



John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: October 24, 1995

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell *D. Rothwell*

SUBJECT: MEGA Briefing for Aspen Bay Pulp and Fibre

COMPANY NAME:

Aspen Bay Pulp and Fibre
701 4th Avenue
Post Office Box 395
Menominee, Michigan 49858-0395

HISTORY OF COMPANY:

Aspen Bay Pulp and Fibre will be an affiliate of Great Lakes Pulp and Fibre. Great Lakes Pulp and Fibre is a development company that originated in 1992 for the purpose of building the world's most technically advanced de-inked recycling pulp mill. Great Lakes Pulp and Fibre successfully completed their \$214 million financial underwriting in December 1994. This mill is currently under construction in Menominee and is expected to begin operations in May of 1996.

PROJECT DESCRIPTION:

Aspen Bay Pulp and Fibre will produce bleached chemo-thermo-mechanical pulp which will be used by other domestic mills to produce high quality printing and writing paper. It is also expected that some of this pulp production will be exported to foreign-owned mills. This project includes building a new processing plant for pulp that would result in the investment of more than \$183 million in building, equipment, pollution control equipment and infrastructure. This project will create 95 new jobs with an average weekly wage of \$770 for a total annual payroll of more than \$3.8 million at full production.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 359 new jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$17,734,000 (1995 dollars) due to the presence of the Aspen Bay processing plant.

COST ANALYSIS:

As part of the company's site decision process, it has undertaken a comprehensive cost analysis between Peshtigo, Wisconsin and Menominee, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Aspen Bay Pulp and Fibre to establish their manufacturing facility in Menominee rather than Peshtigo ranges from approximately \$700,000 to nearly \$1,400,000 over the term of the incentive. The cost differential is primarily attributable to property and income taxes and worker compensation insurance costs.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between the states is a reasonable approximation. Therefore, MEGA has been offered to off-set the variance in cost and to provide an incentive to facilitate this investment.

OTHER STATE AND LOCAL ASSISTANCE:

Other state assistance includes an abatement of the 6 mill school tax and workforce recruitment, screening and training assistance. Local assistance in the form of a property tax abatement that totals more than \$11.7 million over twelve years will be offered to the company by the local community.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 95 new employees and a business activity credit of 75 percent for a period of 10 years.