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Wisconsin's aglow with Foxconn announcement, but can Illinois share the spotlight?



Foxconn Chairman Terry Gou, left, and Wisconsin Gov. Scott Walker hold the Wisconsin state flag at the Milwaukee Art Museum on July 27, 2017, to celebrate Foxconn's \$10 billion investment to build a plant in the state.

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By Lauren Zumbach, Corilyn Shropshire and Robert Channick - Chicago Tribune

Wisconsin, a Rust Belt state known for its beer, Harley-Davidson motorcycles and the Green Bay Packers, is having its moment in the 21st century's manufacturing spotlight.

With Wednesday's announcement that Taiwanese electronics giant Foxconn Technology Group will build its first U.S. plant in the southeast part of the state, creating 3,000 to 13,000 jobs, Wisconsin — a Republican-led swing state that voted for President Donald Trump — beat out Illinois and other contenders for the \$10 billion investment.

No specific site has been identified, and a fair amount of cynicism has been raised, related to both the \$3 billion in taxpayer-funded incentives and Apple supplier Foxconn's history of not following through on ambitious U.S. factory announcements. But if the project moves forward as planned, it will create unprecedented challenges for Wisconsin's infrastructure, workforce, education, housing and culture in a relatively tranquil part of the state.

Illinois will face its own challenges, as companies here try to get their foot in the door of a potential customer across the border. Meanwhile, the state, which has scored victories with corporate relocations and thousands of warehouse jobs from high-fliers such as Amazon, currently has no major job incentive program it can use to woo a large employer like Foxconn.

In Wisconsin, the seven-county region said to be the site of the future Foxconn plant — somewhere in the district of Republican House Speaker Paul Ryan — is home to roughly 2 million people, with a healthy unemployment rate just over 4 percent. Layoffs at motorcycle maker Harley-Davidson and the shuttering of retailers such as Sears and Gander Mountain have meant the loss of hundreds of jobs since last year. But those losses are a blip compared with the ultimate impact of Foxconn, which "will be measured in billions," said Tom Still, president of the Wisconsin Technology Council, an industry trade group.

The state's population growth trails that of some southern and western states, but the plant and suppliers it could attract would not only reel in out-of-state workers, but help Wisconsin retain the technical and engineering talent it's been exporting, said Jim Paetsch, a vice president at Milwaukee 7, a regional economic development group.

"Our universities are graduating more people than our companies need ... and they go elsewhere," Paetsch said. "We will be able to draw people to Wisconsin on a scale that we haven't been able to in the past." Still, there are challenges to what many expect to be the region's new population magnet. Economic development specialists label this "short-term pain."



The region is tackling a shortage of skilled workers. Some local firms already struggle to find workers with digital expertise, and there are concerns that Foxconn will generate greater competition for that talent. Wages could increase since the expected jobs will average salaries of over \$53,000, indicating that the company is looking for skilled workers.

"It will be incumbent upon the state to vastly ramp up its ability to train thousands of skilled workers, quickly," said Ron Starner, executive vice president at Atlanta-based Conway, a corporate expansion and relocation consultancy that publishes Site Selection Magazine. "The reality is that any state would be challenged to provide that many skilled workers in a short period of time."

Starner thinks people from as far away as Minnesota could move to the region in search of jobs at or near Foxconn, including people who are currently unemployed or had given up on looking for work.

There's also the cultural assimilation that will have to occur, particularly for a company with a global reputation of setting up factories in low-wage locations in Asia and Mexico. "They have a certain way of doing things, a work ethic and workplace culture," Starner said. "This is a huge shift. They are really plowing new ground here.

Southeastern Wisconsin also runs the risk of becoming a "company town." On one end, jobs and businesses that serve those workers pop up and flourish. On the other hand, if the company fueling the area leaves or shuts down, it runs the risk of disabling the economy.



Foxconn, one of the world's largest electronics manufacturers, unveiled plans Wednesday to build a new factory in southeastern Wisconsin, delivering a much-needed win for President Donald Trump and Gov. Scott Walker, R. (July 26, 2017) (Sign up for our free video newsletter here <http://bit.ly/2n6VKPR>)

Housing and schools to sustain that population will have to be developed. Traffic will increase, and public transportation will need to be equipped to handle commuters.

"We certainly don't think the workforce will only come from state of Wisconsin," said Mark Hogan, CEO, Wisconsin Economic Development Corp. "The fact of the matter is a company like this will draw nationally and internationally. We looked at the infrastructure and we think people will take advantage of that opportunity and we're ready."

The region's proximity to Illinois is a consolation prize for the state, which has succeeded in wooing large employers but nothing of such dramatic scale. By the end of the year, Amazon will employ 8,000 workers in Illinois; that compares with about 4,000 Amazon employees working in a 1.5-million-square-foot facility across the border in Kenosha, Wis. Illinois, and Chicago in particular, has notched wins with the recent headquarters relocations of corporate titans like Conagra and GE Healthcare.

Gov. Bruce Rauner and Intersect Illinois, the state's nonprofit economic development arm, earlier this year made a pitch to Foxconn through the University of Illinois. Foxconn has a presence in the university's research park, and Illinois alumni within the company.

In a February letter to Foxconn chairman Terry Gou, Rauner talked up the state's transportation network, engineering and manufacturing talent, cheap energy prices and roster of global companies, and outlined potential financial incentives, according to emails obtained through a Freedom of Information Act request.

But Intersect Illinois' current president and CEO, Mark Peterson, noted one advantage Illinois couldn't tout. "I don't think it's lost on anybody it's in the Speaker of the House's district, and (the project is) supported by Trump and (Gov.) Scott Walker," Peterson said.

What else might have kept Illinois out of the winner's circle?

Illinois's financial woes have made headlines nationally for months. Companies don't like uncertainty, and "want to know there's not some time bomb down the road," Peterson said.

Also, Illinois isn't a "right to work" state and lacks the union-bypassing legislation that has been adopted by Wisconsin and other Midwest manufacturing states, noted John H. Boyd, principal of The Boyd Company, a Princeton, N.J.-based corporate site selection consultancy.



But even though Foxconn passed on Illinois, the state's selling points likely played a key role in the company's decision because of the area's proximity to Illinois' workforce and a Chicago-area transportation network that includes O'Hare International Airport, Boyd said

South of the border in Lake and McHenry counties, where Illinois and Wisconsin license plates compete for spaces in parking lots, economic leaders are already preparing to leverage the opportunity and pitch their respective benefits to Foxconn and its suppliers.

"There would absolutely be great spillover opportunities from that," said Kevin Considine, president and CEO of Lake County Partners, a nonprofit economic development organization. "A plant like that will have lots of multiplier effects. It will bring supply chain companies with it, so other companies will set up near it and around it, similar to what happens in automotive."

The question is which side of the border they'll choose.

"When companies compare, the costs are higher here and that makes it more difficult to succeed," said Mark Denzler, vice president and chief operating officer at the Illinois Manufacturers' Association.

Molex CEO Martin Slark said he considered Foxconn's decision to locate in Wisconsin a lost opportunity for Illinois, even if it could still create business opportunities and help grow the electronics industry in the Midwest. The Lisle-based electronics connectors maker is already a "significant" Foxconn supplier, he said in an email.

"The investment environment in this state needs to be improved if we are to attract new investment," Slark said.

Also, Illinois' main job incentive effort, the Economic Development for a Growing Economy Tax Credit Program, expired April 30 and is not currently taking applications. Illinois legislators are working on bringing back a revamped version of the program.

Wisconsin, which gave Foxconn \$3 billion in state economic incentives over 15 years if the company invests \$10 billion in the state and ultimately adds 13,000 jobs, hasn't committed to offering incentives to Foxconn suppliers, but hasn't ruled it out. "Any supplier that comes, just like any company, will be considered," Hogan said.

The College of Lake County already offers programs in manufacturing, logistics, computer numerical control and other relevant fields and is "looking forward to learning how the college can support their workforce development needs," Anne O'Connell, a College of Lake County spokeswoman, said in a statement Thursday. "CLC recognizes our important role in preparing our students for employment opportunities throughout the region."

Even if Foxconn suppliers choose to set up shop in Wisconsin, "they're still going to buy printing services and trucking and logistics services, and they're going to buy stuff that no doubt will go to Lake County businesses," said Lake County Partners' Considine.

"We're not competing with Wisconsin in the global economy in the long term," said Bob Weissbourd, president of Chicago-based economic development firm RW Ventures. "For the region to be known as a center for electronics is really great for us in the long term."