

**The Economic Effects on Michigan  
of the Weyburn Acquisition Corporation Facility Expansion Decision**

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### Abstract

*Weyburn Acquisition Corporation is considering building a new facility on its present site in Grand Haven to accommodate production of camshafts made by a new powder metal process for the automotive industry. By the year 2000, the facility would employ 163 people. We estimate that by 2017, this expansion will have generated a total of 382 jobs in the state. Total state government revenues through 2017, net of MEGA costs and adjusted for inflation, would be increased by \$15,153,000 (1997 dollars) due to the expansion of Weyburn Acquisition Corporation.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if Weyburn Acquisition Corporation were to build a new facility on its present site in Grand Haven to accommodate production of camshafts made by a new powder metal process for the automotive industry (SIC 3714). Investment activity would take place between 1997 and 2000, with an investment of \$21 million, and operations would begin in January 1998. The facility would employ 163 workers by 2000.

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 1997 to 2017, are shown in the attached table. The MEGA incentive package includes relief from 60 percent of the single business tax for the period 1998-2017 and a tax credit to the company for the same period equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the project. The payroll tax credit represents 100 percent of the maximum employment credit available to a company.

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 of the facility is expected to generate a total of 103 jobs in 1997, 11 jobs in 1998, 24 jobs in 1999, and 4 jobs in 2000; almost all of these jobs are temporary. In 2001, the first year of full operations without investment activity, an additional 297 jobs are generated in the state. We estimate that by 2017 this facility will have generated a total of 382 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 2.0 over the period 2001-2017. 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 Weyburn Acquisition Corporation were to expand in Michigan under the incentive program, state personal income in 2001 would be higher by \$13.8 million (in current dollars) than it would be without the facility, and in 2017 it would be \$30.3 million higher. Adjusted for inflation, these numbers in 1997 dollars would be \$10.3 million in 2001 and \$16.9 million in 2017.

The gain in economic activity results in higher state government revenues. We estimate that in 2001, the first year of full operations without investment activity, the facility would generate \$1,104,000 in additional gross state government revenue, and that the MEGA package would provide a \$297,000 incentive to Weyburn Acquisition Corporation. Thus, the Weyburn Acquisition Corporation facility expansion would generate an additional \$807,000 in revenue to state government in 2001, net of MEGA incentive costs.

Over the period 1997-2017, gross state government revenue is projected to increase by \$31,312,000 (in current dollars) due to the expansion of Weyburn Acquisition Corporation. The MEGA incentive package for Weyburn Acquisition Corporation is forecast to cost \$7,515,000 over the period, resulting in a net increase in state government revenue of \$23,797,000. Adjusted for inflation, the total net increase in state government revenue from 1997 to 2017 would be \$15,153,000 in 1997 dollars. These calculations do not include any revenue losses due to the property tax abatement. If the cost of the 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 Weyburn Acquisition Corporation Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1997	1998	1999	2000	2001	2005	2010	2015	2017	Total 1997-2017
Total Employment	103	109	219	300	297	304	336	370	382	—
Manufacturing	10	87	122	170	166	163	163	165	167	—
Nonmanufacturing	93	22	97	130	131	141	173	205	215	—
Retail Trade	11	7	21	30	30	31	35	41	43	—
Services	25	9	37	50	49	51	64	81	87	—
Other	57	6	39	50	52	59	74	83	85	—
In current dollars (thousands):										
Personal income	4,000	4,000	8,700	12,600	13,800	17,200	21,900	27,600	30,300	391,400
Gross state revenue	320	320	696	1,008	1,104	1,376	1,752	2,208	2,424	31,312
MEGA cost	0	100	134	173	297	364	427	503	540	7,515
State revenue net of MEGA cost	320	220	562	835	807	1,012	1,325	1,705	1,884	23,797
Adjusted for inflation (thousands of 1997 dollars):										
Personal income	4,000	3,555	7,400	9,952	10,258	11,906	14,208	16,232	16,920	257,235
Gross state revenue	320	284	592	796	821	953	1,137	1,299	1,354	20,579
MEGA cost	0	97	127	159	266	293	299	306	310	5,426
State revenue net of MEGA cost	320	187	465	637	555	660	838	993	1,044	15,153

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