



STATE OF MICHIGAN

MICHIGAN JOBS COMMISSION

201 N. Washington Square
Victor Office Center, 4th Floor
Lansing, Michigan 48913 USA
Tel (517) 335-5884
Fax (517) 335-2521

MEMORANDUM

DATE: February 19, 1998
TO: Michigan Economic Growth Authority
FROM: Greg Burkart, Director, International and National Business Development
SUBJECT: Briefing Memo-Robert Bosch Corporation

COMPANY NAME:

Robert Bosch Corporation
2800 South 25th Avenue
Broadview, Illinois 60153

HISTORY OF COMPANY:

The Robert Bosch Corporation is a global company with approximately 176,000 employees worldwide and total revenues of US\$26,597,000,000. The company serves primarily the automotive market through the manufacture and sale of high quality, high technology original equipment components/systems for passenger cars and commercial vehicles. The company was established in 1953 as a U.S. subsidiary of Robert Bosch GmbH. The Robert Bosch Corporation currently has 19 facilities operating within the State of Michigan. There are 2,656 employees at these facilities.

PROJECT DESCRIPTION:

The Robert Bosch Corporation plans to construct and furnish a research and development facility in Farmington Hills. The new 258,000 square foot facility, in addition to being an R&D facility, will serve as a headquarters for the Bosch Braking Systems Corporation (BBSC), a new subsidiary of the Robert Bosch Corporation. BBSC came about as the result of the Bosch Group acquiring the hydraulic brake business for passenger car and light and mid-size commercial vehicles from AlliedSignal, Incorporated in April 1996.

Briefing Memo
Robert Bosch Corporation
February 19, 1998
Page Two

The Robert Bosch Corporation plans on investing approximately \$37,000,000 for the new building and related infrastructure improvements which will include a new parking lot, retention basin, new underground piping and landscaping. Another \$2,000,000 will be spent on furniture and fixtures. When completed and fully staffed in the year 2002, it is expected that 475 net new jobs will be created. This is in addition to the 95 jobs that will be retained. The average weekly wage is approximately \$1,283. Annual payroll will exceed \$35,000,000 when the facility is operational and fully staffed. Employee benefits equate to 23 percent of payroll.

As an alternative to locating in Farmington Hills, the Robert Bosch Corporation is considering expansion at an existing automotive facility in South Bend, Indiana.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total 826 new jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$55,521,000 (1998 dollars) due to the presence of the Robert Bosch Corporation R&D facility.

COST ANALYSIS:

As part of its decision process, the Robert Bosch Corporation has undertaken a comprehensive cost analysis between South Bend, Indiana and Farmington Hills, Michigan. Based on figures obtained from the company, the annual cost disadvantage for the Robert Bosch Corporation to establish its new research and development facility in Farmington Hills, Michigan, rather than South Bend, Indiana, ranges from approximately \$11,000,000 to \$800,000 annually over the term of the incentive. The cost differential is primarily due to building costs, utility rates, taxes and incentives. Michigan Jobs Commission staff has examined these numbers and believes the figures are a fair representation of the cost differential between Michigan and Indiana.

Briefing Memo
Robert Bosch Corporation
February 19, 1998
Page Three

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will be providing a 100 percent abatement of the 6-mill school property tax for a period of six years, worth up to \$468,352.

Local assistance will be in the form of a 6-year, 50 percent tax abatement valued at \$1,536,765.

BUT FOR:

The company has examined the cost differential between locating in South Bend, Indiana and Farmington Hills, Michigan and also the factors that could influence it to locate in Michigan despite a cost disadvantage. The company would not consider locating in Michigan without the MEGA tax credit to offset construction, wage, electrical and tax differentials.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for 15 years for up to 475 new jobs.

In addition, the Michigan Jobs Commission recommends a business activity credit as follows:

- A. 50 percent credit for years 1-3
- B. 100 percent credit for years 4&5.