

**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** October 17, 2006  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development

**SUBJECT:** Briefing Memo – Siemens VDO Automotive Corporation  
Combination Standard and Retention Credit

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**COMPANY NAME AND ADDRESS:**

Siemens VDO Automotive Corporation  
2400 Executive Hills Boulevard  
Auburn Hills, Michigan 48326

**HISTORY OF COMPANY:**

Siemens VDO is a leading international automotive supplier of electronics and mechatronics. It manufactures a comprehensive spectrum of products relating to the drivetrain, engine management electronics and fuel injection.

Siemens AG, the parent company of Siemens Corporation (North America) and Siemens VDO, is located in Berlin and Munich. The company has 461,000 employees working to develop and manufacture products, design and install complex systems and projects, and tailor a wide range of services for individual requirements. Founded more than 155 years ago, the company is active in the areas of information and communications, automation and control, power, transportation, medical and lighting. For the 2005 fiscal year, Siemens had sales of E75.445 billion and net income of E2.248 billion.

**PROJECT DESCRIPTION:**

Siemens VDO is proposing a new North American headquarters, including new vehicle and application engineering facility and test labs at an Auburn Hills, Oakland County, Michigan location. The facility will represent a consolidation of three existing locations, in addition to new employment growth. The facility will include a research and development testing facility, with engine chassis dynamometers, emission testing facility, labs, model shop and CAD facilities, in addition to offices for engineers, professionals and corporate executives. Services to be provided include research and testing of prototype electrical systems and components. The total jobs to be retained is 600, and new job growth of up to 500 jobs can be anticipated. The average annual wage of the jobs is approximately \$75,000 per employee. The total capital



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investment is expected to range from \$50,000,000 to \$60,000,000, depending on final site selection. Siemens VDO is considering relocation of this facility to Huntsville, Alabama, where it already has a manufacturing and office facility, along with open capacity for offices, testing and labs.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, it is estimated that this project will create a total of 1280 jobs in the state by the year 2016 and would increase total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, by \$41.0 million (2006 dollars). In addition, it is estimated that the retention credit will maintain a total of 1571 jobs in the state through the year 2016 and would maintain state and local government revenues, through the year 2016, net of MEGA cost and adjusted for inflation, of \$67.2 million (2006 dollars).

**BUT FOR:**

The company has considered locating these expansions in an existing facility with additional capacity that it owns in Huntsville, Alabama where the company currently has manufacturing and office operations. Taxes and utilities are considerably lower in Alabama. The annual cost differential ranges up to \$2 million annually.

**OTHER STATE AND LOCAL ASSISTANCE:**

Auburn Hills is expected to vote on a proposed a 8-year PA 198 property tax abatement for all new real and personal property related to this project within 30 days of receipt of the company's application. The estimated value of the PA 198 abatement is approximately \$1.5 million over 8 years. In addition, the state is offering a 50% abatement of the 6-mill state education tax that is worth approximately \$425,000.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent new jobs employment tax credit for 10 years, for up to 500 qualified new jobs in Auburn Hills. In addition, a job retention credit of 50 percent is recommended for up to 600 retained jobs. The retained jobs credit will be subject to a repayment clause.