

**The Economic Effects on Michigan of
the Ford Motor Company Facility Retention Decision**

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Abstract

Ford Motor Company is considering the consolidation of all North American Focus assembly and the incorporation of vehicle enhancements at its assembly facility in Wayne, Michigan, which will result in the retention of jobs there. Focus production would be moved from Mexico and Europe. A second phase of the project would expand and enhance the Expedition/Navigator product line. A new flexible body shop would also be included in the project. The project would employ 2,662 existing Michigan-based Ford employees by 2007. We estimate that by 2024, this retention will have maintained a total of 11,426 jobs in the state. Total state government revenues through 2024, net of MEGA costs and adjusted for inflation, would be greater by \$969,854,000 (2003 dollars) due to the retention of the Ford Motor Company employees affected by the project.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if Ford Motor Company consolidates all North American Focus assembly and incorporates vehicle enhancements at its assembly facility in Wayne, Michigan, resulting in the retention of jobs there (SIC 3711). Focus production would be moved from Mexico and Europe. A second phase of the project would expand and enhance the Expedition/Navigator product line. A new flexible body shop would also be included in the project. Investment activity would take place between 2003 and 2007, with an investment of \$583 million. The facility would employ 2,662 existing Michigan-based Ford employees by 2007.

The estimates of the benefits include the total number of jobs retained in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue retained as a result. Benefits net of the MEGA incentive package, from 2003 to 2024, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2005 to 2024 equal to 50 percent of the state income tax rate on the payroll (gross wages) of employees retained at the facility as a result of the project.

The total employment effects, reported in the first line of the table, include the direct jobs retained at the facility itself plus spin-off jobs retained. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The investment activity is expected to generate a total of 354 jobs in 2003, 1,225 jobs in 2004, 389 jobs in 2005, and 545 jobs in 2006; almost all of these jobs are temporary. In 2008, the first year of full operations without investment activity, 11,396 jobs are maintained in the state. We estimate that by 2024, this retention will have maintained a total of 11,426 jobs in the state. In this case, the total number of jobs maintained (direct plus spin-off) for every direct job retained constitutes the "employment multiplier." The

employment multiplier for the retention averages 4 over the period 2008 to 2024. Sectoral detail on the employment retention 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 Ford Motor Company were to locate the proposed project in Michigan under the incentive program, state personal income in 2008 would be higher by \$849 million (in current dollars) than it would be without the project, and in 2024 it would be \$1.47 billion higher. Adjusted for inflation, these numbers in 2003 dollars would be \$624.9 million in 2008 and \$811.5 million in 2024.

The retention of economic activity results in higher state government revenues. We estimate that in 2008, the first year of full operations without investment activity, the retention project would maintain \$65,288,000 in gross state government revenue, and that the MEGA package would provide a \$2,720,000 incentive to Ford Motor Company. Thus, the Ford Motor Company retention would maintain \$62,568,000 in state government revenues in 2008, net of MEGA incentive costs.

Over the period 2003 to 2024, gross state government revenue is projected to be higher by \$1,571,759,000 (in current dollars) due to the retention of the employees associated with the proposed Ford Motor Company project. The MEGA incentive package for Ford Motor Company is forecast to cost \$76,190,000 over the period, resulting in a net retention of state government revenue of \$1,495,569,000. Adjusted for inflation, the total net retention of state government revenue from 2003 to 2024 would be \$969,854,000 in 2003 dollars. These calculations do not include any revenue losses due to the Investment Tax Credit or the property tax abatement. If the costs of the tax credit and the abatement were included, the net revenue retention by state government would be slightly less.

None of these 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.

**Economic and Fiscal Effects on Michigan of the Ford Motor Company Retention
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2003	2004	2005	2006	2007	2008	2010	2015	2020	2024	Total 2003-2024
Total Employment	354	1,225	3,518	10,722	11,974	11,396	10,543	10,148	10,835	11,426	—
Manufacturing	20	132	1,442	3,930	4,531	4,373	4,157	4,052	4,147	4,215	—
Nonmanufacturing	334	1,093	2,076	6,792	7,443	7,023	6,386	6,096	6,688	7,211	—
Retail Trade	39	139	517	1,500	1,654	1,547	1,378	1,264	1,354	1,442	—
Services	70	326	925	2,504	2,614	2,364	2,035	1,937	2,293	2,636	—
Other	225	628	634	2,788	3,175	3,112	2,973	2,895	3,041	3,133	—
In current dollars (thousands):											
Personal income	16,000	61,600	213,800	660,400	817,100	849,000	888,000	1,018,200	1,246,700	1,470,100	20,439,000
Gross state revenue	1,230	4,737	16,441	50,785	62,835	65,288	68,288	78,300	95,871	113,051	1,571,759
MEGA cost	0	0	790	2,204	2,716	2,720	2,861	3,683	4,950	6,526	76,190
State revenue net of MEGA cost*	1,230	4,737	15,651	48,581	60,119	62,568	65,427	74,617	90,921	106,525	1,495,569
Adjusted for inflation (thousands of 2003 dollars):											
Personal income	16,000	51,524	174,865	521,255	620,612	624,862	628,694	671,835	748,569	811,453	13,246,904
Gross state revenue	1,230	3,962	13,447	40,085	47,725	48,052	48,347	51,664	57,565	62,401	1,018,687
MEGA cost	0	0	646	1,739	2,063	2,002	2,025	2,430	2,972	3,602	48,833
State revenue net of MEGA cost*	1,230	3,962	12,801	38,346	45,662	46,050	46,322	49,234	54,593	58,799	969,854

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

**Fiscal Effects on Michigan of the Ford Motor Company Retention
Net Benefits with the Incentive Package**

Year	Gross State Revenue (In thousands of current dollars)	MEGA Cost	State Revenue Net of MEGA Cost
2003	1,230	0	1,230
2004	4,737	0	4,737
2005	16,441	790	15,651
2006	50,785	2,204	48,581
2007	62,835	2,716	60,119
2008	65,288	2,720	62,568
2009	66,826	2,728	64,098
2010	68,288	2,861	65,427
2011	69,679	3,001	66,678
2012	71,309	3,153	68,156
2013	73,240	3,315	69,924
2014	75,508	3,492	72,017
2015	78,300	3,683	74,617
2016	81,214	3,892	77,322
2017	84,490	4,123	80,367
2018	88,189	4,373	83,816
2019	91,780	4,648	87,132
2020	95,871	4,950	90,921
2021	99,939	5,284	94,655
2022	103,961	5,660	98,301
2023	108,798	6,071	102,727
2024	113,051	6,526	106,525