



## MICHIGAN JOBS COMMISSION

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## MEMORANDUM

DATE: June 10, 1997  
TO: Michigan Economic Growth Authority  
FROM: Douglas E. Sites, Chief Operating Officer  
SUBJECT: Briefing Memo - Bosal Industries Georgia, Inc.

### COMPANY NAME:

Bosal Industries Georgia, Inc.  
One Bosal Way  
Post Office Box 230  
Lavonia, Georgia 30553

### HISTORY OF COMPANY:

Bosal Industries Georgia, Inc., was incorporated in September 1994 to supply exhaust systems to GM and subsequently added other customers. Bosal Industries Georgia, Inc., is part of the Bosal Group, Inc., an international designer, developer, and manufacturer of exhaust systems, catalytic converters, tools and garage equipment, warehouse racking systems, and precision steel tube products. The parent company for Bosal Industries Georgia, Inc., is Bosal Benelux, N.V., located in Belgium and founded in 1968. The Bosal Group was founded as an auto parts distributor in 1923 by Karel Bos. The Bosal Group currently employs over 6,600 people on four continents. The company has 31 manufacturing plants in 14 countries and 49 distribution centers around the world with sales in excess of DM 1 billion, or \$520 million U.S.

Bosal does not have a manufacturing facility in Michigan, but operates two other facilities: Bosal International North America and Sterling Thermal Motors, both out of Ann Arbor with a total of 60 employees.

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## **PROJECT DESCRIPTION:**

Bosal intends to expand its operations and add 110 jobs in the United States. These jobs can go either to Lavonia, Georgia, to its existing facility, or the company may choose to locate manufacturing operations in Warren, Michigan.

This project, if located in Michigan, involves leasing 85,678 sq. ft. of existing manufacturing space in the former General Dynamics building located at 6700 East Fourteen Mile Road in the City of Warren, Macomb County. The facility is located on 10.44 acres and no infrastructure improvements are required. If located in Warren, the expansion project would represent Bosal's first manufacturing facility in Michigan.

The proposed project is an expansion of Bosal's existing sales base and would not involve substantive relocation of equipment or people from other Bosal manufacturing sites outside Michigan. The initial business that is to be directed to this factory is related to the award of the GMX690 contract from General Motors to Bosal. The contract is for 350,000 units per year for the full size cars in the GM line. Bosal will fabricate complete exhaust systems, perform quality assurance and provide sequential in-line servicing for the Lake Orion and Poletown GM plants. Operations start date would be October 1, 1998. This product can be produced at its existing Lavonia, Georgia, facility and shipped to a warehouse where a skeletal crew of workers would provide the sequential in-line servicing for GM.

Initial capital investment in production equipment and tooling would be approximately \$6.8 million. Estimated employment creation is 85 in year one (ending 9-30-99) and would peak at 110 employees in year three. The entry level wage for hourly production employees is \$10.30 and the average weekly wage for all new employees is \$562. The benefit package represents approximately 22 percent of total annual payroll.

## **BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate the facility will generate a total of 253 new jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjusted for inflation would be increased by \$11,323,000 (1997 dollars) due to the presence of the Bosal facility.

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### **COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Lavonia, Georgia, and Warren, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Bosal to establish its manufacturing facility in Warren, Michigan, rather than Lavonia, Georgia, ranges from approximately \$175,284 to \$350,621 over the three years reported. The cost differential is primarily attributable to wages, utilities, building, taxes, and incentives.

Michigan Jobs Commission staff has examined these numbers and believe they are a fair representation of the cost differential between Michigan and Georgia. The company has also described mitigating factors which help close part of the cost gap. Higher transportation costs and warehousing are necessary if manufacturing is located in Georgia. Bosal would like to locate in Michigan in order to be closer to its customers and to create stronger links between its manufacturing operations and its expanding technical center in Ann Arbor.

### **OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will be providing a 100 percent abatement of the 6 mill school property tax for a period matching the local property tax abatement.

Local tax abatements are expected to be offered to the company by the City of Warren.

### **BUT FOR:**

Due to the availability of an existing facility in Lavonia, Georgia, Bosal has the option of locating in Georgia, at lower wage, building, utility, and tax costs. However, the company has examined other factors that could influence it to locate in Michigan despite the cost disadvantage. With the potential MEGA credit to cover a portion of the cost differentials, the company will consider locating in Michigan.

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**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for the first three years and 50 percent for fifteen additional years for up to 110 net new employees. This offer will be contingent on the company receiving a local property tax abatement.