

**The Economic Impact of Project Liberty
Operations on Louisiana and Select Parishes**

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EXECUTIVE SUMMARY

This report summarizes estimates of the economic impact of Project Liberty located in Ouachita Parish. The impact study covers three areas, the state of Louisiana, Ouachita Parish and a 7-parish area. The 7-parish area includes Caldwell, Jackson, Lincoln, Morehouse, Ouachita, Richland, and Union Parishes. The Project Liberty commitment is to spend a specified amount on wages, taxable purchases, and capital expenditures over a fifteen year period (Table 1). The operation will directly employ 1,400 workers when it reaches full capacity.

- By the end of 2012, the Project Liberty commitment will reach \$56 million in annual payroll.
- The Project Liberty commitment constitutes an injection of \$887 million (\$598 million when discounted to 2009\$) in Louisiana earnings by the end of 2024 through operations alone.
- Accounting for both direct and indirect economic effects, the Project Liberty construction phase will generate over 1,800 Louisiana jobs. When operations reach full capacity in 2012, Project Liberty will support roughly 3,200 Louisiana jobs.
- Louisiana can expect over \$19.6 billion (\$13.3 billion when discounted to 2009\$) in new output over the fifteen year horizon as a result of the injection created by the Project Liberty agreement.
- When indirect effects are included, the Project Liberty operations should increase Louisiana wages and salaries by over \$1.9 billion (\$1.3 billion when discounted to 2009\$) over the fifteen year horizon.
- The Project Liberty commitment should generate over \$131 million (\$89 million when discounted to 2009\$) in Louisiana state tax revenue over the fifteen year horizon. In addition to this, \$32 million (\$22 million when discounted to \$2009) of these taxes will occur in Ouachita Parish. State taxes exclude corporate income tax and local taxes exclude property tax.
- Ouachita Parish will be the primary beneficiary of this activity. Operations will support 2,700 jobs in Ouachita Parish and 3,100 jobs in the 7-parish area.

This report summarizes our findings on the economic impact of Project Liberty construction and operations on the state of Louisiana, Ouachita Parish and the 7-parish area economy. The 7-parish area includes Caldwell, Jackson, Lincoln, Morehouse, Ouachita, Richland, and Union Parishes.

This report focuses on initial construction expenditures and the operations commitment over a 15 year period. Operations will begin in 2010 and will reach full capacity by 2012. All computations in this report are based on information provided by the Louisiana Department of Economic Development and Implan Input/Output software. Implan was chosen for this application due to its flexibility in estimating the impact of new industries to an area.

The results are organized as follows. Because the largest economic impact will come from operations in the state, this report begins there. We present the job, earnings and output creation from operations over the fifteen year horizon. Earnings and output totals are presented as the net present value in 2009\$. We then turn to the estimated impact of Project Liberty on Louisiana state tax revenues. The next section presents 7-parish area impacts for operations and construction; we then turn to the impact on Ouachita Parish.

All calculations are based on the assumption that Project Liberty commitments over the fifteen year period are met. Table 1 summarizes these payroll commitments by year.

Table 1
2011-2025 Payroll, Taxable Purchases, and CAPEX Commitments
(\$millions; nominal terms)

Year	CAPEX	Annual Payroll	Taxable Purchases
2010	\$248.0	\$1.7	\$0.5
2011	\$0.0	\$38.1	\$12.0
2012	\$0.0	\$55.9	\$17.0
2013	\$0.0	\$57.3	\$17.4
2014	\$0.0	\$58.8	\$17.9
2015	\$0.0	\$60.2	\$18.3
2015	\$0.0	\$61.7	\$18.8
2017	\$0.0	\$63.3	\$19.2
2018	\$0.0	\$64.9	\$19.7
2019	\$0.0	\$66.5	\$20.2
2020	\$0.0	\$68.2	\$20.7
2021	\$0.0	\$69.9	\$21.2
2022	\$0.0	\$71.6	\$21.8
2023	\$0.0	\$73.4	\$22.3
2024	\$0.0	\$75.2	\$22.9
Total	\$248.0	\$886.7	\$269.9

Table 2 contains the net present value of the earnings injection for the construction and fifteen year operational period beginning in January 2010 and ending in December 2025. We use the thirty year treasury rate (4.66% as of June 5, 2009) as the discount rate. Notice that the \$597.8 million injection for the fifteen year horizon is substantially less than the \$886.7 million in total payroll in Table 1. This reflects discounting.

Table 2
Net Present Value of Earnings Commitment (millions of 2009\$)

Horizon	15 years
Earnings Injection	\$597.8

Economic Impact of the Commitments on the Louisiana Economy

Like a rock dropped into a pond, an injection of new dollars into an economy ripples throughout an economy. Spending by the firm and its employees directly creates new sales in the community. Area businesses that benefit from those expenditures in turn hire additional workers. Spending by those businesses and their employees then creates another round of sales for other businesses and the process continues. Economic impact analysis provides us with the tools to quantify the full impact of these ripples in an economy using jobs, earnings, and output multipliers. Implan Pro allows us to quantify the full impact of the splash from Project Liberty operations in Louisiana's economy. Figure 1 graphs the estimated direct Louisiana employment and total Louisiana employment that can be expected from Project Liberty. The number of jobs created by Project Liberty reaches almost 1,900 jobs during the construction phase. By 2012, the facility reaches normal operations with 1,400 workers employed in the facility and just under 3,200 total Louisiana jobs attributable to the facility.

Figure 1
Total Louisiana Employment
Attributable to the Project Liberty Operations

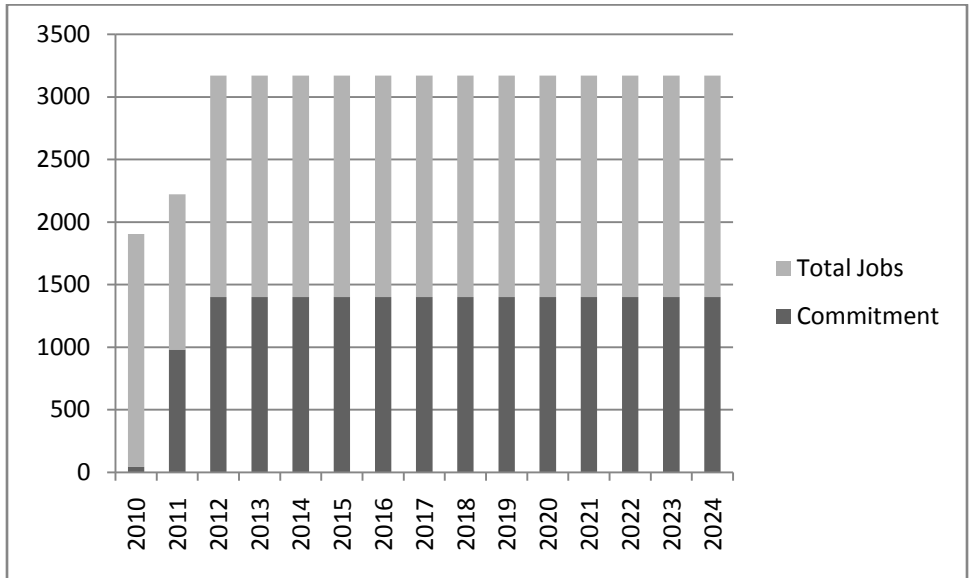


Table 3 contains the estimated impact of Project Liberty operations on the Louisiana economy over the fifteen year period. Accounting for the multiplier effect, Louisiana can expect a total of \$13.3 billion (2009\$) in additional output over the next fifteen years as a result of Project Liberty operations. Louisiana can expect a net present value of \$1.3 billion (2009\$) in additional earnings over the next fifteen years.

Table 3
The Impact of the Project Liberty Operations Wages
On the Louisiana Economy (millions of 2009\$)

Horizon	Output	Earnings
15 years	\$13,276.7	\$1,284.6

Note: This table provides the net present value of total Louisiana output and earnings that can be expected from Project Liberty. All figures include both the direct and indirect impact of operations.

Our next task consists of estimating the state taxes that Louisiana can expect as a result of Project Liberty. In particular, we seek to quantify the state taxes Louisiana could expect to receive directly and indirectly as a result of Project Liberty. Table 4 contains the estimated nominal and real (discounted to 2009\$) state taxes generated for the 15 year horizon. Our methodology estimates state taxes based on the ratio of state tax receipts as percentage of personal income. Note that this calculation implicitly includes state taxes paid by employees of business other than Project Liberty and state sales taxes created by those spending new earnings resulting from the “ripples” in the economy.

Table 4
Nominal and Real Louisiana State Tax Revenues
Attributable to Project Liberty Operations (\$millions)

Horizon	Nominal Taxes	Real Taxes (NPV \$2009)
15 years	\$131.0	\$89.9

Local Area Economic Impact

Since the location of the Project Liberty is in Ouachita Parish, the 7-parish area (Caldwell, Jackson, Lincoln, Morehouse, Ouachita, Richland, and Union Parishes) will benefit most from their operations. Table 5 summarizes the estimated economic impact of the Project Liberty commitment on the 7-parish area (both discounted to 2009\$). Not surprisingly, most of the output occurs within the 7-parish area. Over the fifteen year period, Project Liberty commitment will add over \$13.1 billion in output and almost \$1.2 billion in earnings to the 7-parish area economy. During normal operations the facility will employ 1,400 workers directly and support roughly 3,100 total local jobs.

Table 5
The Impact of the Project Liberty Operation
on the 7-Parish Area Economy (millions 2009\$)

Horizon	Output	Earnings
15 years	\$13,172.5	\$1,185.0

Note: This table provides the net present value of total 7-parish output and earnings that can be expected from Project Liberty. All figures include both the direct and indirect impact of construction and operations.

Table 6 contains the estimated local taxes attributable to Project Liberty.

Table 6
Nominal and Real 7-Parish Area Tax Revenues
Attributable to Project Liberty Operations (\$millions)

Horizon	Nominal Taxes	Real Taxes (NPV \$2009)
15 years	\$36.2	\$24.8

Note: All figures exclude potential tax revenues associated with property taxes.

Ouachita Parish Economic Impact

Project Liberty will also have a substantial impact on Ouachita Parish itself. Table 7 summarizes the estimated economic impact of the Project Liberty commitment on the Parish (both discounted to 2009\$). Over the fifteen year period Project Liberty commitment will add \$12.9 billion in output and over \$1.1 billion in earnings to the Parish economy. During normal operations the facility will employ over 1,400 workers directly and support over 2,700 total Ouachita Parish jobs.

Table 7
The Impact of the Project Liberty Operation
on the Ouachita Parish Economy (millions 2009\$)

Horizon	Output	Earnings
15 years	\$12,889.6	\$1,068.4

Note: This table provides the net present value of total Ouachita parish output and earnings that can be expected from Project Liberty. All figures include both the direct and indirect impact of construction and operations.

Table 8 contains the estimated Ouachita Parish taxes attributable to Project Liberty.

Table 8
Nominal and Real Ouachita Parish Area Tax Revenues
Attributable to Project Liberty Operations (\$millions)

Horizon	Nominal Taxes	Real Taxes (NPV \$2009)
15 years	\$32.5	\$22.4

Note: All figures exclude potential tax revenues associated with property taxes.

While it is difficult to estimate the distribution of tax revenues among local governments, trends in tax collections and population suggest roughly 48% in NPV taxes for Monroe, 24% for West Monroe, and 28% for Ouachita Parish.

Conclusion

This report analyzes the economic impact of a major agreement for construction and operations (Project Liberty) of an automobile manufacturing facility in Ouachita Parish. Perhaps the easiest way to summarize the impact of this agreement on Louisiana's economy is to focus on the injection of jobs into the state. With direct employment peaking at 1,400 it should come as no surprise that the 7-parish area will benefit substantially from Project Liberty's presence. Once the multiplier effects are considered, our computations indicate over 3,100 7-parish area jobs can be expected from operations. The impact is not limited to the 7-parish area. After the construction phase is complete, total employment across the state will rise by roughly 3,200 as a result of attracting Project Liberty.