



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

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**MEMORANDUM**

**DATE:** November 19, 2002  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – General Motors Corporation – Willow Run  
Retention Credit

**COMPANY NAME AND ADDRESS:**

General Motors Corporation  
Willow Run Power Train Operations  
Ecorse and Wiard Roads  
Ypsilanti, Michigan 48198-6198

**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 Willow Run operation currently employs 577 workers. The facility produces transmissions for cars and trucks and also makes components for transmissions that are built at other company facilities.

**PROJECT DESCRIPTION:**

General Motors Corporation is assessing the possibility of transferring a new product line to the Willow Run operation to keep the plant operational. The products currently produced at the facility will build out in the next few years, rendering the plant idle unless alternative product lines can be transferred to the facility.

The project would allocate a new 6-speed rear wheel drive transmission to the facility, necessitating an investment of up to \$309 million and the employment of up to 850 employees. It is anticipated that capital expenditures would begin in 2003 and the retention of employees would begin in the last quarter of 2005, allowing for current production phase-out and future production phase-in. The retained jobs would pay an average weekly wage of \$981 and provide a benefit package worth up to 30% of wages.

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General Motors Willow Run  
Briefing Memo  
November 19, 2002  
Page Two

**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 3,510 jobs in the state by the year 2024. We also estimate that the project would maintain total state government revenues through the year 2024, net of MEGA cost and adjusted for inflation, of \$299 million (2002 dollars) due to the retention 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 Willow Run operation continue, it is making decisions based on a number of variables, including 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 General Motors 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 higher fringe benefit costs, supplemental unemployment benefit costs, and property taxes, the cost at the Willow Run plant is \$4 million higher each year than the other locations under consideration. This cost differential totals over \$80 million over a 20-year period. Without the MEGA and other incentives, this project would not be feasible in Michigan.

**OTHER STATE AND LOCAL ASSISTANCE:**

Ypsilanti Township has approved a Plant Rehabilitation abatement of the company's real and personal property taxes for a period of 15 years for this project. The estimated value of this abatement is \$27 million.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the retention of up to 850 jobs for a period of 20 years and a business activity credit of 50 percent for a period of 20 years.