



MEMORANDUM

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LANSING, MI 48913
CUSTOMER ASSISTANCE
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WWW.MICHIGAN.ORG

DATE: September 11, 2002

TO: Michigan Economic Growth Authority

FROM: Kathy Blake, Senior Vice President
Business Development

SUBJECT: Briefing Memo – General Motors Corporation – Orion Assembly
Retention Credit

COMPANY NAME AND ADDRESS:

General Motors Corporation
Orion Assembly
4555 Giddings Road
Lake Orion, Michigan 48359

HISTORY OF COMPANY:

General Motors Corporation was founded in 1908 and manufactures and markets automobiles, automotive systems, heavy-duty automatic transmissions and locomotives worldwide. The Orion Assembly operation currently employs 2288 workers at its facility.

PROJECT DESCRIPTION:

General Motors Corporation is assessing the possibility of transferring new product lines to the Orion Assembly operation to keep the plant operational. The products currently produced at the facility will build out in 2004, rendering the plant idle unless alternative product lines can be transferred to the facility.

The project would allocate additional automotive final assembly operations to the facility, necessitating an investment of up to \$408 million and the retention of up to 2288 employees. It is anticipated that capital expenditures would begin in 2003 and the retention of employees would begin in the last quarter of 2004, allowing for current production phase-out and future production phase-in. The retained jobs would pay an average weekly wage of \$927 and a benefit package worth up to 30% of wages.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will retain a total of 9,933 jobs in the state by the year 2022. Total state government revenues through the year 2022, net of MEGA cost and adjusted for inflation, would be maintained by \$827 million (2001 dollars) due to the presence of this facility.

BUSINESS CASE:

General Motors Corporation is assessing production plans for all of its manufacturing operations and must pay particular attention to putting production where it can get the lowest costs. While the company would like to see the Orion Assembly operation continue, it is making decisions based on a number of variables, including tooling and production piece costs, available capacity, a successful labor agreement and an incentives plan from the State and local government that will enhance the business case and strengthen the company's ability to achieve board approval for the project.

The most cost effective location for the company to add this new production would be at a facility in another Midwest state. Due to the net operating loss status of the company, it is not liable for any income taxes in that location; whereas in Michigan the project alone creates a SBT liability averaging \$7.6 million a year over the 20-year period. Other savings in the other state include slightly lower wages, lower utility and transportation costs and lower property taxes. When added together, the cost differential totals over \$300 million over a 20-year period. Without the MEGA and other incentives, this project would not be feasible in Michigan.



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OTHER STATE AND LOCAL ASSISTANCE:

The Michigan Economic Development Corporation will recommend up to \$3 million for the funding of needed public road improvements adjacent to the company's site. These improvements will be evaluated by the Michigan Department of Transportation for eligibility and appropriate applications and approvals will be required. The state will also provide a 100 percent abatement of the 6-mill State Education Tax to match the length of the local property tax abatement. The estimated value of this abatement is \$5,040,600.

Orion Township, in November of 2001 approved an abatement of 50 percent of the real and personal property taxes for a period of 12 years for this project. The estimated value of this abatement is \$17,137,746.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the retention of up to 2,288 jobs for a period of 20 years and a business activity credit of 50 percent for a period of 20 years.