




MICHIGAN JOBS COMMISSION

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MEMORANDUM

DATE: October 28, 1998

TO: Michigan Economic Growth Authority

FROM: Kathleen Blake, Director
Michigan Business Development 

SUBJECT: Briefing Memo - Howmet International

COMPANY NAME AND ADDRESS:

Howmet International Corporation
Whitehall Castings Division
One Misco Drive
Whitehall, Michigan 49461

HISTORY OF COMPANY:

Whitehall Castings Division is a part of Howmet International. Howmet employs more than 10,000 worldwide. Whitehall Castings, established in 1948, employs 2405 in West Michigan. Whitehall Castings produces precision cast parts for aircraft engines for both military and commercial use. The company is also involved in aerospace parts production for propulsion units.

Howmet has traditionally been the largest employer in Whitehall. Since a downsizing in the 1980's, the company has been stable and slowly growing. A MEGA credit was awarded in April 1997 to Sprayform Technologies, a Howmet joint venture, that is also located in Whitehall. This new project will continue to build employment towards the employment peak experienced in the past.

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PROJECT DESCRIPTION:

This project, a competition between existing Howmet facilities in Texas and Whitehall, would invest over \$50 million in buildings, machinery, and equipment. At full employment, this new facility, on the Howmet campus, would create up to 580 net new jobs in addition to the existing 2405 jobs as the base employment. This facility would be built to meet expected demand for commercial and military needs for jet engines. The new jobs at this facility would pay an average wage of \$475/week and have a full benefit package. This is a unionized facility. Without this expansion in Whitehall, the Howmet facilities here would be at a competitive disadvantage for future work because of capacity limitations.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1566 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 \$78,182,000 (1998 dollars) due to the presence of the Howmet 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 Howmet to expand its manufacturing operations in Whitehall, rather than Wichita Falls, is over \$3 million over the term of the incentive. The cost differential is primarily attributable to lower wages, workers' compensation costs, and lower taxes in Texas. Labor related costs for the non-union Texas location are approximately \$3 million lower on an annual basis at full capacity. Tax costs would be lower in Texas by more than \$500,000 annually. In addition, the city of Wichita Falls has offered Howmet a suitable building to house this facility for a token annual lease payment.

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OTHER STATE AND LOCAL ASSISTANCE:

The Michigan Jobs Commission and the local communities will provide Howmet with up to \$3 million in infrastructure development for an improved water system and extensive road improvements. In addition, the Jobs Commission will provide up to \$235,000 for recruitment assistance and up to \$500,000 for training. The State Education Tax will be abated for the same term as the local abatement and could be worth up to \$1,200,000. The city of Whitehall will provide a property tax abatement for up to 12 years.

BUT FOR:

The Whitehall Castings Division is in direct competition with another Howmet facility in Texas. This facility in Texas is underutilized and can be expanded and employ a non-union workforce. To assure this expansion takes place in Michigan, these cost disadvantages must be overcome.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years and a business activity credit of 100 percent for a period of 20 years, for up to 580 net new jobs.