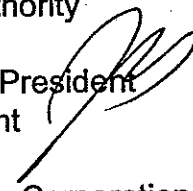




MEMORANDUM

DATE: May 12, 1999

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Acting Vice President
Michigan Business Development 

SUBJECT: Briefing Memo - General Motors Corporation

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COMPANY NAME AND ADDRESS:

General Motors Corporation
3044 West Grand Boulevard
Detroit, Michigan 48202-3091

HISTORY OF COMPANY:

General Motors, founded in 1908, is the world's largest industrial corporation and vehicle manufacturer. The company is best known for designing, manufacturing and marketing vehicles. However, the company is also engaged in telecommunications, aerospace and defense, consumer and automotive electronics, financial and insurance services, locomotives, automotive systems, and heavy-duty automatic transmissions. General Motors is the largest exporter of cars and trucks in the United States. The company has manufacturing, assembly, or component operations in 50 countries.

PROJECT DESCRIPTION:

General Motors proposes to create a new company to build and operate a manufacturing facility in either Lansing, Michigan or a confidential site outside of Michigan. This facility will manufacture up to 211,000 vehicles annually. Product for this facility will be new to Michigan and, in fact will be a product that had been built in Germany. The project will require an investment in excess of \$500 million and will employ over 1500 people within the first three years. An average wage at this facility will exceed \$23/hour with an extensive benefit package. General Motors expects to begin production in the first quarter of 2002, with a ramp-up to full capacity within five years.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 32,839 jobs in the state by the year 2021. Total state government revenues through the year 2021, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$2,090,727,000 (1999 dollars) due to the presence of the General Motors facility.

COST ANALYSIS:

As part of the company's decision making process, it has undertaken a comprehensive cost analysis between the alternative site and Lansing, Michigan. Based on figures obtained from the company, the annual cost disadvantage for General Motors to establish its new manufacturing facility in Lansing rather than the alternative location is approximately \$15 million. The cost differential is primarily attributable to labor-related cost differentials and tax costs.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide General Motors with nearly \$10 million for infrastructure assistance to improve access to the site and increase water and sewer capacity. Also, up to \$2.2 million is offered to General Motors for training of up to 2200 employees of the new facility. In addition, a low interest loan from the Department of Environmental Quality will assist with the cleanup of any existing environmental problems on site.

The city of Lansing and the Lansing Board of Water and Light will offer up to \$13.1 million for road and other infrastructure improvements as well as off-site parking and transportation to the site for workers during the construction period. In addition, the city will offer a 100 percent abatement of personal property taxes for new equipment and a 50 percent abatement of real property taxes for a period of 12 years.

Michigan Economic Growth Authority
Briefing Memo - General Motors
May 12, 1999
Page Three

BUT FOR:

General Motors has the opportunity to site this facility anywhere in North America. By putting this facility in the alternative location, the company could expect to reduce labor costs and tax costs. Without the incentives offered by MEGA to reduce cost disadvantages, General Motors would not choose Lansing for this facility.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 2500 net new employees and a 100 percent business activity credit for a period of 20 years.