



John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: April 19, 1995
TO: Michigan Economic Growth Authority
FROM: Doug Rothwell
SUBJECT: Briefing Memo - Solvay Automotive

COMPANY NAME:

Solvay Automotive, Incorporated
2585 West Maple Drive
Troy, Michigan 48084

HISTORY OF COMPANY:

Solvay America, Incorporated formed in 1984 and is the parent company of several operating subsidiaries, including Solvay Automotive, Incorporated. Solvay Automotive was created in 1990 when the automotive plastic operations of the Hedwin Corporation and the Kuhlman Plastics Group were combined. Solvay Automotive presently operates two manufacturing plants, one in South Bend, Indiana and another in Blenheim, Ontario, which produce plastic fuel tanks for the automotive and truck industries. The corporate offices and technical development center for Solvay Automotive is located in Troy, Michigan. The parent company of Solvay Automotive (Solvay America, Inc.) is located in Houston, Texas. Solvay Automotive has experienced rapid growth and expects to continue this trend into the next decade. Current annual sales are in the \$130 million range and the company expects this number to double in the next three to five years based on signed contracts with the Big Three.

PROJECT DESCRIPTION:

This project will involve building a new 300,000 square foot facility with a capital investment of \$66 million for building, machinery, and equipment in Adrian or Monroe, Michigan, or in Toledo or Walbridge, Ohio. This plant will produce fuel tanks for automobiles and trucks assembled at several Michigan based plants. This new facility will employ 75 people in its first year of operation and 250 at full production in 1998. Average weekly wage in this new facility will be approximately \$460. Total annual payroll at full employment (250) will be approximately \$6 million.

BENEFIT TO STATE:

According to the economic analysis done at the University of Michigan, "By 2008, we estimate that this facility will generate a total of 504 jobs in the state. Total state government revenues through 2008, net of MEGA costs and adjusted for inflation, would be increased by \$14,415,000 (1995 dollars) due to the presence of the Solvay facility."

This project would create \$22 million in personal income by 1998 for Michigan residents. It would also contribute more than \$6 million to local governments and schools through property tax payments over 12 years.

COST ANALYSIS:

Solvay has conducted extensive research into the business cost differential between a Michigan and Ohio plant location. Based on the figures provided by the company, the annual difference for establishing a plant in Michigan ranged up to nearly \$700,000 per year. Cost differences are due to unemployment insurance, corporate taxes, and utility costs. This cost differential was exacerbated by a competitive offer from the State of Ohio. The Michigan Jobs Commission has examined these costs and feels that they are a reasonable approximation. Based on these numbers, a MEGA inducement was offered to the company.

LOCAL ASSISTANCE:

Local assistance includes free land valued at approximately \$175,000 and tax abatement in excess of \$6.3 million over 12 years.

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RECOMMENDATION:

The Michigan Jobs Commission proposes a 100% rebate of both personal income tax and single business tax for a period of 12 years. The employment tax credit is for a maximum of 250 jobs.