

MEMORANDUM

Date: June 22, 2009
To: Michigan Economic Growth Authority
From: Valerie Hoag, Director
Packaging Team
Subject: Briefing Memo – General Electric Company
High-Technology MEGA Credit

COMPANY NAME

General Electric Company
3135 Easton Turnpike
Fairfield, Connecticut 06828

HISTORY OF COMPANY

General Electric Company (GE) is a diversified technology, media, and financial services company formed in 1892 from the merger of Thomas Edison's General Electric Company and the Thompson-Houston Electric Company. GE has over 300,000 employees worldwide, in over 160 countries.

The company's business lines are organized as follows:

- Technology Infrastructure – aviation, enterprise solutions healthcare, transportation
- Energy Infrastructure – energy, oil and gas, water and process technologies
- GE Capital – consumer finance, commercial lending and leasing, real estate, commercial aviation services, energy financial services
- NBC Universal – cable, film, international, network, sports and Olympics
- Consumer and Industrial – appliances, consumer electronics, electrical distribution and lighting.

Products range from aircraft engines, power generation, water processing, and security technology to medical imaging, business and consumer financing, media content, and industrial products.

General Electric Company currently has approximately 2,300 employees in Michigan in various locations including St. Joseph, Troy, Muskegon, Grand Rapids, Kentwood, Livonia and Southfield. The services/products are finance, healthcare, energy, transportation, aerospace, media and IT. Examples of the company's operating entities include: GE Healthcare, GE Capital, GE Energy, GE Transportation and GE Aviation.

PROJECT DESCRIPTION

General Electric Company is considering creating an Advanced Technology and Training Center that will be devoted to manufacturing and service technology, software development and information technology. As currently envisioned the Center is expected to include the following:

1. GE Advanced Manufacturing and Services Technology Center – will employ advanced scientists and engineers who will develop the company’s next generation manufacturing and service technologies across several industries and process technologies. The Center will also be used for the creation of leading-edge, production scale pilot manufacturing technologies and have full scale prototyping capabilities for multiple businesses.
2. GE Advanced IT Center – will house GE’s experts in software development, data architecture, networking, business intelligence, and program management. All of these functions were previously geographically fragmented.

In the future the Center may expand to include the following:

3. GE Advanced Software Technology Program – will train and employ GE’s software engineers developing advanced software solutions for commercial use (i.e. healthcare electronic medical records software engineers).
4. GE Information Technology Leadership Program – will train and employ GE’s newly hired information technology professionals.

The Center’s products will be focused on two areas. Internal research, development and training, and potentially products and services for sale to third parties.

General Electric is considering several sites to either renovate or build in Washtenaw, Oakland, and Wayne Counties. The company will invest approximately \$118.3 million if they choose the lease hybrid option or up to \$175.3 million if they choose a build to suit option.

The company plans to create 1,200 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,918. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 2,870 jobs in the state by the year 2020. Total state government revenues through the year 2020, net of MEGA costs, would be increased by \$146 million (current dollars) due to the presence of this facility.

BUSINESS CASE

General Electric is considering continuing the proposed activities at their current GE locations throughout the world. There are two primary disadvantages to locating this facility in Michigan. First, the company will incur substantial investment costs that would not be associated with these activities if they continued to house them in their current facilities. Secondly, there are no existing complimentary GE operations in Michigan so there is no built in synergy advantage to a Michigan location. In New York, South Carolina, and Ohio the company would have that synergistic advantage.

OTHER STATE AND LOCAL ASSISTANCE

Currently, there is currently no local support for this project; however, the company will pursue the maximum local assistance available in the form of a P.A. 198 and/or a P.A. 328. It is anticipated that a final site will be chosen within 90 days of board approval.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-wage business, as defined in the act.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 12 years for up to 1,200 net new employees in excess of an established base of 0.