



## Virginia hands taxpayer money to financially strapped Alcoa

By: Kaitlyn Speer  
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Gov. Terry McAuliffe announced Tuesday that Virginia will give Alcoa Power and Propulsion nearly \$1.2 million in taxpayer money. The company plans to invest \$25 million in the city of Hampton to create 75 new jobs.

Products from Pittsburgh-based Alcoa are used in jet engines and industrial gas turbines. The company generated \$23 billion in revenue last year, but according to a company financial statement it reported a net income loss of [\\$197 million after taxes this first quarter](#). The company was also investigated by the Department of Justice and the U.S. Securities and Exchange Commission earlier this year.

“This deal is just one in a long line of sweetheart deals made between the Commonwealth of Virginia and businesses,” said Nicole Kaeding, a budget analyst for the Cato Institute. “Unfortunately for taxpayers, these sort of deals are mutually beneficial for policymakers and businesses. The policymakers get to say that they brought jobs to the area, while businesses get to operate with lower costs.”

The state, which has more [than \\$65 billion in debt](#), will give a \$200,000 grant from the Governor’s Opportunity Fund to help Hampton with the project. McAuliffe also approved a \$450,000 performance-based grant from the Virginia Investment Partnership program, an incentive available to existing Virginia companies. The state will invest a total of \$1,162,500 in the project, according to Suzanne Clark, the communications manager for the Virginia Economic Development Partnership.

“This is a financially feasible project,” she said.

VEDP secured the project for Virginia after Alcoa contacted the city about a possible expansion, according to Clark. The VEDP secured the partnership, but McAuliffe authorized the grants. His office didn’t return Watchdog.org’s request for comment.

“The expansion will begin this month and is expected to be complete by the fourth quarter of 2015,” said Christa Bowers, communications director for Alcoa.

The DOJ and SEC announced the results of their investigations in January, accusing the company of “violating the Foreign Corrupt Practices Act when its subsidiaries repeatedly paid bribes to government officials in Bahrain to maintain a key source of business,” [the SEC said in a news release Jan. 9.](#)

[More than \\$110 million](#) in corrupt payments were made to Bahraini officials by Alcoa Inc. with influence over contract negotiations between Alcoa and major government-operated aluminum plant, according to the SEC.

The cases were soon settled, and under the terms of the settlement [Alcoa will pay the SEC \\$161 million in five installments over four years.](#) In its settlement with the DOJ, Alcoa World Alumina LLC, a venture involving Alcoa and Alumina Limited, [will pay a total of \\$223 million](#), including a fine of \$209 million payable over four years.

On Wednesday, McAuliffe announced a plan to partner with Shandong Tranlin Paper Co. Ltd., a Chinese pulp and paper company, with plans to invest \$2 billion over five years in Chesterfield County. The governor approved a \$5 million grant from the governor’s opportunity fund to help with the project.

“Providing these sort of incentives is an implicit acknowledgement by Governor McAuliffe that Virginia’s tax climate is uncompetitive and needs reform,” Kaeding said. “Instead of unfairly picking one company over another, Governor McAuliffe and others should work to reform Virginia’s burdensome tax climate.”