



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: August 17, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Alphi Manufacturing, Inc.
Rural MEGA Credit

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COMPANY NAME AND ADDRESS:

Alphi Manufacturing, Inc.
576 Beck Street
Jonesville, Michigan 49250

HISTORY OF COMPANY:

Alphi Manufacturing, Inc. is an ISO 9001:2000 certified supplier to the automotive industry. The company manufactures metal tubular products including exhaust components, instrument panel tubes, air-conditioning tubes, windscreen wiper tubes, anti-vibration bushings and suspension components. Customers are primarily Tier One automotive suppliers.

The factory at Jonesville has been involved with the manufacture of tubular products for over 40 years. Alphi purchased the assets of the business in 1999. Since then, the company has doubled its sales revenues, invested over \$2.5 million in new equipment, renovations and system improvements, and has increased employment by 25 percent. The company currently employs 101 at the Jonesville facility.

PROJECT DESCRIPTION:

The company plans a two phase expansion that will require significant investment in new equipment and employees. Most of Phase 1 growth is related to exhaust business recently awarded to the company. The company forecasts a major sales increase, requiring an investment of approximately \$2 million in new equipment. Phase 2 growth is due to a new opportunity to produce tubes for one of the largest exhaust system manufacturers in the US. These tubes will be components of the next major General Motors vehicle platform, GMT900. This phase will require a significant investment in new equipment, new jobs and an expansion of 25,000 to 40,000 square feet to the existing facility. Capital expenditures for Phase 2 will be in excess of \$4 million, and are expected to create up to 80 new jobs, with an average weekly wage of \$426.



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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 88 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$1.5 million (2004 dollars) due to the location of this facility.

BUT FOR:

The company is considering two possible sites their expansion. South central Indiana is under serious consideration for Alphi because three of the company's largest customers are located in Indiana, as well as two of their largest suppliers. Locating their exhaust business in Indiana would significantly reduce labor, transportation and communication costs. The company estimates that operating costs would be up \$350,000 lower per year in Indiana.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer 50 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$61,000.

The Village of Jonesville has proposed 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of the local property tax abatement is \$389,000. The abatement is expected to be finalized in August, 2004.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for 10 years, for up to 80 net new employees.