



## MEMORANDUM

**DATE:** August 20, 1999

**TO:** Michigan Economic Growth Authority

**FROM:** James Donaldson, Vice President  
Michigan Business Development *[Signature]*

**SUBJECT:** Briefing Memo - Parker Hannifin Corporation

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### COMPANY NAME AND ADDRESS:

Parker Hannifin Corporation  
6035 Parkland Boulevard  
Cleveland, Ohio 44124-4141

### HISTORY OF COMPANY:

Parker Hannifin is a publicly traded company started in 1924 which makes a variety of products ranging from industrial instruments to O rings. It has expanded steadily through sales growth and acquisitions over the years. In 1997 and 1998, the company acquired 13 additional companies and now employs approximately 40,000 people. Company sales exceed \$4.6 billion. Michigan employment is 2,156. Parker Hannifin owns several operations in Michigan, including 3 facilities in Otsego in Allegan County that employ nearly 1,000 people. The proposed project is at the Brass Products Division and Pump & Motor Division facilities, which produce fittings and valves for a wide range of uses.

### PROJECT DESCRIPTION:

The company is considering expanding either its Otsego or Albion, Indiana operations. The Otsego facilities currently employ about 860. The company would add 87 new employees within five years. Capital investment is approximately \$21 million with about \$16 million for machinery and equipment and \$5 million for new building construction. The company estimates that it will take until 2003 to have all equipment installed and the facility ready to operate at full capacity. The company will pay an average weekly wage of nearly \$17.50/hour or \$698/week with a full benefit package. The Otsego operations are competing with a "sister" facility in Albion, Indiana which was established in 1983 as a branch of the Otsego plant.

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**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 142 jobs in the state by the year 2011. Total state revenues through the year 2011, net of MEGA costs, and adjusted for inflation, would be increased by \$5,166,000 (1999 dollars) due to the presence of the Parker Hannifin facility.

**COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Indiana and Michigan. Based on the figures obtained from the company, the annual cost differential ranges from over \$1 million during the first year to zero by year 11. The major cost differential in early years is the Single Business Tax. As this tax decreases, wages become the largest factor. All factors in the cross state comparison are based on actual operating costs for the Otsego and Indiana facilities. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Indiana.

**OTHER STATE AND LOCAL ASSISTANCE:**

Parker Hannifin expects a 12 year property tax abatement from the Village of Otsego. The value of the local abatement could be up to \$1,742,000. In addition, the full 6-mill abatement of the State Education Tax, worth up to \$493,000, has been offered.

Other assistance would include Economic Development Job Training of up to \$43,500 or \$500 per new employee for up to 87 net new employees.

**BUT FOR:**

The company has the capacity at the Indiana facility to take on this project with lower capital expenditures due to underutilization of the site. In addition, the wage rates are lower for the Indiana site.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent employment credit for 10 years for up to 87 net new employees.