



MICHIGAN JOBS COMMISSION

201 N. WASHINGTON SQUARE
VICTOR OFFICE CENTER, 4TH FLOOR
LANSING, MICHIGAN 48913
PHONE: 517.335.5883
FAX: 517.373.0314
CUSTOMER ASSISTANCE: 517.373.9808
MICHIGAN RELAY CENTER: 800.649.3777
HTTP://WWW.MJC.STATE.MI.US

MEMORANDUM

DATE: June 10, 1997
TO: Michigan Economic Growth Authority
FROM: Douglas E. Stites, Chief Operating Officer
SUBJECT: Autocam Corporation

COMPANY NAME:

Autocam Corporation
4070 East Paris, SE
Kentwood, Michigan 49512

HISTORY OF COMPANY:

Autocam was started in 1988 by John Kennedy III, the current President. Initial employment was 56, and the company grew to 170 employees by 1993. Current employment in Michigan is about 250 people. The company also operates a small facility in Hayward, California. Presently, the company has Michigan facilities in Kentwood and Grand Rapids. Autocam produces automotive components used in fuel and ABS braking systems.

PROJECT DESCRIPTION:

Autocam is considering locating a new facility in Marshall, Michigan, or South Carolina. Currently, the company has customers in all three states. This expansion is expected to increase sales by \$40 million within three years after the facility is completed in June 1998. Employment growth will be approximately 200 employees by the third year. Total investment will be about \$25 million with the bulk of the spending for new equipment. Average wage of the new jobs is expected to be \$724 per week with a benefit package of about 31 percent of wages.

Autocam Corporation
Briefing Memo
June 10, 1997
Page Two

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 749 new jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs and adjusted for inflation would be increased by \$29,723,000 (1997 dollars) due to the presence of the Autocam facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Gaffney, South Carolina, and Marshall, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Autocam to establish its manufacturing facility in Marshall rather than Gaffney, ranges from approximately \$666,000 to more than \$1,300,000 over the term of the incentive. The cost differential is primarily attributable to wage and wage related costs. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and South Carolina.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will be providing a 100 percent abatement of the 6-mill property tax for a period of 12 years on real property and for a period to match the length of the local abatement on machinery and equipment.

The local community will provide a 12-year abatement of the real property and up to a 12-year abatement on machinery and equipment depending on the company investment and depreciation schedule.

BUT FOR:

Autocam has been seriously considering when and where it should expand its operations to meet its customer needs. It has considered the Grand Rapids Renaissance Zone and other Michigan locations, along with several other states. The company went through a similar site location process in 1993 and 1994 before deciding that it would expand in Michigan. The company is aware of the potential costs in each location and is prepared to expand outside the state if it does not have an incentive package that negates the cost disadvantage of a Michigan location.

Autocam Corporation
Briefing Memo
June 10, 1997
Page Three

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years and business activity credit of 25 percent for a period of 20 years, for up to 200 net new employees.