

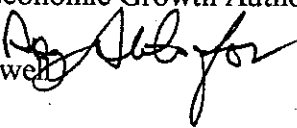
John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: December 12, 1995

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell 

SUBJECT: MEGA Briefing Memo for Pilot Industries, Incorporated

COMPANY NAME:

Pilot Industries, Incorporated
2319 Bishop Circle East
Dexter, Michigan 48130

HISTORY OF COMPANY:

Pilot Industries was started in 1967. In 1977, it was purchased by Bob Davis, the current president. The company has grown steadily through expansion and acquisition. Pilot produces welded steel tubing, extrusion molded and injection molded plastic products, dies and special tools and electronic test equipment. Pilot Industries has four plants in Michigan, one in Indiana. Pilot Tool and Die, Incorporated in Reed City, Michigan was purchased in July 1993, and manufactures special dies and tools. Pilot Tool and Die management will oversee operations of the new facility described below.

PROJECT DESCRIPTION:

Pilot expects to build a new sheet molding compound (SMC) plant in either Clare, Michigan or Lebanon, Kentucky. This expansion will require an investment of approximately \$3.5 million in a new building and more than \$8 million in machinery, equipment and special tooling. This project will create 418 new jobs with an average weekly wage of \$320 for an annual payroll of more than \$6.5 million at full production.

COST ANALYSIS:

As part of the company's site decision process, it has undertaken a comprehensive cost analysis between Lebanon, Kentucky and Clare, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Pilot Industries to establish their manufacturing facility in Clare rather than Lebanon ranges from approximately \$229,000 to more than \$604,000 over the term of the incentive. The cost differential is primarily attributable to lower utility costs and corporate tax credits in Kentucky.

OTHER STATE AND LOCAL ASSISTANCE:

Other state assistance includes a 100 percent abatement of the 6 mill state education tax, Community Development Block Grant funding for public infrastructure, and workforce recruitment, screening and training assistance. Local assistance, in the form of a property tax abatement, that totals nearly \$662,000 over twelve years will be offered to the company.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 418 new jobs in the state by the year 1998. Total state government revenues through the year 2016, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$33,797,000 (1995 dollars) due to the presence of the Pilot facility.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years, for up to 418 new employees, and business activity credit of 100 percent for a period of 12 years.