



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.THEMEDC.ORG

DATE: August 19, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging

Greg West, Project Specialist
Business Development and Attraction

SUBJECT: Briefing Memo – Testek, Inc.
High-Technology MEGA Credit

COMPANY NAME:

Testek, Inc.
12271 Globe Road
Livonia, Michigan 48150

HISTORY OF COMPANY:

Testek, Inc. designs and builds custom and production test equipment for the Aerospace, Automotive, and Industrial markets. Testek's main business focus and strength is in the Aerospace market, where Testek is the leader in Aircraft Accessory Test Systems. Testek's aircraft accessory test equipment tests aircraft components such as landing gear, black boxes, flight controls, engines, power distribution, rotary propeller, and much more. Since its creation in 1969, Testek has grown its customer base both domestically and internationally.

In 1976, Testek acquired the manufacturing rights and the name of American Avitron, a major Test Stand supplier for the commercial airlines markets worldwide. In 1980 Cox Instruments Test Stand Group merged with Testek. Because of these strategic moves, Testek has had the capability to design, manufacture, support and service Test Stands since 1940, under George L. Nankervis, Cox Instruments, American Avitron and finally Testek.

Testek currently has 69 employees in Michigan.

PROJECT DESCRIPTION:

The proposed project includes a move of Testek's entire operations to an existing facility in Wixom, Oakland County, in order to accommodate growth and future new projects. Testek will need to make several facility improvements including the addition of several test cells, electrical upgrades, improvements to power distribution, shop floor sealant and investment in a water cooling unit, as well machinery upgrades. Total investment over five years will be approximately \$5.27 million. This project will create 27 new jobs with an average weekly wage of \$856. The company will also offer health care benefits and pay a portion of the benefit costs.

EXECUTIVE COMMITTEE

MATTHEW P. CULLEN
Chair
Rock Enterprises

PHILIP H. POWER
Vice-Chair
The Center for Michigan

JAMES C. EPOLITO
President and CEO

RICHARD E. BLOUSE JR., CCE
Detroit Regional Chamber

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

KEITH W. COOLEY
Michigan Department of
Labor & Economic Growth

JOANN CRARY
Saginaw Future Inc.

DR. HAIFA FAKHOURI
Arab American and
Chaldean Council

STEVEN K. HAMP
Hamp Advisors, LLC

PAUL HILLEGONDS
DTE Energy Company

FREDERICK W. HOFFMAN
Chrysler, LLC

GEORGE W. JACKSON JR.
Detroit Economic
Growth Corporation

MICHAEL J. JANDERNOA
Bridge Street Capital
Partners, LLC

BIRGIT M. KLOHS
The Right Place, Inc.

F. THOMAS LEWAND
Bedman LLP

DR. IRVIN D. REID
Wayne State University

MICHAEL B. STAEBLER
Pepper Hamilton LLP

DENNIS R. TOFFOLO
Oakland County

PETER S. WALTERS
Guardian Industries Corp.

TODD A. WYETT
Versa Development, LLC

BENEFITS TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 160 jobs in the state by the year 2018. We also estimate that the project would create total state government revenues through the year 2018, net of MEGA cost and adjusted for inflation, of \$4.2 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company has considered various locations including Virginia, North Carolina and Texas. One of the most significant disadvantages is the higher cost of labor in Michigan. Through open tender proposals, which are standard for its customers like Air India, Turkish Airlines, all bidders proposals are made public. By reviewing its competition's business proposals Testek is able to establish that its labor rate is typically 25% higher than its competition.

Another critical competitive disadvantage faced by Testek is the cost of shipping. Most of its competitors are located near the coastline, which reduces the transit cost for ocean cargo. Approximately 60% of Testek's sales are from international customers, making a nearby deep ocean port advantageous to reduce transportation costs to overseas customers.

OTHER STATE AND LOCAL ASSISTANCE:

Lyon Township is supporting this project for Testek, Inc. and anticipates approval of a six to eight year personal property tax abatement under PA 198 at its September 2, 2008, Board meeting.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is Electronic Device Technology, as defined in the Act.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 27 net new employees.