



John Engler, Governor

Doug Rothwell, Chief Executive Officer  
and Department Director

**DATE:** November 14, 1996

**TO:** Michigan Economic Growth Authority

**FROM:** Douglas E. Stites, Chief Operating Officer

**SUBJECT:** Briefing Memo-Plannja HardTech AB

**COMPANY NAME:**

Plannja HardTech AB  
S-971 88  
Lulea, Sweden

**HISTORY OF COMPANY:**

Plannja HardTech AB, part of the Swedish Steel AB (SSAB) Group, is Scandinavia's leading producer of processed steel and aluminum building sheet. The company has facilities in Sweden, Norway, Denmark, England, and Germany. Plannja HardTech AB manufactures and markets safety components for the automotive industry. Major customers include Ford, Jaguar, and others. Total employment for Plannja HardTech AB is approximately 546.

SSAB is Scandinavia's leading manufacturer of sheet and plate steel. Products within the steel operation are concentrated on sheet and plate. Worldwide, SSAB employs approximately 9,857.

**PROJECT DESCRIPTION:**

The company is considering Mason, Michigan, or Aiken, South Carolina, for their first manufacturing facility in the United States. This plant will provide steel parts for the auto industry. Specifically, their products include lateral crash guards, bumper rails, reinforcements in roof structures, door posts, protective plates, and seat frames. This plant will supply both the Big Three and several foreign-domestic auto companies. Customers are located in the Midwest and southern states. This project will require the company to invest approximately \$54 million, in addition to creating 225 new jobs. The

average weekly wage is approximately \$540. Annual payroll will be approximately \$6.3 million at full production. The company has an employee benefit package that averages approximately 30 percent of payroll.

#### **BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 814 new jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$40,371,000 (1996 dollars) due to the presence of the Plannja HardTech AB facility.

#### **COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Aiken, South Carolina, and Mason, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Plannja HardTech AB to establish their manufacturing facility in Mason, Michigan, rather than Aiken, South Carolina, ranges from approximately \$616,000 to \$828,000 annually over the term of the incentive. The cost differential is primarily attributable to wages and tax costs. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and South Carolina.

#### **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 \$1,346,741. Workforce development assistance at \$2,500, for up to 225 employees with a total value of \$562,500, will also be provided. Additionally, the Michigan Jobs Commission will lend to the City of Mason Local Development Finance Authority (LDFA), approximately \$1,386,000 to acquire 63 acres of property. The LDFA will repay the Michigan Jobs Commission over a 15-year period. Furthermore, the Michigan Jobs Commission will provide a Community Development Block Grant, in the amount of approximately \$1 million, to the city of Mason for off-site public infrastructure improvements.

Local assistance will be in the form of a 12-year, 50 percent tax abatement valued at \$6,334,173. Additionally, the Mason Local Development Finance Authority will contribute approximately \$1,822,000 toward site preparation work.

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**BUT FOR:**

The company has examined the cost differential between locating in South Carolina and Michigan, and also the factors that could influence it to locate in Michigan despite a cost disadvantage. The company would not consider locating in Michigan without the MEGA tax credit to offset tax and wage differentials. The ability to offer MEGA to the company will allow it to locate in Michigan and help offset the inherent advantages of proximity to BMW and Mercedes in South Carolina.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 225 net new employees and a business activity credit of 50 percent for a period of 15 years.