

## Element TV plant closure: Taxpayer money down the drain?

Plenty of buzz surrounded Element Electronics' announcement five years ago that it would open a television assembly plant in Fairfield County, with then-Gov. Nikki Haley joining company officials in a live webcast from a Walmart-sponsored conference in Florida.  
By Rick Brundrett - The Nerve  
Hits: 1565

But little information was publicly released then about the taxpayer costs of the planned \$7.5 million project, which was expected to eventually create 500 jobs. The Nerve at the time [revealed](#), citing state records, that the estimated total public cost over 15 years was nearly \$14.8 million. With the Minnesota-based company's surprise announcement last week that it would close its Winnsboro plant and lay off approximately 126 full-time workers, questions about how much state and local taxpayers are on the hook have once again risen to the forefront.

The county, for example, owns the approximately 312,000-square-foot building on U.S. 321 Bypass. And the company received up-front state and local incentives without hitting its workforce and investment targets.

The closure and layoff announcement came a little over a year after South Carolina Electric & Gas and state-owned Santee Cooper abandoned construction of two nuclear reactors at the V.C. Summer plant in Fairfield County, costing the jobs of more than 5,000 workers.

The Nerve in 2010 [reported](#) about a number of South Carolina companies that had closed after receiving taxpayer-backed incentives, including Mack Trucks, which operated its truck assembly plant in Fairfield County from 1987 to 2002, employing about 1,500 workers at its peak.

The S.C. Department of Commerce this week told The Nerve there were "clawback" provisions in the state incentives agreement with Element Electronics, which generally require companies to repay public money if they fail to meet certain hiring or investment requirements.

Commerce spokeswoman Adrienne Fairwell, however, wouldn't immediately provide specifics of those provisions, directing The Nerve to submit a formal request for the incentives agreement under the state Freedom of Information Act.

She also said in an email that the "clawback provision is a moot point because the grant funds were used to purchase and upfit the building that is owned by Fairfield County."

Among other incentives for Element Electronics, the county bought the former Perry Ellis distribution center, largely with a \$1.3 million grant through the state Coordinating Council for Economic Development, made up of the heads or board chairs of 11 state agencies, including Commerce, involved in economic development.

The county also committed to kicking in another \$600,000 toward the \$2 million purchase of the building, which until the purchase, had been vacant since 2008, The Nerve earlier reported.

Asked Thursday if there were clawback provisions in any county incentives agreements with the

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Company: Tom Davenport, the county's economic development director since 2016, said it was his understanding there were such provisions, though he couldn't immediately provide specifics.  
By Rick Brunhett - The Nerve

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"We'll worry about clawbacks and all of that later, but right now, 100 percent of our energy is on saving Element," he said, referring to efforts to persuade the Trump administration to grant the company an exemption from a 25 percent tariff imposed in July on \$34 billion worth of Chinese imports.

In its Aug. 6 letter to the S.C. Department of Employment and Workforce (DEW), the company said the planned closure of its plant, which will begin on Oct. 5, and resulting layoffs are the "result of the new tariffs recently and unexpectedly imposed many goods imported from China, including the key television components used in our assembly operations in Winnsboro."

### Unfulfilled promises

Although Davenport couldn't immediately provide details, he said the two biggest incentives provided by the county to Element Electronics were an "incentivized lease rate" for the plant building and a fee-in-lieu-of-taxes agreement, which typically provides companies with annual significant property tax savings – often for 30 years.

"It costs a lot of money for the state and county ... to go out and recruit 150 jobs," he acknowledged.

Despite Element's promise to eventually create 500 full-time jobs, the plant employed about 300 at the most, Davenport said, adding that it was "down to 265" when he started in 2016. He said the average hourly rate "exceeded" the projected \$12.50 average listed in state records when the project was publicly announced in 2013, though he couldn't provide specifics.

Element's total 134 full-time workers – about eight workers will remain at the plant after the approximately 126 workers are furloughed in phases, according to its Aug. 6 letter to DEW – represent a little more than a quarter of the total number of jobs the company said it would eventually create. Davenport estimated the initial plant investment, including the building and machinery, at about \$3.5 million to \$4 million – far short of the \$7.5 million announced investment.

Davenport said Element "never got to where they intended" partly because Walmart, a primary customer, "shut down a bunch of stores across the country." The main reason, though, had to do with Congress' failure to pass legislation that would have exempted Element from an existing 4.5 percent tariff, he said, noting the company was "operating on a razor-thin profit (margin)," and that its "business plan was based on" getting the exemption.

In her email response, Fairwell, the Commerce spokeswoman, said Element "did not staff up to 500 workers as there were circumstances that did not allow them to do so." She referred The Nerve to company officials for specifics on workforce numbers.

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Element could have been eligible for up to nearly \$9 million in tax credits over a 15-year period, according to Commerce records provided in 2013 to The Nerve. Fairwell last week said the company could claim job development credits only after meeting the total “required investment and job creation.”

Besides the \$1.3 million grant for the purchase of the plant building, the state also provided training to Element workers through the S.C. Technical College System’s “readySC” program. In an email Thursday to The Nerve, college system spokeswoman Kelly Steinhilper said the program trained about 200 workers in “basic safety and a small class in Excel Basics for reporting needs over a brief six-month period” in 2014.

Steinhilper said in 2015 Element began hiring temporary workers, which she noted “do not qualify for readySC services”; and in 2016 had “their first round of layoffs.”

The public training cost was about \$200 per trainee, Steinhilper said, which worked out to a total cost of approximately \$40,000. Asked if there were any “clawback” provisions in the training agreement with the company, she replied, “Based on typical ROI (return on investment) numbers, the state’s minimal investment in Element Electronics’ training has been recovered.”

In addition to state and county incentives, SCE&G and Fairfield Electric Cooperative, which buys its power from Santee Cooper, each committed \$100,000 to the project, according to a document submitted for the \$1.3 million state grant.

SCE&G did not respond to a written request from The Nerve seeking comment. Bruce Bacon, interim CEO of Fairfield Electric Cooperative (FEC), said Thursday the \$100,000 from the cooperative was a “donation” to Fairfield County to be used for “infrastructure” at the plant site, and “in no way came from” Santee Cooper.

Although the plant is not an FEC customer, the co-op legally claimed the \$100,000 as a tax credit, Bacon said, adding, “For us, we try to be involved in economic development.”

Contacted Thursday, Carl Kennedy, vice president of human resources for Element TV, declined comment, referring The Nerve to its Aug. 6 letter to the state announcing the plant closure, and to a prepared statement on the company’s Facebook page.

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