



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: September 14, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Saturn Electronics & Engineering, Inc.
High Technology Credit

COMPANY NAME AND ADDRESS:

Saturn Electronics & Engineering, Inc.
255 Rex Boulevard
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

Saturn Electronics & Engineering, Inc. is a certified minority owned enterprise founded in 1985. The company is a privately-held, global provider of a wide range of components, modules and sub-systems for the automotive, appliance, and computer markets. Saturn maintains corporate offices in Auburn Hills, Michigan and operates manufacturing and engineering facilities in the United States, Mexico, and the Philippines. The company currently has 304 employees in Michigan.

PROJECT DESCRIPTION:

The company is considering an expansion of their Coopersville facility to support research, design, development, and manufacture of advanced electro-hydraulic control devices (solenoids) for the next generation of automotive engines and transmissions. Their customers are actively developing new powertrain systems including 5, 6, and 7 speed automatic transmissions that require engine related technologies such as variable valve timing, cylinder deactivation, and variable compression systems that are developed and supplied by the company. These advanced technologies are expected to improve fuel economy and overall vehicle performance.

The company expects to invest \$15-20 million, with approximately \$8-10 million required over the next three years for building expansion and machinery and equipment. The company expects to create 24 jobs in the first year of operations, and up to 124 net jobs over the first five years of operations, paying an average weekly wage of \$953.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 247 jobs in the state by the year 2013. We also estimate that the project would create total state government revenues through the year 2013, net of MEGA cost and adjusted for inflation, of \$7.28 million (2004 dollars) due to the location of this facility.

BUSINESS CASE:

Because the Coopersville location is currently nearly 100% utilized, this increase in activity must be supported through either the expansion of the existing building or through the utilization of alternate Saturn manufacturing and engineering locations. The company considered other Saturn locations for the expansion, including Monterrey, Nuevo Leon, Mexico for manufacturing and Cebu, Philippines for engineering support. The company compared the costs of undertaking the project in Coopersville, or in Mexico, and estimates that operating costs will be up to \$7 million higher in Michigan each year, mainly because of higher labor and benefit costs. The company believes that the proximity of their design facility will increase their business opportunities with the Big Three, partially offsetting this differential.

OTHER STATE AND LOCAL ASSISTANCE:

The company will be eligible for job training assistance of \$500 per worker for 124 new workers, or up to \$62,000, under the Economic Development Job Training program.

The State of Michigan will also offer 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$225,000.

The City of Coopersville has approved 50 percent abatement of the company's taxes on new real property for 12 years and new personal property for 9 years. The estimated value of the local property tax abatement is \$939,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for nine years, for up to 124 net new employees.