



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
CONTACT CENTER
517 373 9808

WWW.MICHIGAN.ORG

DATE: March 15, 2005
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Michigan Bell Telephone Company
Multi-Site, Retention Credit

COMPANY NAME AND ADDRESS:

Michigan Bell Telephone Company
444 Michigan Avenue
Detroit, Michigan 48226

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HISTORY OF COMPANY:

Michigan Bell Telephone Company is a subsidiary of SBC Communications, Inc. SBC Communications is a Fortune 50 company which provides voice and data telecommunications products and services for consumers and businesses including local, long distance, DSL, wireless data networks and satellite television. The company has approximately 167,000 employees worldwide, including nearly 13,800 in Michigan.

PROJECT DESCRIPTION:

SBC is working on a Network Center Transformation Plan to provide a consistent look, function and feel of a "Single SBC" for the benefit of external and internal customers. As part of the Plan, SBC was going to close seven network centers in Southfield and Detroit and consolidate those operations to other centers outside of Michigan. SBC is now considering maintaining those network centers in Southfield and Detroit. Keeping these centers in Michigan will lead to the retention of up to 930 positions in Southfield and Detroit, with the retained jobs paying an average weekly wage of \$1,047, not including a generous benefit package.

The project would require only a minimal investment since the centers are already located in Michigan, however the company will make a \$1.9 million investment to make infrastructure upgrades and purchase new IT equipment at the facilities in 2005 and spend an additional \$1.8 million in 2006 for additional infrastructure upgrades.



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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 2,140 jobs in the state by the year 2014. We also estimate that the project would maintain total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$97.3 million (2005 dollars) due to the retention of this facility.

BUT FOR:

As part of the Network Center Transformation Plan, the seven network centers in Southfield and Detroit would have been closed and the work would have been consolidated to facilities outside of Michigan, including Ohio. The State of Ohio and City of Toledo offered SBC significant incentives to consolidate these centers to Toledo. Incentives offered for this project include jobs creation tax credits, training, property tax abatements and other financing opportunities from the Toledo Port Authority.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 per retained employee, up to \$930,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent retention employment credit for ten years, for the retention of up to 930 jobs.