



MICHIGAN JOBS COMMISSION

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MEMORANDUM

DATE: July 14, 1998
TO: Michigan Economic Growth Authority
FROM: Kathy Blake, Director, Michigan Business Development *KB*
SUBJECT: Briefing Memo - The Coca-Cola Company

COMPANY NAME AND ADDRESS:

The Coca-Cola Company
One Coca-Cola Plaza
Atlanta, Georgia 30313

HISTORY OF COMPANY:

The Coca-Cola Company is a world leader in the manufacture, marketing and distribution of soft drink and non-carbonated beverage concentrates, syrups, and finished products. Coca-Cola claims to sell one billion drinks a day. In the company's 112 years it has expanded its operations into nearly 200 countries, employs approximately 30,000, and had a net income for 1997 of over \$4 billion. The company sells primarily to bottling and canning operations and distributors. Through The Minute Maid Company, Coca-Cola manufactures and distributes juice and other non-carbonated beverage products. Coca-Cola currently has a production facility in Paw Paw Township, Michigan that produces non-carbonated drink products. This facility currently employs 337 workers.

PROJECT DESCRIPTION:

The proposed project will involve the expansion of manufacturing operations and warehousing at either Paw Paw Township, Michigan or Waco, Texas. The company would like to add three processing lines for a new packaging concept for non-carbonated beverages. This project will require a \$31.5 million capital investment. Minute Maid expects to invest more than \$29 million in new equipment and over \$2 million in a new building. The company also expects to create 150 jobs with an average weekly wage of \$579 and a full benefit package.

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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 258 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$13,137,000 (1998 dollars) due to the presence of the Minute Maid facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Texas and Michigan. Based on figures obtained from the company, the annual cost disadvantage for Minute Maid to expand its manufacturing operations in Paw Paw, rather than Waco, ranges from \$550,000 to \$600,000 over the term of the incentive. The cost differential is primarily attributable to wage cost differentials and incentives offered by Texas. Wages, for similar jobs, are approximately 30 percent less at Minute Maid's Texas facility than at its Michigan location. Texas also offers a 100 percent abatement of personal property taxes for a period of ten years. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Texas.

OTHER STATE AND LOCAL ASSISTANCE:

The Michigan Jobs Commission will provide Minute Maid with a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. Economic Development Job Training funds will also be offered to the company at \$500 per job for up to 150 new employees for a total of up to \$75,000. In addition, Paw Paw Township will be applying for up to \$450,000 in Community Development Block Grant funds to provide needed utility upgrades to accommodate this new production facility. Local assistance in the form of a 50 percent property tax abatement will be offered to Minute Maid.

BUT FOR:

The Minute Maid Company has several operations in the United States that could be used for this expansion. Waco, Texas, offers an excellent alternative with lower wages and attractive incentives. Without a MEGA credit, the company would choose to locate this new production facility in Texas.

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RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 150 net new jobs.