

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: October 19, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Musashi Auto Parts- Michigan, Inc.
Standard MEGA Credit

COMPANY NAME AND ADDRESS:

Musashi Auto Parts- Michigan, Inc.
195 Brydges Drive
Battle Creek, Michigan 49015

HISTORY OF COMPANY:

Musashi Auto Parts- Michigan manufactures automotive transmission gears, cam shafts 4 pinion differential assemblies as well as other automotive parts. The company was founded in 1980 and has operated a manufacturing facility in Battle Creek since 1984. Musashi Auto Parts- Michigan is directly owned by Musashi Seimitsu Industries of Japan (65 percent) and American Honda of the U.S. (35 percent). Musashi Auto Parts- Michigan is headquartered in Battle Creek and currently has 361 employees in Michigan.

PROJECT DESCRIPTION:

Musashi Auto Parts- Michigan is expanding due to growth in the demand for their products. The expansion project is primarily related to two areas, machining and assembly lines for 4 pinion differentials and machining lines for rear differentials. Demand for this product is being driven by Honda, who is a primary customer of Musashi. This project would lead to the addition of 30,000 square feet in the first year of the project and another 60,000 square feet in the third year at the existing site in Battle Creek. Job creation would total 178 new positions, including 138 in the first year of the project. The new positions would pay a starting average weekly wage of \$440.

The project would require a capital investment of \$26.4 million, including \$6 million for the building additions and \$20.4 million for new machinery and equipment.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate that this facility will create a total of 346 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$10.5 million (2004 dollars) due to the location of this facility.

BUT FOR:

Musashi Auto Parts is considering three locations for this expansion, Battle Creek, Bennettsville, South Carolina and Arthur, Ontario, Canada. Musashi has existing facilities at each of these locations and this business could be placed at either of the three. When comparing the three locations, the company estimates that wage rates in South Carolina and Ontario are significantly lower than Battle Creek. When this project is fully staffed, that wage differential would save the company between \$500,000 and \$1 million per year in wage costs.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Battle Creek has proposed 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of the local property tax abatement is \$2,592,800. The abatement is expected to be finalized on December 7, 2004.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 178 net new employees.