



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
CONTACT CENTER
517 373 9808

WWW.MICHIGAN.ORG

DATE: May 18, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – JATCO USA, Inc.
Standard Credit

EXECUTIVE COMMITTEE

MATTHEW P. CULLEN
Chair
General Motors

PHILIP H. POWER
Vice Chair
HomeTown Communications
Network

DONALD E. JAKEWAY
President & CEO

RICHARD E. BLOUSE JR., CCE
Detroit Regional Chamber

FACUNDO BRAVO
Uni Borling Co., Inc.

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

JOANN CRARY
Saginaw Future Inc.

STEVEN K. HAMP
The Henry Ford

HAYDEN H. HARRIS
EDF Ventures

PAUL HILLEGONDS
Detroit Renaissance

DAVID HOLLISTER
Michigan Department of
Labor & Economic Growth

GEORGE JACKSON JR.
Detroit Economic Growth
Corporation

MICHAEL J. JANDERNOA
Bridge Street Capital
Partners, LLC.

MAYOR ROBERT B. JONES
City of Kalamazoo

BIRGIT M. KLOHS
The Right Place, Inc.

DR. IRVIN D. REID
Wayne State University

S. MARTIN TAYLOR
DTE Energy Company

MARY TORGOW
Sterling Group

PETER S. WALTERS
Guardian Industries Corp.

COMPANY NAME AND ADDRESS:

JATCO USA, Inc.
50660 Century Court
Wixom, Michigan 48393


HISTORY OF COMPANY:

JATCO USA, Inc. was incorporated in 1997 and is a wholly-owned subsidiary of JATCO, Ltd., of Fuji City, Japan. JATCO USA provides engineering, quality, service and remanufacturing of automatic transmission for NAFTA region vehicles and customers. JATCO Ltd.'s current customer base includes Nissan, Mitsubishi, Volkswagen and Ford affiliates Jaguar, Land Rover and Mazda. JATCO USA is headquartered in Wixom, where they currently employ 43 associates.

PROJECT DESCRIPTION:

JATCO USA's primary business has outgrown the current facility in Wixom. The company needs to add more space to accommodate growth in the company. The project would lead to the construction of a new 76,000 square foot building that JATCO USA would lease in Wixom. The company would add 75 new positions in the first year of the project and a total of 106 new positions by the third year of the project. The new positions would pay an average weekly wage of \$679. All 43 existing JATCO USA employees would be transferred to this new facility.

The project would require an investment of \$11.9 million, including \$4.6 million for capitalized lease costs on the new built-to-suit building and \$7.3 million for new machinery and test equipment. Construction on the new facility would begin this summer, with construction completed by November of 2005.



JATCO USA, Inc.
Briefing Memo
May 18, 2004
Page Two

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 212 jobs in the state by the year 2012. We also estimate that the project would create total state government revenues through the year 2012, net of MEGA cost and adjusted for inflation, of \$6.2 million (2004 dollars) due to the location of this facility.

BUT FOR:

JATCO USA performed a comprehensive analysis of potential sites evaluated on price, quality and the ability of the company to deliver their services. The focus on locations was narrowed to Wixom and Bowling Green, Kentucky. The company found that sites in Kentucky provided lower wage and benefit costs as well as lease rates. Wage and benefit costs in Kentucky were estimated to be 10 percent lower, saving the company an estimated \$300,000 per year. Lease rates were found to be about \$200,000 per year lower in Kentucky, where the company found available space for \$4.55 per square foot. In addition, a majority of the customers JATCO USA services are located in the South.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 106 new workers, or up to \$53,000.

The City of Wixom approved 50 percent abatement of the company's new real and personal property taxes for seven years at their May 11, 2004 city council meeting. This tax abatement has an estimated value of \$601,300.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 106 net new employees.