MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

RETENTION OF MICHIGAN’S AUTO INDUSTRY
The MEDC

- State – Local Partnership
- Public Corporation
- Will be Linked with new Department of Labor and Economic Growth
- Ranked Top Economic Development Organization in U.S.
Account Managers meet with more than 5,200 Michigan companies annually and deliver customized services to 3,200 companies.

- Uncover potential for investment and provide expansion services.

- Work with local developers to retain companies and encourage expansions.
Michigan Automotive Partnership Roundtable

- Act as an advisory group to MEDC on auto issues
- Chaired by Dr. David Cole of CAR
- Do directed research on current issues and opportunities:
  - Michigan Automotive R&D Directory
  - Fuel Cell Report
  - Study of Auto Industry’s Importance to Michigan
Advanced Manufacturing Roundtable

- Act as an advisory council to MEDC
- Help the MEDC address the image of manufacturing and its importance
- Collaborate across industry sectors
- Provides recommendations for state and federal actions to support manufacturing
Michigan Manufacturing Technology Center (MMTC)

- State funding of $1.5 million per year
- Direct technical assistance to small and medium size manufacturers
  - Lean manufacturing & continuous improvement
  - Quality systems
  - ISO training
  - Information technology & e-commerce
MMTC (continued)

- Performance Benchmarking Service
- Regional Affiliates such as the Right Place Program deliver similar services
Positions Michigan as the world’s leading center for alternative energy technology, R&D, education and manufacturing
- Business Accelerator
- Tax-free “cash back” zone
- Exemption from tax on alternative energy products
- Statewide SBT and personal property tax exemption
MICHIGAN’S PUBLIC EDUCATION SUPPORT

- Among top five states in per pupil resources
- 173 charter schools, 14 industry-led trade academies
- 29 community colleges, 15 four-year public universities, more than 50 independent colleges, universities, institutes and the Michigan Virtual University
- Over 6,500 engineering graduates a year, ranking Michigan third in the nation.
• 29 Community College in Michigan
• 18 M-Tec’s
• $26 million of Economic Development Job Training Funds over past 5 years for Big 3 training support
• Federal Workforce Investment Act flows through 25 Michigan Works! offices
North America’s most complete supply chain of transportation equipment suppliers and service companies are in Michigan.

- Advantages over other regions
- Skilled and experienced companies offer immediate services
- All of this is “taken for granted”, but we need to put a monetary value on this.
Michigan hosts 85 percent of U.S. Vehicle-Related R&D Activity

Michigan is #1 state in per capita private R&D investment

$13.5 billion annual R&D spending supports 65,000 employees

All of Big 3 have R&D centers plus Toyota, Nissan and Hyundai

Tier One centers include Delphi, Visteon, Lear, JCI, Bosch, Denso, Siemens.
STATE AND LOCAL BUSINESS INCENTIVES

- Partial and total property tax abatement for new investment
- Property tax exemptions for inventory, short lived tooling and pollution control equipment
- Job training grants
- Single Business Tax Credits
  - New job creation MEGA
  - Retained job MEGA
  - High technology MEGA
  - Brownfield
STATE AND LOCAL BUSINESS INCENTIVES (cont.)

- Tax increment financing
- Public infrastructure grants
SOME RECENT SUCCESSES

- GM’s Lansing Grand River plant built on a brownfield in the city
- 1,500 retained jobs with $500 million investment
- Job Retention MEGA, Property Tax Abatement, Public Infrastructure, Job Training = $169 million
SOME RECENT SUCCESSES (cont.)

- Compared to University of Michigan’s REMI forecast of $27 billion of new personal income and $2.1 billion net new state revenue over 20 year term of incentives

- State tax expenditure of $108 million returns $2.1 billion state revenue or $1 of state tax incentives returns $19 of state revenue.
ANOTHER SUCCESS

- Ford’s Heritage project at historic Rouge Complex in Dearborn
- 3,800 retained jobs with $1 billion investment
- Job Retention MEGA, SBT Brownfield Credit, Property Tax Abatement, Public Infrastructure and Job Training = $222 million
Compared to University of Michigan’s REMI forecast of $17.8 billion of new personal income and $1.32 billion new state revenue over 20 year term of incentives.

State tax expenditure of $156 million returns $1.32 billion state revenue or $1 of state tax incentive returns $8.46 of state revenue.
ANOTHER SUCCESS

- DCX, Hyundai, Mitsubishi J-V’s Global Engine Alliance selected Dundee, Michigan in south central Monroe County
- 400 new jobs with $374.9 million investment
- Job Creation MEGA, Property Tax Abatement, Public Infrastructure and Job Training = $55 million.
Compared to University of Michigan’s REMI forecast of $1.18 billion of new personal income and $76.1 million of new state revenue.

State tax expenditure of $26.8 million returns $76.1 million state revenue or $1 of state tax incentives returns $2.84 of state revenue.
ANOTHER SUCCESS

- Hyundai’s North American Technical Center in Superior Township (Ann Arbor)
- 400 new jobs with $117.3 million investment
- High Technology MEGA and Property Tax Abatement = $28.7 million
Compared to University of Michigan’s REMI forecast of $1.34 billion of new personal income and $103 million of new state revenue.

State tax expenditure of $22.2 million return $103 million or $1 of state incentives returns $4.64 of state revenue.
STATE CHALLENGES

- Future of Big 3?
- Global outsourcing and continued decline of industrial infrastructure
- Improve timeliness of environmental permitting
- Health care system and cost
- Continuous improvement of state business climate
- State revenue and budget issues
- State-of-the-Art business incentives
- Global competition for automotive plants.