MICHIGAN JOBS TEAM

John Engler, Governor

Doug Rothwell, Chief Executive Officer
and Department Director

MICHIGAN JOBS COMMISSION

MEMORANDUM

DATE: February 14, 1997

TO: Michigan Economic Growth Authority

FROM: Douglas E. Stites, Chief Operating Officer

SUBJECT: Briefing Memo - Weyburn Acquisition Corporation

COMPANY NAME:

Weyburn Acquisition Corporation
U. S. 31 and M 45
Grand Haven, Michigan 49417

HISTORY OF COMPANY:

Weyburn Acquisition Corporation, the parent company of Weyburn Assembled Cams, Incorporated, is part of the T & N Group, a large British company with 200 plants in 23 countries world-wide. Sales were in excess of $4.5 billion in 1995. It has more than 40,000 employees throughout the world.

Weyburn-Bartel, a wholly owned subsidiary of Weyburn Acquisition Corporation, was established in 1968 and manufactures camshafts and timing chains. The company employs more than 300 people in Michigan. Recently, the company built facilities in Mexico and Georgia. Weyburn-Bartel exports to Brazil, Germany, the United Kingdom, Canada, and Russia.

PROJECT DESCRIPTION:

Weyburn-Bartel has formed a joint venture with Nippon Piston Ring to make assembled camshafts in North America using a powder metal technology not presently used in this country. The new company will be called Weyburn Assembled Cams, Incorporated (WACI). The joint venture agreement is complete and Weyburn-Bartel will be 80 percent owner of the venture. The company expects to invest $17 million in new equipment and $3.5 million in a new building to house this operation. They are considering sites in either Grand Haven, Michigan, or Lebanon, Kentucky.

The new joint venture expects to employ up to 163 new employees when it reaches full production in 2002. Because of the complexity of the assembly process, and the necessary time to build the facility and install the equipment, full production is not expected to begin until January 1999. Pilot production and ramp-up will begin in 1998. Average weekly wages will be approximately $485 with a benefit package estimated at 41 percent of wages.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 382 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by $15,153,000 (1997 dollars) due to the presence of the Weyburn facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Lebanon, Kentucky, and Grand Haven, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Weyburn Assembled Cams, Incorporated, to establish its manufacturing facility in Grand Haven, Michigan, rather than Lebanon, Kentucky, ranges from approximately $800,000 to $1,100,000 over the term of the incentive. The cost differential is primarily attributable to labor costs, taxes and utility costs. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Kentucky.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will be providing a 100 percent abatement of the 6-mill school property tax for a period of 12 years, worth up to $427,000. In addition, a Community Development Block Grant for up to $810,000 will be available to the local community to provide infrastructure to the site the Weyburn facility will occupy. Training funds of up to $125,000 will be available to the company for up to 163 new employees hired as a result of this expansion.

Local assistance will be in the form of a 12-year, 50 percent tax abatement valued at approximately $1.2 million. Additionally, the community will provide up to $90,000 in matching funds for infrastructure improvements funded by the Community Development Block Grant program.

BUT FOR:

The company has examined the cost differential between locating in Kentucky, or Michigan, and the factors that could influence it to locate in Michigan despite a cost disadvantage. The company would not consider expanding in Michigan without the MEGA tax credit to offset the wage, tax and utility cost differentials. The ability to offer MEGA to the company will allow it to choose Michigan for this investment. Although this credit will not offset the entire cost disadvantage, the company believes that proximity to its Grand Haven facility and easy access to the engineering expertise at its southeast Michigan research and development facility, and the research and development facilities of its major customers, will provide an advantage to the company which can not be quantified.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 163 net new jobs, and a business activity credit of 60 percent for a period of 20 years.