



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: March 16, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – General Motors Corporation – City of Warren
Retention Credit

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COMPANY NAME AND ADDRESS:

General Motors Corporation
200 Renaissance Center
Detroit, Michigan 48265

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 General Motors Powertrain Warren Transmission facility currently employs approximately 1,700 workers. The facility currently produces 4-speed transmissions for various GM cars and trucks and also makes components for transmissions.

PROJECT DESCRIPTION:

General Motors is evaluating its transmission portfolio leading to the development and potential production of a new 6-speed, front wheel drive transmission. This transmission will be developed to feature many advanced features. The production of this transmission is being considered at the Warren Transmission plant. The project would lead to the retention of at least 518 positions at the Warren facility. The retained jobs would pay an average weekly wage of \$971 and will include a generous benefit package. Current production of the 4-speed transmission will continue at the Warren facility as production of the 6-speed is developed.

The project would require an investment of \$299 million, including \$30 million for building renovations and \$269 million for new machinery and equipment, and tooling. It is anticipated that capital expenditures for renovations would begin this year with production initially targeted for 2006.



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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 that this facility will retain a total of 2,241 jobs in the state by the year 2025. We also estimate that the project would maintain total state government revenues through the year 2025, net of MEGA cost and adjusted for inflation, of \$213.7 million (2004 dollars) due to the retention of this facility.

BUSINESS CASE:

General Motors performed a comprehensive analysis of potential facilities where this production could be performed. Sites for this production were considered throughout the United States and sites that are more modernized provide the most competition to the Warren facility. Due to the age of the Warren facility, substantial capital funds will be needed to make renovations to the facility for this modern transmission. Other locations considered needed substantially fewer capital improvements, potentially saving General Motors \$10 to \$15 million. Additionally, utility costs have also been considered and competing locations in warmer climates could potentially save the company \$400,000 per year.

In addition, other states have offered substantial incentive packages to secure this investment, including property tax abatements and training funding.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer 50 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$2.5 million.

The City of Warren approved 50 percent abatement of the company's new real and personal property taxes for 12 years at their March 9, 2004 city council meeting. This tax abatement has an estimated value of \$19.6 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 25 percent for the retention of up to 1,600 jobs for a period of 20 years.