



John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: June 11, 1996

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell *D. Rothwell*
Chief Executive Officer
and Department Director

SUBJECT: Briefing Memo - Petri Inc.

COMPANY NAME:

Petri Inc.
2223 Dove Street
Port Huron, Michigan 48060

HISTORY OF COMPANY:

Petri Inc. is a wholly owned subsidiary of Petri A. G., a worldwide supplier of automotive safety restraint systems based in Germany. The company was established in 1899 by the Petri family. The day-to-day operations of Petri A. G. are still managed by the Petri family. Historically, the company's main product line has been steering wheels for the automotive market. Petri Inc. is 100 percent owned by Petri A. G. which has manufacturing operations in Germany, Spain, the Czech Republic, Argentina, and Port Huron, Michigan. The Port Huron facility is the only Petri plant in North America.

Because two major customers of Petri, Mercedes Benz and BMW, are locating new assembly facilities in North America, the company needs to build a new facility or expand its current operations in Port Huron, Michigan.

PROJECT DESCRIPTION:

This project will be located in either Sumpter County, Alabama, or Port Huron, Michigan. The plant will produce steering wheel assemblies, including air bag units, for North American auto and heavy truck assembly plants. At the current facility in Port Huron, there is space for limited growth, however, a new building and additional equipment will be required. Total investment for this project, in either location, will be approximately \$10.7 million with \$1.6 million for a new building and the remaining \$9.1 million for new production equipment. This project will create up to 396 jobs at full production with an average weekly wage of \$520 with an excellent benefit package. Anticipated annual payroll is expected to be in excess of \$11 million.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1252 new jobs in the state by the year 2006. Total state government revenues through the year 2006, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$25,439,000 (1996 dollars) due to the presence of the Petri Inc. facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Sumpter County, Alabama and Port Huron, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Petri Inc. to establish their manufacturing facility in Port Huron rather than Sumpter County, Alabama ranges from approximately \$1.3 million to \$3.4 million over the term of the incentive. The cost differential is primarily attributable to payroll and benefit package differentials and state imposed business costs, including corporate taxes, property taxes and local income taxes. Michigan Jobs Commission staff have examined these numbers and believe they are a fair representation of the cost differential between Michigan and Alabama.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will be providing a 100 percent abatement of the 6 mill school property tax for a period of 12 years worth up to \$229,224. Workforce development assistance at \$2,000 per new employee for up to 396 employees with a total value of \$792,000 will also be provided.

Local tax abatements for a period of 12 years, estimated to be worth approximately \$955,100 will be offered to the company.

BUT FOR:

Without the MEGA tax credit, Michigan would not be able to compete with the tax credit programs and lower wages offered by the state of Alabama. Wages in the automotive sector in Alabama are 20 to 30 percent lower. Also, Alabama is offering up to a 100 percent credit of their corporate taxes for 20 years and a 90 percent abatement of property taxes for 10 years. These cost differences would require that the company locate in Alabama to maximize its profitability if the MEGA credits were not available.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 10 years for up to 396 net new employees and a business activity credit of 50 percent for a period of 10 years.