



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: July 15, 2008

TO: Michigan Economic Growth Authority

FROM: Val Hoag, Director *VH*
Portfolio Management & Packaging

Greg West, Project Specialist
Business Development and Attraction

SUBJECT: Briefing Memo – Harman Becker Automotive Systems, Inc.
Standard Credit

COMPANY NAME:

Harman Becker Automotive Systems, Inc.
39001 West 12 Mile Road
Farmington Hills, Michigan 48331

HISTORY OF COMPANY:

Harman International has been the leading manufacturer of audio and infotainment systems for the consumer, professional and automotive markets for the past 50 years. From the world's first receiver to the first concert hall loudspeaker, its brands, i.e., Harman Kardon, JBL, Infinity, Mark Levinson, Lexicon, and AKG have been responsible for changing the way people experience entertainment.

Harman Becker Automotive Systems (HBAS), the automotive division of Harman International, is the world's largest supplier of high-end automotive audio and infotainment systems. HBAS has dedicated facilities around the world. HBAS's North America and Asia divisional headquarters are located in Farmington Hills, Michigan.

Harman Becker currently has 264 employees in Michigan.

PROJECT DESCRIPTION:

The project is part of a corporate wide restructuring effort to streamline Harman International's design and development operations for automotive OEM audio systems. The restructuring includes the closure and partial closure of two out of state sites. The technical resources responsible for the design, development, and validation of the automotive acoustic product line will then be co-located in Novi, Michigan; Bloomington, Indiana; and Bridgend, Wales, UK. The automotive 'Branded Audio' segment continues to grow and this consolidation and expansion in Michigan will allow for a streamlined development cycle for a more efficient overhead structure.

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The proposed project includes the new construction of a facility in the City of Novi, with a complete build out to Harman specifications, including offices, labs, evaluation, research and development areas. Total investment over five years will be approximately \$10 million. This project will create 135 new jobs with an average weekly wage of \$1,450. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS 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 create a total of 275 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$5.5 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company is considering Bridgend, Wales, UK and Bloomington, Indiana for the consolidation. As compared to Bloomington Indiana, the wages in Novi Michigan are approximately 8.5% higher, and the real estate market would dictate a \$2.00 per sq ft penalty. The disadvantages also include a premium cost of around 15% on electrical power. The validation equipment used to test our product line is very power intensive requiring special equipment and facility requirements.

The disadvantages as compared to the Bridgend, Wales, UK facility are more weighted towards the salary differential. The average salary of an engineer in the UK is between 15 and 23% lower, based upon the specific discipline. The other disadvantage is more strategic. The company has an existing development center in Bridgend that is already equipped with the tools and knowledge to execute the required development activities.

STATE AND OTHER LOCAL ASSISTANCE:

The City of Novi supports the expansion project and is proposing an expedited review process and inspection times, and reduced/reimbursement of a portion of permit fees, not to exceed \$5,000.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 135 net new employees.