

**The Economic Effects on Michigan of the  
Four Winns LLC Facility Re-Opening Decision**

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### Abstract

*Outboard Marine Corporation, an out-of-state company, has successfully won a bid in bankruptcy court to acquire the assets of Four Winns LLC, a fiberglass boat manufacturer. Outboard Marine Corporation is considering re-opening the Four Winns LLC facility in Cadillac, Michigan instead of moving the assets to Outboard Marine Corporation's manufacturing operations in Florida. The re-opened facility would employ 900 people by 2003. We estimate that by 2012, this re-opening of the facility will have generated a total of 1,424 jobs in the state. Total state government revenues through 2012, net of MEGA costs and adjusted for inflation, would increase by \$57,695,000 (2001 dollars) due to the re-opening of Four Winns LLC.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Outboard Marine Corporation re-opening the Four Winns LLC fiberglass boat manufacturing facility in Cadillac, Michigan (SIC 3732). Investment activity would take place between 2001 and 2003, with an investment of \$17.55 million. The facility would employ 900 people by 2003.

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 2001 to 2012, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2001 to 2012; it also includes a tax credit to the company for the same period equal to 100 percent 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 construction activity is expected to generate a total of 12 jobs in 2001, 12 jobs in 2002, and 15 jobs in 2003; almost all of these jobs are temporary. In 2003, an additional 1,916 jobs are generated in the state. We estimate that by 2012, this re-opening of the Four Winns LLC manufacturing facility will have generated a total of 1,424 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 1.8 over the period 2003 to 2012. 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 Four Winns LLC were to re-open in Michigan under the incentive program, state personal income in 2003 would be higher by \$92.9 million (in current dollars) than it would be without the facility, and in 2012 it would be \$108.4 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$77.12 million in 2003 and 76.35 million in 2012.

The gain in economic activity results in higher state government revenues. We estimate that in 2003, the facility would generate \$7,432,000 in additional gross state government revenue, and that the MEGA package would provide a \$1,169,000 incentive to Four Winns LLC. Thus, the re-opening of the Four Winns LLC facility would increase state government revenues in 2003 by \$6,263,000, net of MEGA incentive costs.

Over the period 2001 to 2012, gross state government revenue is projected to increase by \$89,592,000 (in current dollars) due to the re-opening of the Four Winns LLC facility. The MEGA incentive package for Four Winns LLC is forecast to cost \$14,669,000 over the period, resulting in a net increase in state government revenue of \$74,923,000. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2012 would be \$57,695,000 in 2001 dollars. These calculations do not include any revenue losses due to the investment tax credit or the property tax abatement. If the costs of the tax credit or the tax abatement were included, the net revenue gain to state government would be slightly less.

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 expansion and location decisions.

**Economic and Fiscal Effects on Michigan of the Four Winns LLC Facility Re-Opening  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2005	2010	2012	Total 2001-2012
Total Employment	1,084	1,639	1,916	1,699	1,438	1,424	—
Manufacturing	526	858	1,028	964	900	900	—
Nonmanufacturing	558	781	888	735	538	524	—
Retail Trade	126	179	202	164	117	115	—
Services	208	268	291	213	129	129	—
Other	224	334	395	358	292	280	—
In current dollars (thousands):							
Personal income	44,000	73,200	92,900	97,500	103,200	108,400	1,119,900
Gross state revenue	3,520	5,856	7,432	7,800	8,256	8,672	89,592
MEGA cost	709	946	1,169	1,225	1,376	1,445	14,669
State revenue net of MEGA cost*	2,811	4,910	6,263	6,575	6,880	7,227	74,923
Adjusted for inflation (thousands of 2001 dollars):							
Personal income	44,000	65,114	77,124	75,696	74,732	76,348	862,674
Gross state revenue	3,520	5,209	6,170	6,056	5,978	6,108	69,014
MEGA cost	709	842	971	951	996	1,017	11,319
State revenue net of MEGA cost*	2,811	4,367	5,199	5,105	4,982	5,091	57,695

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