

Tesla deal prompts economic benefits debate

By Matthew L. Wald, New York Times

When Nevada lured Tesla Motors to the Reno area to build a giant battery factory, a triumphant governor, Brian Sandoval, proclaimed that every dollar his state was spending in tax incentives and other subsidies would yield \$80 in economic activity.

But experts in industrial development say that his estimate is not so clear-cut. The calculation, they say, relies on two big assumptions: that the factory, which is to be built on a scale never tried before for a battery plant and is to employ 6,500 people, will achieve the radical cost savings that Tesla envisions, and that all the business it spurs will go to local companies. And even then, not all of the \$80 would reach governments; most of it, in fact, would go to the private sector.

A crucial issue is that whenever a state offers an incentive for a company to build a factory, the economic stimulus is rarely concentrated in the surrounding area. Building and equipping the battery factory, for example, will cost about \$5 billion, and while some of that money will have to be spent in Nevada, many of the equipment purchases, for example, cannot be.

“Are there any factories in Nevada that make the equipment to manufacture lithium-ion batteries?” said Greg LeRoy, the executive director of Good Jobs First, a nonprofit watchdog group in Washington that generally opposes such state incentives. “I don’t think you get to count that as a Nevada impact.”

That logic did not carry the day in Carson City. Late

Thursday, the Nevada Legislature, in a special session, approved a \$1.3 billion package of incentives, which Governor Sandoval immediately signed into law. He thanked the Legislature for its comprehensive review, in a session that he had called 48 hours earlier.

The package was more than twice as large as the \$500 million that Elon Musk, Tesla's chief executive, had said a month earlier that he was seeking. But Sandoval stressed that it would provide a lift for a state that has not recovered from the recession, and increase its gross domestic product by 4 percent.

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