



# STATE OF MICHIGAN


MICHIGAN JOBS COMMISSION

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## MEMORANDUM

**DATE:** December 17, 1997

**TO:** Michigan Economic Growth Authority

**FROM:** Greg Burkart, Director International and National Business Development 

**SUBJECT:** Briefing Memo-GE/Bayer Automotive Glazing JV

### COMPANY NAME:

GE/Bayer Automotive Glazing JV  
1 Plastics Avenue  
Pittsfield, Massachusetts 01201

### HISTORY OF COMPANY:

GE/Bayer Automotive Glazing JV is a joint venture between General Electric Company, Inc. and Bayer Corporation. The 50-50 joint venture will focus on developing polycarbonate window glazing for the automotive industry. Once approved and licensed by the federal government, this product will be introduced first in sport utility vehicles and station wagons.

General Electric (GE) is a global company with about 222,000 employees worldwide and total revenues of \$79 billion in 1996. Divisions within GE include GE Capital, GE Plastics, research and development, coatings and polycarbonate. The parent company will hold the interest in this venture.

Bayer Corporation is a \$9 billion, research-based company with over 24,000 employees and diversified businesses concentrated in three major areas: health care and life sciences, chemicals, and imaging technologies. Within these core areas, eight operating divisions manufacture, market and develop the 8,000 products that together make up Bayer Corporation's broad portfolio.

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### **PROJECT DESCRIPTION:**

The company is considering Wixom, Michigan or Hebron, Kentucky for a research and development and prototype manufacturing facility. This facility will develop and provide plastic windows for automotive applications. This plant will supply both domestic and international customers. Initial production will consist of approximately 1.5 million windows. This project is a prelude to a larger manufacturing facility which the joint venture expects to undertake in the year 2004. The current project will require the company to invest approximately \$25 million, in addition to creating 83 new jobs. The average weekly wage, excluding anticipated bonuses, is approximately \$1,358. Annual payroll will be approximately \$5.9 million at full production. The company has an employee benefit package that averages approximately 34 percent of payroll.

### **BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan we estimate this facility will generate a total of 192 new jobs in the state by the year 2021. Total state government revenues through the year 2021, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$11,575,000 (1997 dollars) due to the presence of the GE/Bayer Automotive Glazing JV.

### **COST ANALYSIS:**

As part of its decision process, the company has undertaken a comprehensive cost analysis between Hebron, Kentucky and Wixom, Michigan. Based on figures obtained from the company, the annual cost disadvantage for GE/Bayer Automotive Glazing JV to establish its manufacturing facility in Wixom, Michigan, rather than Hebron, Kentucky, ranges from approximately \$979,000 to \$1,500,000 annually over the term of the incentive. The cost differential is primarily attributable to wage, electrical, and tax costs. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Kentucky.

### **OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will be providing a 100 percent abatement of the 6-mill school property tax for a period of 5 years, worth up to \$308,000.

Local assistance will be in the form of a 5-year, 50 percent tax abatement valued at \$1,107,000. The city of Wixom will recommend to its city council that two (2) 5-year renewable tax abatements consistent with the structure of the building lease be extended.

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**BUT FOR:**

The company has examined the cost differential between locating in Hebron, Kentucky and Wixom, Michigan and also the factors that could influence it to locate in Michigan despite a cost disadvantage. The company would not consider locating in Michigan without the MEGA tax credit to offset wage, electrical, and tax differentials. The ability to offer MEGA to the company will allow Michigan to be in a strong position to attract the joint venture's manufacturing plant in the year 2004. Corporate policy for both joint venture partners has been to consolidate manufacturing operations with research and development functions in the past.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit as follows:

- A. 50 percent credit for years 1-5
- B. 75 percent credit for years 6-10
- C. 100 percent credit for years 11-20.

In addition the Michigan Jobs Commission recommends a business activity credit for 100 percent for a period of 5 years.