

**The Economic Effects on Michigan of the  
Hayes-Lemmerz, International Facility Expansion Decision**

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### Abstract

*Hayes-Lemmerz, International is considering expanding its existing operations in Montague, Michigan by building a new aluminum casting facility for the production of automotive knuckles, crossmembers, and control arms, which will be transformed from raw aluminum ingot to machined products ready for assembly. The expanded facility would employ an additional 200 people by 2002. We estimate that by 2020, this expansion will have generated a total of 539 jobs in the state. Total state government revenues through 2020, net of MEGA costs and adjusted for inflation, would increase by \$32,017,000 (2000 dollars) due to the expansion of Hayes-Lemmerz, International.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Hayes-Lemmerz, International expanding its existing operations in Montague, Michigan by building a new aluminum casting facility for the production of automotive knuckles, crossmembers, and control arms, which will be transformed from raw aluminum ingot to machined products ready for assembly (SIC 3599). Investment activity would take place between 2000 and 2002, with an investment of \$75 million. The facility would employ an additional 200 people and be at full production by 2002.

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 2000 to 2020, 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 2020 and a tax credit to the company for the period 2001 to 2012 equal to 75 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 147 jobs in 2000, 250 jobs in 2001, and 137 jobs in 2002; almost all of these jobs are temporary. In 2003, the first year of full operations without investment activity, an additional 377 jobs are generated in the state. We estimate that by 2020, this expansion will have generated a total of 539 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 expansion averages 2.2 over the period 2003 to 2020. 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 Hayes-Lemmerz, International were to expand in Michigan under the incentive program, state personal income in 2003 would be higher by \$20.6 million (in current dollars) than it would be without the facility, and in 2020 it would be \$52.2 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$16.4 million in 2003 and \$27.6 million in 2020.

The gain in economic activity results in higher state government revenues. We estimate that in 2003, the first year of full operations without investment activity, the facility would generate \$1,648,000 in additional gross state government revenue, and that the MEGA package would provide a \$243,000 incentive to Hayes-Lemmerz, International. Thus, the Hayes-Lemmerz, International facility expansion would increase state government revenues in 2003 by \$1,405,000, net of MEGA incentive costs.

Over the period 2000 to 2020, gross state government revenue is projected to increase by \$51,840,000 (in current dollars) due to the expansion of Hayes-Lemmerz, International. The MEGA incentive package for Hayes-Lemmerz, International is forecast to cost \$3,157,000 over the period, resulting in a net increase in state government revenue of \$48,683,000. Adjusted for inflation, the total net increase in state government revenue from 2000 to 2020 would be \$32,017,000 in 2000 dollars. These calculations do not include any revenue losses due to the property tax abatement or the investment tax credit. If the costs of the abatement and the tax credit 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 location and expansion decisions.

**Economic and Fiscal Effects on Michigan of the Hayes-Lemmerz, International Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2000	2001	2002	2003	2005	2010	2015	2020	Total 2000-2020
	Total Employment	220	444	540	377	368	402	468	539
Manufacturing	51	131	229	202	200	200	200	203	—
Nonmanufacturing	169	313	311	175	168	202	268	336	—
Retail Trade	26	52	62	41	37	41	49	58	—
Services	45	96	120	76	74	94	127	169	—
Other	98	165	129	58	57	67	92	109	—
In current dollars (thousands):									
Personal income	9,000	20,000	26,200	20,600	21,900	28,200	38,500	52,200	648,000
Gross state revenue	720	1,600	2,096	1,648	1,752	2,256	3,080	4,176	51,840
MEGA cost	0	95	221	243	254	282	25	9	3,157
State revenue net of MEGA cost*	720	1,505	1,875	1,405	1,498	1,974	3,055	4,167	48,683
Adjusted for inflation (thousands of 2000 dollars):									
Personal income	9,000	17,453	21,723	16,416	16,859	19,596	23,542	27,649	429,184
Gross state revenue	720	1,396	1,738	1,313	1,349	1,568	1,883	2,212	34,335
MEGA cost	0	83	183	194	196	196	15	5	2,318
State revenue net of MEGA cost*	720	1,313	1,555	1,119	1,153	1,372	1,868	2,207	32,017

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