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MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Joe Quick, Project Specialist
Packaging Team

Subject: Briefing Memo – Dematic Corp.
Standard MEGA Credit

COMPANY NAME

Dematic Corp.
507 Plymouth Avenue N.E.
Grand Rapids, Michigan 49505

HISTORY OF COMPANY

Dematic Corp. began with the founding of the German company Demag in 1819, which was incorporated in 1974 by Mannesmann. Mannesmann DEMAG Fordertechnik AG was established after the U.S. acquisition of Rapistan. In 1993 Australian racking and shelving manufacturer Colby was added, and in 1997 the company was renamed Mannesmann Dematic AG. In 2001, Siemens bought the company and merged it with its logistics activities to form Siemens Demag AG. In 2005, Siemens carved out the materials handling portion of the company as a new entity called Dematic GmbH & Co. KG. In 2006, under the same EIN, the company became known as Dematic Corp.

Dematic, including the Grand Rapids Dematic Corp. site, provides products and solutions for logistics, warehousing and materials handling. The company designs, manufactures, implements and supports automated material handling systems that reduce operational costs and optimize supply chain performance.

The company currently has 791 employees in Michigan.

PROJECT DESCRIPTION

Dematic Corp. plans to expand its research and development, administrative services, sales and in-house production at its Grand Rapids location. Dematic will produce customized logistics systems and materials handling systems for warehousing, factory, and distributions centers. It will invest in building renovations to an existing building on its campus, as well as machinery and equipment, special tooling and computers. New positions created will be in engineering, sales, research, administrative support and production.

The company plans to invest approximately \$10.9 million and create 505 jobs over the next five years, with 74 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$872. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 910 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$7,087,607 (current dollars) due to the presence of this facility.

BUSINESS CASE

Dematic has a new European Technical Center facility that currently has the capacity for expanded research and development without further significant investment. Dematic is also considering Kentucky, Utah and North Carolina for their design, development and sales functions. According to the company, these states are at an advantage in employment tax, corporate tax and wage rate costs, in addition to a higher labor quality.

OTHER STATE AND LOCAL ASSISTANCE

The City of Grand Rapids has proposed a P.A. 328 tax abatement in support of this project. The value of this incentive is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 5 years for up to 505 net new employees in excess of the company's established base of 791.