

**The Economic Effects on Michigan  
of the Neway Anchorlok International, Inc., Facility Expansion Decision**

**George A. Fulton  
Peter Nicolas  
Donald R. Grimes**

**University of Michigan  
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### Abstract

*Neway Anchorlok International, Inc. is considering expanding its production capacity for air suspension systems for heavy trucks. By 1999, the facility would employ 163 people. We estimate that by 2017, this expansion will have generated a total of 547 jobs in the state. Total state government revenues through 2017, net of MEGA costs and adjusted for inflation, would be increased by \$27,172,000 (1997 dollars) due to the expansion of Neway Anchorlok International, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Neway Anchorlok International, Inc. expanding its production capacity for air suspension systems for heavy trucks (SIC 3714). Investment activity would take place in 1998, with an investment of \$5.75 million, and operations would begin in March 1998. The facility would employ 163 workers by 1999.

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 1998 to 2017, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 1998-2017 equal to 3.96 percent of the payroll (gross wages) of employees hired at the facility as a result of the project. The payroll tax credit represents 90 percent of the maximum employment credit available to a company.

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 expansion of the facility is expected to generate 36 construction-related jobs in 1998; almost all of these jobs are temporary. In 1999, the first year of full operations, an additional 428 jobs are generated in the state. We estimate that by 2017 this facility will have generated a total of 547 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 2.8 over the period 1999-2017. 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 Neway Anchorlok International, Inc. were to expand in Michigan under the incentive program, state personal income in 1999 would be higher by \$18.9 million (in current dollars) than it would be without the facility, and in 2017 it would be \$49.9 million higher. Adjusted for inflation, these numbers in 1997 dollars would be \$15.1 million in 1999 and \$26.1 million in 2017.

The gain in economic activity results in higher state government revenues. We estimate that in 1999, the first year of full operations, the facility would generate \$1,512,000 in additional gross state government revenue, and that the MEGA package would provide a \$221,000 incentive to Neway Anchorlok International, Inc.. Thus, the Neway Anchorlok International, Inc. facility expansion would generate an additional \$1,291,000 in revenue to state government in 1999, net of MEGA incentive costs.

Over the period 1998-2017, gross state government revenue is projected to increase by \$49,984,000 (in current dollars) due to the expansion of Neway Anchorlok International, Inc. The MEGA incentive package for Neway Anchorlok International, Inc. is forecast to cost \$6,067,000 over the period, resulting in a net increase in state government revenue of \$43,917,000. Adjusted for inflation, the total net increase in state government revenue from 1998 to 2017 would be \$27,172,000 in 1997 dollars. These calculations do not include any revenue losses due to the property tax abatement. If the cost of the abatement 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 Neway Anchorlok International, Inc. Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1998	1999	2000	2005	2010	2015	2017	Total 1998-2017
Total Employment	361	428	421	420	465	523	547	—
Manufacturing	162	199	195	185	187	191	193	—
Nonmanufacturing	199	229	226	235	278	332	354	—
Retail Trade	49	57	54	49	54	62	65	—
Services	73	82	78	79	100	131	145	—
Other	77	90	94	107	124	139	144	—
In current dollars (thousands):								
Personal income	14,300	18,900	20,400	26,200	34,200	44,700	49,900	624,800
Gross state revenue	1,144	1,512	1,632	2,096	2,736	3,576	3,992	49,984
MEGA cost	163	221	229	274	326	393	425	6,067
State revenue net of MEGA cost*	981	1,291	1,403	1,822	2,410	3,183	3,567	43,917
Adjusted for inflation (thousands of 1997 dollars):								
Personal income	12,042	15,055	15,562	18,138	21,256	24,660	26,128	394,899
Gross state revenue	963	1,204	1,245	1,451	1,700	1,973	2,090	31,592
MEGA cost	160	212	213	220	226	235	239	4,420
State revenue net of MEGA cost*	803	992	1,032	1,231	1,474	1,738	1,851	27,172

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