

**The Economic Effects on Michigan of the  
General Motors Orion Assembly Retention Decision**

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### Abstract

*Vehicle production at the General Motors Orion Township Assembly plant is currently scheduled to terminate in the 2004 model year. General Motors is considering putting a new product line into the Orion Township Assembly plant to keep it running through at least 2022. The facility would employ 2,288 existing Michigan-based General Motors employees by 2005. We estimate that by 2022, this retention will have maintained a total of 9,933 jobs in the state. Through 2022, \$827,362,000 (2001 dollars) of total state government revenues, net of MEGA costs and adjusted for inflation, would be maintained due to the retention of the General Motors employees at the Orion Township Assembly plant.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of General Motors putting a new product line into its Orion Township Assembly plant to keep it running beyond the 2004 model year, when it is currently scheduled to terminate vehicle production (SIC 3711). Investment activity would take place between 2003 and 2005, with an investment of \$408 million. The facility would employ 2,288 existing Michigan-based General Motors employees and be at full production 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 of the job retention. Benefits net of the MEGA incentive package, from 2003 to 2022, are shown in the attached table. The MEGA incentive package includes relief from 50 percent of the single business tax for the period 2003 to 2022; it also includes a tax credit to the company for the same period equal to 50 percent of the state income tax rate on the payroll (gross wages) of employees hired 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 the 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 construction activity is expected to generate a total of 1,307 jobs in 2003, 227 jobs in 2004, and 32 jobs in 2005; almost all of these jobs are temporary. In 2007, the first year of full operations, 10,112 jobs are maintained in the state. We estimate that by 2022, this retention will have maintained a total of 9,933 jobs in the state. The total number of jobs retained (direct plus spin-off) for every direct job retained constitutes the "employment multiplier." The employment multiplier for this retention averages 4.1 over the period 2007 to 2022. Sectoral detail on the employment retention 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 the General Motors Company were to keep the Orion Township Assembly plant operating under the incentive program, state personal income in 2007 would be higher by \$768.3 million (in current dollars) than it would be if the facility were shut down, and in 2022 it would be \$1.26 billion higher. Adjusted for inflation, these numbers in 2001 dollars would be \$551.5 million in 2007 and \$690.1 million in 2022.

The retention of economic activity results in higher state government revenues. We estimate that in 2007, the first year of full operations, the retention of the facility would maintain \$61,464,000 in gross state government revenue, and the MEGA package would provide a \$3,958,000 incentive to the General Motors Company. Thus, the General Motors Company facility retention would maintain \$57,506,000 in state government revenues in 2007, net of MEGA incentive costs.

Over the period 2003 to 2022, gross state government revenue is projected to be higher by \$1,384,504,000 (in current dollars) due to the retention of General Motors employees at its Orion Township Assembly plant. The MEGA incentive package for the General Motors Company is forecast to cost \$92,405,000 over the period, resulting in a net retention of state government revenue of \$1,292,099,000. Adjusted for inflation, the total net retention in state government revenue from 2003 to 2022 would be \$827,362,000 in 2001 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 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, expansion, and retention decisions.

**Economic and Fiscal Effects on Michigan of the General Motors Orion Assembly Facility Retention  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2003	2004	2005	2006	2007	2010	2015	2020	2022	Total 2003-2022
Total Employment	3,657	2,536	10,975	10,634	10,112	9,134	9,076	9,678	9,933	—
Manufacturing	1,359	1,144	4,042	3,922	3,779	3,534	3,495	3,567	3,594	—
Nonmanufacturing	2,298	1,392	6,933	6,712	6,333	5,600	5,581	6,111	6,339	—
Retail Trade	516	366	1,626	1,543	1,436	1,244	1,204	1,290	1,328	—
Services	851	448	2,517	2,331	2,134	1,777	1,825	2,161	2,313	—
Other	931	578	2,790	2,838	2,763	2,579	2,552	2,660	2,698	—
In current dollars (thousands):										
Personal income	214,100	183,600	687,000	743,900	768,300	819,000	952,400	1,162,700	1,260,000	17,306,300
Gross state revenue	17,128	14,688	54,960	59,512	61,464	65,520	76,192	93,016	100,800	1,384,504
MEGA cost	1,824	1,931	3,725	3,844	3,958	4,329	5,080	5,991	6,424	92,405
State revenue net of MEGA cost*	15,304	12,757	51,235	55,668	57,506	61,191	71,112	87,025	94,376	1,292,099
Adjusted for inflation (thousands of 2001 dollars):										
Personal income	176,307	144,625	529,952	550,218	551,535	558,309	601,090	664,459	690,101	11,085,894
Gross state revenue	14,105	11,570	42,396	44,017	44,123	44,665	48,087	53,157	55,208	886,872
MEGA cost	1,502	1,521	2,873	2,843	2,841	2,951	3,206	3,424	3,518	59,510
State revenue net of MEGA cost*	12,603	10,049	39,523	41,174	41,282	41,714	44,881	49,733	51,690	827,362

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