



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: June 13, 2006
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development

SUBJECT: Briefing Memo - Smurfit-Stone Container Enterprises, Inc.
Retention MEGA Credit

COMPANY NAME AND ADDRESS:

Smurfit-Stone Container Enterprises, Inc.
8182 Maryland Avenue
St. Louis, Missouri 63105

HISTORY OF COMPANY:

Smurfit-Stone Container Enterprises, Inc. (SSCE) is a vertically integrated manufacturer in the paper packaging industry with over 200 manufacturing locations in over 30 states. SSCE was previously named Stone Container Corporation prior to November 1, 2004 at which time it was the survivor of a merger with its sister corporation, Jefferson Smurfit Corporation (U.S.). SSCE is owned 100% by Smurfit-Stone Container Corporation, a publicly owned company.

In Michigan, the company operates a paper mill located in Ontonagon which manufactures containerboard roll stock that is used by other companies to manufacture corrugated containers and other paper packaging products. This mill is one of the largest employers in the western end of the Upper Peninsula.

PROJECT DESCRIPTION:

This retention project would have over \$5 million investment in pollution control technology that will allow the company to continue to use coal in its processes and reduce the cost per ton of containerboard roll stock. Additional investment will include over \$700,000 in other upgrades to the facility. In addition to the investment, this project would retain up to 235 jobs at the Ontonagon facility. Retained jobs at the facility will have an average weekly wage of \$1057.

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BENEFIT TO STATE:

Based on the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will retain or generate a total of 411 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs and adjusted for inflation, would be increased by \$13.9 million (2006 dollars) due to the presence of this facility.

BUSINESS CASE:

Smurfit-Stone has a facility in Florida that has excess capacity to produce containerboard. The cost per ton to produce this product at the Florida facility is considerably less due to reduced payroll costs because of the higher efficiency of the Florida operation. In addition, tax costs are lower in Florida.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Ontonagon has proposed a 12 year, 50 percent PA 198 tax abatement for any personal property tax related to this project. The majority of equipment being installed is for pollution control and is eligible for a 100 percent abatement of property taxes.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 235 retained employees. Because this credit is for retention of jobs, it will be subject to a repayment penalty as required by Public Act 24 of 1995 as amended if the company does not meet the requirements outlined in the MEGA Credit Agreement.