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## MEMORANDUM

DATE: April 25, 2001

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President  
Michigan Business Development

SUBJECT: Briefing Memo – Siemens Automotive Corporation

### COMPANY NAME AND ADDRESS:

Siemens Automotive Corporation  
2400 Executive Hills Blvd.  
Auburn Hills, Michigan 48326-2980

### HISTORY OF COMPANY:

Siemens Automotive Corporation was founded in 1985 in Regensburg, Germany and now has twenty plants located around the world. It established its headquarters in Auburn Hills, Michigan in 1998. Siemens Automotive Corporation is a wholly owned subsidiary of Siemens Corporation located in New York, which in turn is a wholly owned subsidiary of Siemens A.G., the parent company in Germany which was founded in 1846.

Siemens Automotive is a first tier automotive electrical component and systems supplier. Siemens Automotive designs, engineers and builds automotive electrical and electronic components and systems for the entire automobile. Its products include wiring harnesses, electronics for power windows, sun roofs, seats, clutch systems, hydraulic pumps and brakes, heating and cooling systems and a variety of automotive sensors. Siemens Automotive supplies Ford, General Motors, DaimlerChrysler, Honda and Renault among other companies and industries requiring electronic and microprocessor systems.

### PROJECT DESCRIPTION:

Siemens Automotive is proposing to build a 250,000 square foot new vehicle and application engineering facility at its Auburn Hills North American headquarters campus. The facility will include a state of the art research and development testing facility with engine chassis

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dynamometers, emission testing, a model shop and CAD facilities plus offices for the professionals and engineers. It will be an entirely new operation employing approximately 800 new staff. The average weekly wage will be \$1,265 and capital investment is anticipated to be \$67.5 million. Construction of the new facility would begin by mid-May of this year and be complete by October, 2002. Operations would begin in the new facility in January, 2003.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,231 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjustment for inflation, would be increased by \$76.5 million (2001 dollars) due to the presence of this facility.

**BUT FOR:**

As part of the company's decision-making process, it conducted a comprehensive analysis between Auburn Hills, Michigan and Columbia, South Carolina. South Carolina is the company's alternative location, primarily due to the success of a recent joint venture project, which the company located there. South Carolina is also the home of BMW's U. S. plant and numerous German automotive suppliers. On a cost basis, putting this facility in South Carolina rather than Michigan would save the company an estimated \$4 million per year due to lower lease costs and wage rates in South Carolina.

From an overall business case perspective, there are a lot of intangible reasons for the company to put this expansion in Michigan. These include being at the center of the U.S. automotive industry, having a larger talent pool to recruit engineers and other automotive professionals, an excellent relationship with local and state level governmental units and the success the company has been able to enjoy since locating its North American Headquarters in Michigan.

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These intangibles are not enough, however, to convince the Board of Siemens to put this expansion in Michigan. An offset of some of the cost differential via a MEGA tax credit is necessary to make a more solid business case favoring Michigan.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,250 for each of the 800 new employees, totaling \$1,000,000. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$1,419,033.

The City of Auburn Hills will provide a 50 percent abatement of the company's real and personal property taxes for eight years. The estimated value of this local abatement is \$4,833,973.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 75 percent for thirteen years for up to 800 net new jobs.