Edds contributed to this report.

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