



MEMORANDUM

DATE: September 20, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Duncan Aviation

201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
517 335 5883
517 241 3683

CUSTOMER ASSISTANCE
517 373 9808

www.michigan.org

COMPANY NAME AND ADDRESS:

Duncan Aviation
15745 South Airport Road
Battle Creek, Michigan 49015

HISTORY OF COMPANY:

Established in 1956 as a Beechcraft distributorship, Duncan Aviation has grown into the largest family-owned aircraft support operation in North America. The company's service areas include airframe/engine maintenance, exterior and interior completions and design, avionics system modification and installations, avionics/instrument and accessory overhaul and repair, parts support, line service, government contract support and aircraft acquisition service. In 1998 Duncan Aviation added aircraft charter and service facilities in Battle Creek and Kalamazoo through the acquisition of Kal-Aero. The company has over 1,400 employees nationwide and 506 employees in the Battle Creek and Kalamazoo facilities combined.

PROJECT DESCRIPTION:

To accommodate an increase in contracts, Duncan Aviation is exploring an expansion of paint facilities and production shops in either its Battle Creek or Lincoln, Nebraska facilities. Capital investment over a 5-year period is expected to reach \$18 million, with \$13.4 million in building additions and \$4.6 million in machinery and equipment. Over this same 5-year period, up to 662 people would be added to the workforce in Battle Creek. Average weekly wages will total \$549 (\$13.72 per hour). The facility is expected to be operational in October 2001.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,270 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$52,094,000 (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Battle Creek and Lincoln. Based on figures obtained from the company, the cost disadvantage for Duncan Aviation to locate this expansion in Michigan rather than Nebraska totals \$8.7 million over a 20-year period. This cost differential is primarily attributable to a tax-free status in Nebraska due to existing and future tax credits. In addition payroll costs, such as unemployment insurance, workers' compensation insurance and fringe benefits are lower in Nebraska.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide Duncan Aviation an Economic Development Job Training grant of up to \$500,000 for training 662 new workers. The City of Battle Creek will be financing ramp improvements to service the Duncan Aviation expansion at a cost of up to \$1,000,000.

BUT FOR:

Duncan Aviation would not consider a location in Michigan without the MEGA credit due to the added costs associated with putting the project in Michigan. The small margins in this industry necessitate the company to be very sensitive to added costs.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 75 percent for up to 662 new jobs for the first two years, 50 percent for the following five years, 20 percent for the following seven years and 10 percent for one year.