



John Engler, Governor

Doug Rothwell, Chief Executive Officer
and Department Director

MEMORANDUM

DATE: September 24, 1996

TO: Michigan Economic Growth Authority (MEGA)

FROM: Douglas E. Stites, Chief Operating Officer

SUBJECT: Briefing Memo - Walbro Automotive Corporation

COMPANY NAME:

Walbro Automotive Corporation proposed Minority-Owned Joint Venture
1227 Centre Road
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

Walbro Automotive is a wholly-owned subsidiary of Walbro Corporation. Walbro Corporation organized in 1950 and is headquartered in Caro, Michigan. The parent owns 13 wholly-owned direct and one majority-owned direct subsidiary in the United States and seven other countries. Consolidated sales from its subsidiaries are nearly \$1 billion. Walbro Corporation and its subsidiaries employ over 4,400.

Walbro Automotive, headquartered in Auburn Hills, Michigan, supplies fuel system components to the global automotive market and is a Tier I supplier to GM, Ford, and Chrysler. The company continues to experience significant growth in its volume of shipments of multilayered fuel tanks currently manufactured in Ossian, Indiana and needs to expand.

Walbro Automotive Corporation proposes forming a Minority-Owned Joint Venture to manufacture and assemble fuel storage and delivery systems. Walbro Automotive seeks an affiliation with an expert minority firm that manufactures products which are similar in nature to Walbro's core business. Walbro will provide multilayer blow molding expertise while the minority-owned firm will provide injection molding and assembly expertise for maximum minority content.

PROJECT DESCRIPTION:

The Walbro Automotive Corporation proposed Minority-Owned Joint Venture can locate in Ossian, Indiana or in Detroit. If the joint venture decides to locate in Michigan, the project will locate in the Detroit Empowerment Zone at the GM Clark Street site. The joint venture will manufacture and assemble blow molded fuel tanks, fuel delivery systems and small part blow molded products for the big three and other OEMs.

The project requires building, new equipment and machinery purchases. Total investment for the Detroit site requires a \$50 million investment for a new building and machinery and equipment.

The project is expected to be in full production by mid-1998. Estimated job creation is 353 over a three-year period. The average weekly wage would be \$635. The anticipated annual payroll at full employment is \$11,650,000.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 742 new jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$32,163,000 (1996 dollars) due to the presence of the Walbro Minority-Owned Joint Venture facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Indiana, and Detroit, Michigan. Based on figures obtained from the company, the annual cost disadvantage for the Walbro Automotive Corporation proposed Minority-Owned Joint Venture, to establish their manufacturing facility in Detroit rather than Ossian, Indiana, ranges from

approximately \$8,245,000 to \$9,975,000 over the term of the incentive. The cost differential is in building investments, wages, utilities, workers compensation, and city and state taxes. Michigan Jobs Commission staff examined these numbers and believe they are a fair representation of the cost differential between Michigan and Indiana.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will be providing 100 percent abatement of the 6-mill school property tax for a period of 12 years worth up to \$1,285,140 pending local tax abatement approval. Workforce development assistance at \$1,000 per new employee for up to 353 employees with a total value of \$353,000 will also be provided. Recruitment and screening assistance for up to 242 new employees, worth up to \$121,000, will be provided to the Walbro Minority-Owned Joint Venture.

Local tax abatement for a period of 12 years, estimated to be worth approximately \$7,228,913, is pending.

Other local assistance includes empowerment zone federal tax credits for ten years of 20 percent of wages over \$15,000 with a maximum of \$3,000 per new employee if living within the empowerment zone. The credit narrows to five percent after six years. The estimated benefit is \$318,000 in the first year of full employment.

BUT FOR:

Without a MEGA credit, the proposed Minority-Owned Joint Venture will locate in Ossian, Indiana at an existing Walbro Automotive plant at lower wage, building, workers compensation insurance, and tax costs.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 353 net new employees and a business activity credit of 100 percent for a period of 10 years to the Walbro Automotive Corporation proposed Minority-Owned Joint Venture. The credit will be granted to Walbro Automotive Corporation pending completion of the Minority-Owned Joint Venture.