

**The Economic Effects on Michigan of the  
Textron Automotive Interiors, Inc. Facility Expansion Decision**

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### Abstract

*Textron Automotive Interiors, Inc. is considering leasing a newly constructed 30,600 square foot building in Port Huron, Michigan to manufacture door panels for General Motors and DaimlerChrysler. The facility would employ an additional 187 people by 2004. We estimate that by 2015, this expansion will have generated a total of 417 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would increase by \$19,756,000 (2002 dollars) due to the expansion of Textron Automotive Interiors, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Textron Automotive Interiors, Inc. leasing a newly constructed 30,600 square foot building in Port Huron, Michigan to manufacture door panels for General Motors and DaimlerChrysler (SIC 3465). Investment activity would take place in 2004, with an investment of \$24.5 million. The facility would employ an additional 187 people by 2004.

The estimates of the benefits include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2004 to 2015, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2004 to 2015 equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The construction activity is expected to generate a total of 186 jobs in 2004; almost all of these jobs are temporary. In 2005, the first year of full operations without investment activity, an additional 479 jobs are generated in the state. We estimate that by 2015, this expansion will have generated a total of 417 additional jobs in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 2.3 over the period 2005 to 2015. Sectoral detail on the employment gains is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Textron Automotive Interiors, Inc. were to expand in Michigan under the incentive

program, state personal income in 2005 would be higher by \$29.1 million (in current dollars) than it would be without the facility, and in 2015 it would be \$38.1 million higher. Adjusted for inflation, these numbers in 2002 dollars would be \$21.7 million in 2005 and \$24.2 million in 2015.

The gain in economic activity results in higher state government revenues. We estimate that in 2005, the first year of full operations without investment activity, the facility would generate \$2,328,000 in additional gross state government revenue, and that the MEGA package would provide a \$229,000 incentive to Textron Automotive Interiors, Inc. Thus, the Textron Automotive Interiors, Inc. facility expansion would increase state government revenues in 2015 by \$2,099,000, net of MEGA incentive costs.

Over the period 2004 to 2015, gross state government revenue is projected to increase by \$31,624,000 (in current dollars) due to the expansion of Textron Automotive Interiors, Inc. The MEGA incentive package for Textron Automotive Interiors, Inc. is forecast to cost \$3,228,000 over the period, resulting in a net increase in state government revenue of \$28,396,000. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2015 would be \$19,756,000 in 2002 dollars. These calculations do not include any revenue losses due to the Investment Tax Credit or the property tax abatement. If the costs of the tax credit or the tax abatement were included, the net revenue gain to state government would be slightly less.

None of these estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Economic and Fiscal Effects on Michigan of the Textron Automotive Interiors, Inc. Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2004	2005	2010	2015	Total 2004-2015
Total Employment	686	479	405	417	—
Manufacturing	236	213	195	197	—
Nonmanufacturing	450	266	210	220	—
Retail Trade	85	59	43	43	—
Services	146	93	66	73	—
Other	219	114	101	104	—
In current dollars (thousands):					
Personal income	34,700	29,100	32,100	38,100	395,300
Gross state revenue	2,776	2,328	2,568	3,048	31,624
MEGA cost	221	229	271	325	3,228
State revenue net of MEGA cost*	2,555	2,099	2,297	2,723	28,396
Adjusted for inflation (thousands of 2002 dollars):					
Personal income	27,708	21,740	22,122	24,206	274,886
Gross state revenue	2,217	1,739	1,770	1,936	21,991
MEGA cost	176	171	187	206	2,235
State revenue net of MEGA cost*	2,041	1,568	1,583	1,730	19,756

16,140

\*These estimates do not include any state government revenue losses due to the Investment Tax Credit or the property tax abatement.