

**The Economic Effects on Michigan of the
LDM Technologies, Inc. Facility Location Decision**

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Abstract

LDM Technologies, Inc. is considering locating a new, state-of-the-art manufacturing center for instrument panels and interior trim components, exterior trim components, under-the-hood components and powertrain/engine components to be supplied to North American automotive OEMs. The new facility would employ an additional 320 people by 2005. We estimate that by 2011, this location will have generated a total of 520 jobs in the state. Total state government revenues through 2011, net of MEGA costs and adjusted for inflation, would increase by \$12,054,000 (2000 dollars) due to the location of LDM Technologies, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of LDM Technologies, Inc. locating a new, state-of-the-art manufacturing center for instrument panels and interior trim components, exterior trim components, under-the-hood components and powertrain/engine components to be supplied to North American automotive OEMs (SIC 3089). Investment activity would take place between 2000 and 2004, with an investment of \$39.47 million. The facility would employ an additional 320 people and be at full production by 2005.

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 2011, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2000 to 2010, and from 50 percent of the single business tax for the year 2011; it also includes a tax credit to the company 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 for the period 2000 to 2010, and equal to 50 percent for the year 2011.

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 145 jobs in 2000 and 162 jobs in 2001; almost all of these jobs are temporary. In 2005, the first year of full operations, an additional 532 jobs are generated in the state. We estimate that by 2011, this location will have generated a total of 520 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 1.6 over the period 2005 to 2011. 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 LDM Technologies, Inc. were to locate in Michigan under the incentive program, state personal income in 2005 would be higher by \$28.2 million (in current dollars) than it would be without the facility, and in 2011 it would be \$36.3 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$20.8 million in 2005 and \$23.3 million in 2011.

The gain in economic activity results in higher state government revenues. We estimate that in 2005, the first year of full operations, the facility would generate \$2,256,000 in additional gross state government revenue, and that the MEGA package would provide a \$712,000 incentive to LDM Technologies, Inc. Thus, the LDM Technologies, Inc. facility location would increase state government revenues in 2005 by \$1,544,000, net of MEGA incentive costs.

Over the period 2000 to 2011, gross state government revenue is projected to increase by \$24,176,000 (in current dollars) due to the location of LDM Technologies, Inc. The MEGA incentive package for LDM Technologies, Inc. is forecast to cost \$7,211,000 over the period, resulting in a net increase in state government revenue of \$16,965,000. Adjusted for inflation, the total net increase in state government revenue from 2000 to 2011 would be \$12,054,000 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 LDM Technologies, Inc. Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2000	2001	2002	2003	2004	2005	2010	2011	Total 2000-2011
Total Employment	156	329	335	353	462	532	512	520	—
Manufacturing	37	112	207	219	285	327	320	320	—
Nonmanufacturing	119	217	128	134	177	205	192	200	—
Retail Trade	20	40	35	35	46	51	43	43	—
Services	37	48	47	48	64	72	63	66	—
Other	62	129	46	51	67	82	86	91	—
In current dollars (thousands):									
Personal income	6,900	14,000	15,700	17,500	23,400	28,200	34,500	36,300	302,200
Gross state revenue	552	1,120	1,256	1,400	1,872	2,256	2,760	2,904	24,176
MEGA cost	248	452	510	635	706	712	726	365	7,211
State revenue net of MEGA cost*	304	668	746	765	1,166	1,544	2,034	2,539	16,965
Adjusted for inflation (thousands of 2000 dollars):									
Personal income	6,900	12,061	13,114	13,969	17,767	20,775	22,462	23,311	217,050
Gross state revenue	552	965	1,049	1,118	1,422	1,662	1,797	1,865	17,364
MEGA cost	248	390	426	507	536	525	473	235	5,310
State revenue net of MEGA cost*	304	575	623	611	886	1,137	1,324	1,630	12,054

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