

MEMORANDUM

Date: July 20, 2010

To: Michigan Economic Growth Authority

From: Joe Quick, Project Specialist
Packaging Team

Subject: Briefing Memo – Clyde Union, Inc.
Standard MEGA Credit

COMPANY NAME

Clyde Union, Inc.
4600 West Dickman Road
Battle Creek, Michigan 49037

HISTORY OF COMPANY

Though Clyde Union, Inc. was formed just 18 months ago by the merger of Weir Pumps and Union Pumps and has gone through several name changes, its legal entity and presence have existed in Battle Creek for 125 years.

Clyde Union, Inc. has grown to become the world's 7th largest pump company. It provides centrifugal single and multistage pumps, parts and services inclusive of testing and special packaging at its Battle Creek facility. It also provides reciprocating power and direct acting pumps, parts and services inclusive of special packaging and testing.

The company currently has 225 employees in Michigan.

PROJECT DESCRIPTION

Clyde Union, Inc. plans to erect a building on its Battle Creek property to expand its existing operations and increase and extend testing and packaging capabilities. The facility will handle the testing and packaging of pump packages that weigh a minimum of 20 tons and a maximum of 80 tons, and have power ranges of 2000 to 7000 horse power. The pumps that will be manufactured, packaged and tested at this facility will be used to: pump oil in the drilling process; pump refined hydrocarbons (e.g. gasoline) in refineries; pump seawater in desalination systems to produce fresh water; pump boronated water for safety related applications in the nuclear power industry; and pump high temperature water in conventional power applications.

The company plans to invest approximately \$17.1 million and create 190 jobs over the next five years, with 56 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,111. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 420 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by \$4,343,259 (current dollars) due to the presence of this facility.

BUSINESS CASE

Clyde Union, Inc. currently owns four sites across the country: Houston, Texas; Baton Rouge, Louisiana; Shreveport, Louisiana; and Burlington, Ontario. The company states that all four sites have lower cost building and personnel resources. The Houston location is ideal for the oil industry, as is the Burlington location. Shreveport's facility already has the testing capability needed for this project, with testing and crane equipment already in place. Equipment modifications would be the only major investment at the Shreveport location.

The MEGA Tax Credit will offset the disadvantages identified above.

OTHER STATE AND LOCAL ASSISTANCE

The City of Battle Creek has proposed a PA 198 personal property tax abatement for a period of 12 years, expected to be approved on October 19th. The value is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for 5 years for up to 190 net new employees in excess of the company's established base of 226.