

**The Economic Effects on Michigan of
the Dr. Schneider Automotive Systems, Inc., Location**

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Abstract

Dr. Schneider Automotive Systems, Inc., is planning to open its first North American manufacturing operation for the design, engineering, and manufacture of plastic interior automotive parts. The company is considering locating in the city of Brighton. The facility would employ an additional 350 people by 2011. We estimate that by 2019, this location will have generated a total of 645 jobs in the state. Total state government revenues through 2019, net of MEGA costs and adjusted for inflation, would increase by \$22,170,000 (2004 dollars) due to the location of Dr. Schneider Automotive Systems, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if Dr. Schneider Automotive Systems, Inc., locates its first North American manufacturing operation for the design, engineering, and manufacture of plastic interior automotive parts in the city of Brighton, Michigan (SIC 2396). Investment activity would take place between 2004 and 2010, with an investment of \$26.5 million. The facility would employ an additional 350 people by 2011.

The estimates of the benefits include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2004 to 2019, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2005 through 2009; it also includes a tax credit to the company for the period 2005 to 2014 equal to 100 percent, and 50 percent for the period 2015 through 2019, of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The investment activity is expected to generate a total of 71 jobs in 2004, 6 jobs in 2006, 56 jobs in 2008, and 57 jobs in 2010; almost all of these jobs are temporary. In 2011, the first year of full operations, an additional 556 jobs are generated in the state. We estimate that by 2019, this location will have generated a total of 645 additional jobs in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the location averages 1.7 over the period 2011 to 2019. Sectoral detail on the employment gains is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Dr. Schneider Automotive Systems, Inc., were to locate its operations in Michigan under the incentive program, state personal income in 2011 would be higher by \$32.7 million (in current dollars) than it would be without the location, and in 2019 it would be \$51 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$23.5 million in 2011 and \$33.3 million in 2019.

The gain in economic activity results in higher state government revenues. We estimate that in 2011, the first year of full operations, the new facility would generate \$2,515,000 in additional gross state government revenue, and that the MEGA package would provide a \$311,000 incentive to Dr. Schneider Automotive Systems, Inc. Thus, the Dr. Schneider Automotive Systems, Inc., location would increase state government revenues in 2011 by \$2,204,000, net of MEGA incentive costs.

Over the period 2004 to 2019, gross state government revenue is projected to increase by \$35,874,000 (in current dollars) due to the location of Dr. Schneider Automotive Systems, Inc. The MEGA incentive package for Dr. Schneider Automotive Systems, Inc. is forecast to cost \$4,324,000 over the period, resulting in a net increase in state government revenue of \$31,550,000. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2019 would be \$22,170,000 in 2004 dollars.

None of these estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Economic and Fiscal Effects on Michigan of the Dr. Schneider Automotive Systems, Inc., Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2015	2019	Total 2004-2019
Total Employment	71	113	170	302	366	318	486	556	585	645	—
Manufacturing	5	76	110	208	208	208	270	350	350	350	—
Nonmanufacturing	66	37	60	94	158	110	216	206	235	295	—
Retail Trade	8	10	14	24	29	23	39	42	40	46	—
Services	16	14	21	32	43	35	60	65	68	91	—
Other	42	13	25	38	86	52	117	99	127	158	—
In current dollars (thousands):											
Personal income	3,400	5,000	8,000	14,300	19,100	18,000	27,600	32,700	40,800	51,000	466,500
Gross state revenue	261	384	615	1,099	1,469	1,384	2,122	2,515	3,138	3,922	35,874
MEGA cost	0	155	209	378	419	502	244	311	191	241	4,324
State revenue net of MEGA cost*	261	229	406	721	1,050	882	1,878	2,204	2,947	3,681	31,550
Adjusted for inflation (thousands of 2004 dollars):											
Personal income	3,400	4,394	6,894	11,336	14,649	13,537	20,476	23,498	28,177	33,285	329,523
Gross state revenue	261	338	530	872	1,127	1,041	1,575	1,807	2,167	2,560	25,340
MEGA cost	0	137	180	300	321	377	181	224	132	157	3,170
State revenue net of MEGA cost*	261	201	350	572	806	664	1,394	1,583	2,035	2,403	22,170

*These estimates do not include any state government revenue losses due to the Investment Tax Credit or the property tax abatement.