

**The Economic Effects on Michigan of the
Faurecia Automotive Seating Assembly Plant**

Prepared by the Michigan Economic Development Corporation utilizing Regional
Economic Models, Incorporated (REMI) software.

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Abstract

Faurecia Automotive Seating is considering building a seating assembly plant in Auburn Hills, Michigan. This facility would assemble seats for the General Motors Lake Orion facility. The new facility would employ up to 205 people by the end of 2005. We estimate that by 2013, this location will have generated a total of 389 jobs in the state. Total state government revenues through 2013, net of MEGA costs and adjusted for inflation, would increase by \$19 million (2002 dollars) due to the location of the Faurecia Automotive Seating Assembly Plant.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Faurecia Automotive Seating locating an assembly plant in Auburn Hills. Investment activity would take place between March 2003 and June 2004 with an investment of \$14 million. The facility would employ an additional 205 people and would be at full production by 2005.

The estimates of the benefits attributable to the project include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2004 to 2013, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2004 to 2011, and a tax credit to the company equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2004 to 2013.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are created from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2005, the first year of full operations, an additional 566 jobs are generated in the state. The total number of jobs (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 2.11 over the period 2003 to 2013. Sectoral detail on the employment is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Faurecia Automotive Seating were to locate in Michigan under the incentive program, state personal income in 2005 would be higher by \$35 million (in current dollars) than it would be without the facility, and in 2013, it would be \$40 million higher. Adjusted for inflation, these numbers in 2002 dollars would be \$33 million in 2005 and \$32 million in 2013.

The gain in economic activity results in higher government revenues. We estimate that in 2005, the first year of full operations without investment activity, the facility would generate \$2.8 million in additional gross state revenue, and that the MEGA package would provide a \$962,000 incentive to Faurecia Automotive Seating. Thus, the new Faurecia Automotive Seating facility would increase state revenues in 2005 by \$1.8 million, net of MEGA costs.

Over the period 2003 to 2013 state government revenue is projected to increase by \$30 million (in current dollars) due to the new Faurecia Automotive Seating facility. The MEGA incentive package for Faurecia Automotive Seating is forecast to cost \$8.3 million over the period, resulting in a net increase in state government revenue of \$21.7 million. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2013 would be \$19 million in 2002 dollars. These calculations do not include any revenue losses due to the property tax abatement or the investment tax credit. If the costs of the abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of the estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Faurecia Automotive Seating
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Total Employment											
Manufacturing	415	566	535	501	474	452	433	416	398	389	
Non-Manufacturing	179	251	245	239	235	231	228	225	222	220	
Retail Trade	236	315	290	262	239	221	205	191	176	169	
Services	50	68	64	59	54	51	48	45	42	41	
Other	97	128	118	106	97	91	84	79	74	73	
	89	119	108	97	88	79	73	67	60	55	
In Current Dollars (Thousands):											
Personal Income	\$22,890	\$34,480	\$36,410	\$37,320	\$37,900	\$38,600	\$39,120	\$39,640	\$39,400	\$39,890	\$374,256
Gross State Revenue	1,831	2,758	2,913	2,986	3,032	3,088	3,130	3,171	3,152	3,191	29,940
Mega Cost	338	962	1,041	988	977	1,007	1,041	1,078	415	438	8,286
State Revenue Net of MEGA Cost*	\$1,493	\$1,796	\$1,872	\$1,998	\$2,055	\$2,081	\$2,089	\$2,093	\$2,737	\$2,753	\$21,654
Adjusted for Inflation (Thousands of 2002 Dollars):											
Personal Income	\$22,011	\$32,505	\$33,653	\$33,819	\$33,675	\$33,583	\$33,295	\$32,996	\$32,065	\$31,737	\$327,780
Gross State Revenue	1,761	2,600	2,692	2,706	2,694	2,687	2,664	2,640	2,565	2,539	26,223
Mega Cost	325	907	963	896	868	876	886	897	338	348	7,304
State Revenue Net of MEGA Cost*	\$1,436	\$1,693	\$1,729	\$1,810	\$1,826	\$1,811	\$1,778	\$1,743	\$2,227	\$2,191	\$18,919

* These estimates do not include any state government revenue losses due to the Investment Tax Credit, the Renaissance Zone Credit or the property tax abatement.