



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: May 17, 2005
TO: Michigan Economic Growth Authority
FROM: Harry Whalen, Senior Vice President
International Development *HW*
SUBJECT: Briefing Memo -- ALD Thermal Treatment, Inc.
Standard Credit

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COMPANY NAME AND ADDRESS:

ALD Thermal Treatment, Inc.
1101 Carolina Pines Drive
Blythewood, South Carolina 29016

HISTORY OF COMPANY:

ALD Thermal Treatment, Inc. is an advanced vacuum heat treating service provider in North America. ALD's heat treat services are considered a specialized manufacturing process for precision components such as automotive transmission gears, shafts, diesel engine fuel injector parts, precision bearings and tooling. ALD Thermal Treatment was established in July 2000 in South Carolina, where it currently operates the world's largest vacuum carburizing and high-pressure gas-quenching facility, and is a subsidiary of ALD Vacuum Technologies GmbH, located in Hanau, Germany. ALD Thermal Treatment currently has one employee in Wixom, Michigan.

PROJECT DESCRIPTION:

ALD Thermal Treatment will provide vacuum carburizing and high-pressure gas-quenching for GM Powertrain's new 6-speed front-wheel drive transmissions. The company is considering leasing an existing 63,000 square foot building in Port Huron in order to complete this process. The project would lead to the creation of 82 new jobs in the first full year of the project and a total of 95 new jobs over four years. The new positions would start at an average weekly wage of \$563. The company expects to finish improvements to the building by September, 2005, with operations beginning in spring, 2006.

The project would require a new capital investment of \$20.0 million, including \$2.5 million for capitalized lease costs and leasehold improvements and \$17.5 million for new machinery and equipment.



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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 132 jobs in the state by the year 2013. We also estimate that the project would create total state government revenues through the year 2013, net of MEGA cost and adjusted for inflation, of \$2.4 million (2005 dollars) due to the location of this facility.

BUT FOR:

In addition to Port Huron, ALD Thermal Treatment also considered sites in Bowling Green, Ohio and Canada for this project. A cost comparison analysis completed between Bowling Green and Port Huron indicated electrical rates were 15% lower in Ohio, saving the company approximately \$120,000 per year when the facility is fully operational. Ohio is also willing to provide the company with property tax abatements for 15-years, a low-interest loan for \$2 million and job training for the new workers.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 95 new hires, up to \$47,500.

The City of Port Huron will purchase the building from the existing owner and then lease the facility to ALD Thermal Treatment. In addition, the City has proposed a 100 percent PA 328 personal property tax abatement for two years, followed by a 50 percent PA 198 personal property tax abatement for 10 years. The estimated value of the local property tax abatement is \$1.6 million, including \$60,600 in State Education Tax abatements during the 2-year PA 328 abatement. The abatement is expected to be finalized on June 13, 2005.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 95 net new employees.