



John Engler, Governor

Doug Rothwell, Chief Executive Officer

## MEMORANDUM

DATE: October 2, 1995

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell *D. Rothwell*

SUBJECT: Briefing Memo - Cardell Corporation

### COMPANY NAME:

Cardell Corporation  
2849 Product Drive  
Rochester Hills, Michigan 48309

### HISTORY OF COMPANY:

Cardell was founded in 1979 as a manufacturer of customer designed metal stampings for electrical terminals. Beginning in 1989, the company began diversifying its product lines into injection and inserted molded products, and opened an in-house laboratory to perform various tests for its customers and its own products. Additionally, the company began investing heavily in research and development. This investment has led to a patented family of electrical connectors that have uses in many markets including, but not limited to, the automotive industry. During 1994, Cardell demonstrated its technical leadership by designing a connector that was selected as a "U. S. Car" standard. With this designation, the company expects to be able to capture a larger portion of the connector industry.

Cardell has grown rapidly since its inception and expects that trend to continue as it expands its research and development and engineering functions to meet the needs of the automobile manufacturers and the first tier suppliers that they serve.

**PROJECT DESCRIPTION:**

Cardell is fully utilizing the five buildings that it presently occupies. The company must make a decision on consolidating its production operations in either Auburn Hills or Columbia, South Carolina. This project would include building a new manufacturing "campus" with the initial five buildings containing their existing employees and those they intend to hire as a result of the MEGA tax credit. There will be an initial investment of more than \$44 million in buildings, machinery and equipment. This expansion would create 505 new jobs with an average weekly wage of \$688 for a total annual payroll of more than \$18 million at full production.

**BENEFIT TO STATE:**

According to the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 1069 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$40,475,000 (1995 dollars) due to the presence of the Cardell facility.

This project would create a total of \$631 million (1995 dollars) in personal income by the year 2010 for Michigan residents. It would also contribute more than \$7.1 million to local governments and schools through property tax payments over 12 years.

**COST ANALYSIS:**

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Columbia, South Carolina and Auburn Hills, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Cardell to establish their manufacturing facility in Auburn Hills rather than Columbia ranges from approximately \$170,000 to more than \$1,000,000 over the term of the incentive. The cost differential is primarily attributable to tax cost differences and workers compensation and unemployment insurance costs.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, MEGA has been offered to off-set the variance in cost and to provide an incentive to facilitate this investment.