



MEMORANDUM

DATE: September 20, 2000

TO: Michigan Economic Growth Authority
To: Mr. David Jeup

FROM: David Jeup, Vice President
Global Business Development

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SUBJECT: Briefing Memo – Acuson Corporation

COMPANY NAME AND ADDRESS:

Acuson Corporation
1393 Shorebird Way
Mountain View, California 94039-7393

HISTORY OF COMPANY:

Acuson Corporation was incorporated in 1982 and has since become the world's largest supplier of sophisticated ultrasound imaging equipment for the American market and the recognized technology leader. Acuson designs, manufactures and services ultrasound medical imaging systems and picture archive and communication systems for the international diagnostic market. More than 1900 total corporate employees in 18 countries around the world are engaged in bringing quality diagnostic and data management tools to the medical environment. The company currently has 50 employees in Michigan, located in Ann Arbor.

DESCRIPTION OF PROJECT:

Acuson is planning to start a satellite engineering and support operations center to provide additional corporate growth opportunities. The staff at this center will be engaged in the writing of high level computer code for image processing and application development, software testing, hardware integration and support services necessary to run an expanding international business. The activities will require the hiring of up to 156 senior level staff. The average weekly wage will be \$1,724 (\$43.10 per hour), and a benefit package worth up to 35 percent of wages will be offered to the employees.

Capital investment required by the company is estimated at \$6.8 million for building (includes capitalized lease and leasehold

improvements) and \$7.8 million for equipment, for a total of \$14.6 million.

It is estimated that leasehold improvements could begin in October 2000 and that occupancy would begin to occur as early as January 2001. The company anticipates having 15 new hires in 2001, up to 121 employees by 2002, 136 by 2003, 146 by 2004 and be fully staffed at 156 employees by 2005.

The company is considering locating this expansion in Ann Arbor, Michigan or State College, Pennsylvania. Location in proximity to a major medical university is considered crucial to the company's ability to attract the caliber of employees necessary to its success. The project would involve the transfer of up to 120 existing technical and research and development jobs from Mountain View, California. The company estimates that roughly 10 percent of these employees will accept the transfer, requiring extensive recruitment of staff.

BENEFIT TO THE STATE:

According to the economic analysis done by the Michigan Economic Development Corporation using REMI software, we estimate this facility will generate a total of 263 jobs in the state by the year 2005. Total state government revenues through the year 2005, net of MEGA costs and adjusted for inflation, would be increased by \$5,772,000 (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive analysis between Ann Arbor, Michigan and State College, Pennsylvania. Based on information obtained from the company, the main disadvantages for Acuson to locate this expansion in Michigan rather than Pennsylvania is building costs, which are higher in Michigan. The company estimates savings of approximately \$450,000 per year by leasing an office building in State College rather than

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Ann Arbor. Another concern about an Ann Arbor location expressed by the company is the ability to recruit workers from around the country who will want to live in Michigan. The company is afraid it will have to pay a significant signing bonus to people it recruits from out-of-state.

OTHER STATE AND LOCAL ASSISTANCE:

The state will offer employee recruitment assistance of \$50,000. In addition, job training assistance of \$1,250 for each of up to 156 employees, or a total of \$195,000, will be provided.

The City of Ann Arbor will be providing subsidized parking spaces in City of Ann Arbor parking garages. The value of the discount will total \$400,000 for one year. In addition, the City of Ann Arbor's Downtown Development Authority is relocating parking permits to allow Acuson employees to park closer to the company's facility.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-tech MEGA employment credit of 25 percent for up to 156 net new jobs for six years.