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MEMORANDUM

DATE: September 15, 1999

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President
Michigan Business Development *Jim Donaldson*

SUBJECT: Briefing Memo - Cable Constructors, Inc.

COMPANY NAME AND ADDRESS:

Cable Constructors, Inc.
105 Kent Street
Iron Mountain, Michigan 49801

HISTORY OF COMPANY:

Cable Constructors is a 100 percent employee owned company that does mapping and lay out for cable lines for television and internet connections in communities throughout the U. S. The company works in at least 15 states and South America, Guam, and Europe. The company has about 700 employees with 200 at the corporate headquarters in Iron Mountain. Total employment in Michigan is approximately 240.

PROJECT DESCRIPTION:

This project would invest approximately \$2.6 million for a new building and equipment for Computer Aided Design (CAD) stations, including furniture, fixtures and computer equipment. The company expects to create at least 125 new jobs with an average wage of \$8.50/hour or \$341/week. These are entry level CAD jobs that will be made available to people with minimal skills but with the ability to learn. The company provides extensive training in computer skills and actual line work. The average wage rate does not include annual profit sharing, monthly production bonuses, or overtime that are all a normal part of employee compensation.

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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 147 jobs in the state by the year 2009. Total state government revenues through the year 2009, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$3,161,000 (1999 dollars) due to the presence of the Cable Constructors project.

COST ANALYSIS:

As part of the company's decision making process, it has undertaken a comprehensive cost analysis between Michigan and South Carolina. Based on figures obtained from the company, the cost disadvantage for Cable Constructors to establish a new facility in South Carolina rather than expand in Michigan, ranges from \$20,000 to nearly \$100,000 annually over the term of the incentive. These cost differentials are due primarily to tax cost differences that decline as the Single Business tax is phased out.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Iron Mountain will provide a city-owned parking lot to Cable Constructors at no cost for the term of the MEGA credit. This is in lieu of a property tax abatement because the company is not eligible under state law. No other assistance is being offered by the community or state.

BUT FOR:

Cable Constructors must make a decision whether to locate this expansion in Upper Michigan or build a new facility closer to some of its larger customers in the Southeast. This decision is driven by profit and the ability to manage spatially remote facilities. The company has experienced pressure from several of its customers to locate in the Southeast and has thoroughly investigated that option. The MEGA credit allows the company to compete for work in this region without having to locate in the area.

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RECOMMENDATION:

The Michigan Economic Development Corporation recommends a nine-year MEGA employment credit of 100 percent for two years, 85 percent for the following three years, and 60 percent for the next four years for up to 125 new jobs.