



MICHIGAN JOBS COMMISSION

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MEMORANDUM

DATE: September 9, 1997
TO: Michigan Economic Growth Authority
FROM: Douglas E. Stites, Chief Operating Officer
SUBJECT: Briefing Memo - Neway Anchorlok International

COMPANY NAME:

Neway Anchorlok International, Incorporated
1950 Industrial Road
Muskegon, Michigan

HISTORY OF COMPANY:

Neway Anchorlok designs and manufactures highly engineered systems and components for trucks and trailers for North American and international markets. The company designs and manufactures a full line of air suspension systems and spring actuators for both trucks and trailers. Neway currently employs 380 workers in facilities in Muskegon and Grand Haven. The company also has an operation in Mexico.

The Neway portion of the business began in Muskegon during the 1940's while the Anchorlok portion began in California during the 1960's. In 1987, Neway and Anchorlok were acquired by Lear Siegler Diversified Holdings Corporation and began operating under common control. In 1993, Neway and Anchorlok were acquired by American Industrial Partners Capital Fund Limited Partnership and began operating as Neway Anchorlok International, Incorporated. In 1995, Neway Anchorlok International was acquired by B & S Holding Corporation, which in turn is controlled by Kohlberg, Kravis & Roberts LP.

Neway Anchorlok has been a consistent innovator and has been able to keep and expand its share of the heavy truck market. For this reason, the company must consider expanding its operations. Also, Neway's major customer is located in southern Indiana, and many of their other customers are located in southern and midwestern areas in the country.

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PROJECT DESCRIPTION:

Neway must expand its manufacturing, distribution, testing, metallurgical, and reliability laboratories as well as its product engineering capacity. They are considering locations at either Leiters Ford, Indiana, or Muskegon, Michigan. The company currently has manufacturing facilities in Muskegon. This expansion would involve the addition of over 100,000 square feet of manufacturing and distribution space and approximately 5,000 square feet of office space. This new facility represents about \$2.4 million in new investment. The company will invest an additional \$5.5 million in machinery and equipment. This expansion will create 163 new jobs with an average weekly wage of \$626. The benefit package is 24 percent of wages.

This expansion will allow the company to build a newly designed trailer suspension system that saves 10 percent of the weight and is approximately \$200 per unit cheaper. This will be sold to a major trailer manufacturer in southern Indiana.

Because the company would purchase an existing facility in either Indiana or Michigan, there is no need for infrastructure improvements at either site.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 547 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 \$27,172,000 (1997 dollars) due to the presence of the Neway Anchorlok facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Leiters Ford, Indiana, and Muskegon, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Neway Anchorlok to establish its manufacturing facility in Muskegon, Michigan, rather than Leiters Ford, Indiana, ranges from approximately \$300,000 to \$455,000 over the term of the incentive. The cost differential is primarily attributable to utility costs and transportation costs. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Indiana.

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OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide Neway Anchorlok with a 100 percent abatement of the 6-mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth \$66,330 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$700 for up to 163 net new employees for a total of \$114,100.

The City of Muskegon will provide a 50 percent personal property tax abatement for a period of 6 years worth approximately \$288,861.

BUT FOR:

Without the assistance offered by the MEGA program, Neway Anchorlok would not expand their existing facility into an available building in Michigan for the following reasons:

1. Utility costs are lower in Indiana.
2. Transportation costs are lower in Indiana due to proximity of both its major customers and its suppliers.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 90 percent for a period of 20 years for up to 163 net new jobs.