


John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: February 20, 1996

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell 

SUBJECT: Briefing Memo - Asama Giken Company, Limited

COMPANY NAME:

Asama Giken Co., Ltd.
600 Hei
Komoro City, Nagano 384
Japan

HISTORY OF COMPANY:

Asama Giken was established in 1973. The company produces cast iron automotive parts. Their main products are disc brake rotors, steering knuckles, cylinder sleeves, differential gears, rear brake drums, clutch plates and exhaust manifolds. Total revenues for the company in 1995 were \$150 million and they employ 750 in Japan and Indonesia. Honda is Asama Giken's main customer and their planned location in the United States, their first North American operation, will be primarily to supply the Honda plants in Ohio and Ontario.

PROJECT DESCRIPTION:

This project will be a joint venture between Honda Motor Company Limited and Asama Giken. The new facility, which will be built in either Northeast Indiana or Coldwater, Michigan, will produce exhaust manifolds for the Honda Accord and new minivan. This product will be used for the 1998 model year vehicles and the company expects to begin production in the second quarter of 1997 with full production by 1999. The project represents a \$29 million investment in building and equipment. Approximately 300 people will be employed in a 75,000 square foot facility that could expand to 150,000 square feet in 1999.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 595 new jobs in the state by the year 2007. Total state government revenues through the year 2007, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$16,860,000 (1996 dollars) due to the presence of the Asama Giken facility in Coldwater.

COST ANALYSIS:

As part of the company's site decision process, it has undertaken a comprehensive cost analysis between Indiana and Michigan. Based on figures obtained from the company, the annual cost disadvantage for Asama Giken to establish their manufacturing facility in Coldwater rather than Indiana is as high as \$300,000 over the term of the incentive. The cost differential is primarily due to worker compensation and utility costs.

OTHER STATE AND LOCAL ASSISTANCE:

Other state assistance includes a 100 percent abatement of the six mill school tax, workforce recruitment, screening and training assistance, and public infrastructure improvements. The City of Coldwater is providing a local tax abatement worth up to \$2.24 million.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 50 percent for a period of 10 years for up to 300 employees.