

**The Economic Effects on Michigan of the  
Faurecia Interior Systems USA, Inc. New Manufacturing Facility**

Prepared by the Michigan Economic Development Corporation utilizing Regional  
Economic Models, Incorporated (REMI) software.

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### Abstract

*Faurecia Interior Systems USA, Inc. is considering locating a new manufacturing facility in Sterling Heights, Michigan. This facility would manufacture components for assembly and sequencing at facilities in the direct vicinity of automotive assembly plants across the Midwest. The new facility would employ up to 448 people by the end of 2007. We estimate that by 2015, this location will have generated a total of 942 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would increase by \$31.9 million (2005 dollars) due to the location of the Faurecia Interior Systems USA, Inc. manufacturing facility.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Faurecia Interior Systems USA, Inc., locating a new manufacturing facility in Sterling Heights. Investment activity would take place between 2005 and 2007 with an investment of \$40.9 million. The facility would employ an additional 448 people and would be at full production by 2007.

The estimates of the benefits attributable to the project 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 2005 to 2015, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 75 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2005 to 2015.

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 created from two sources; increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2007, the first year of full operations, an additional 448 jobs are generated in the state. The total number of jobs (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 2.06 over the period 2005 to 2015. Sectoral detail on the employment 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 Faurecia Interior Systems USA, Inc. were to locate in Michigan under the incentive program, state personal income in 2007 would be higher by \$48.6 million (in current dollars) than it would be without the facility, and in 2015, it would be \$69.5 million higher. Adjusted for inflation, these numbers in 2005 dollars would be \$46.5 million in 2007 and \$56.6 million in 2015.

The gain in economic activity results in higher government revenues. We estimate that in 2008, the first year of full operations without investment activity, the facility would

generate \$4 million in additional gross state revenue, and that the MEGA package would provide a \$699,000 incentive to Faurecia Interior Systems USA, Inc.. Thus, the new Faurecia Interior Systems USA, Inc. facility would increase state revenues in 2008 by \$3.3 million, net of MEGA costs.

Over the period 2005 to 2015 state government revenue is projected to increase by \$43.3 million (in current dollars) due to the new Faurecia Interior Systems USA, Inc. facility. The MEGA incentive package for Faurecia Interior Systems USA, Inc. is forecast to cost \$7.2 million over the period, resulting in a net increase in state government revenue of \$36.1 million. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2015 would be \$31.9 million in 2005 dollars. These calculations do not include any revenue losses due to the property tax abatement or the investment tax credit. If the costs of the abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of the 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.

**Faurecia Interior Systems USA, Inc.  
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2005	2006	2007	2008	2009	2010	2015	Total
Total Employment	101	661	982	974	968	954	942	
Manufacturing	14	319	500	494	490	486	478	
Non-Manufacturing	87	342	482	480	478	468	464	
Retail Trade	17	62	83	80	78	76	73	
Services	38	181	252	242	236	230	230	
Other	32	99	147	158	164	162	161	
In Current Dollars (Thousands):								
Personal Income	\$4,181	\$30,270	\$48,610	\$51,510	\$53,890	\$55,690	\$69,490	\$562,821
Gross State Revenue	322	2,331	3,743	3,966	4,150	4,288	5,351	43,338
Mega Cost	0	410	698	699	699	700	879	7,215
State Revenue Net of MEGA Cost*	\$322	\$1,922	\$3,045	\$3,267	\$3,451	\$3,588	\$4,472	\$36,123
Adjusted for Inflation (Thousands of 2005 Dollars):								
Personal Income	\$4,181	\$29,560	\$46,483	\$48,250	\$49,452	\$50,077	\$56,562	\$497,542
Gross State Revenue	322	2,276	3,579	3,715	3,808	3,856	4,356	38,312
Mega Cost	0	400	667	654	642	630	716	6,383
State Revenue Net of MEGA Cost*	\$322	\$1,876	\$2,912	\$3,061	\$3,166	\$3,226	\$3,640	\$31,929

\* These estimates do not include any state government revenue losses due to the Investment Tax Credit, the Renaissance Zone Credit or the property tax abatement.