



MEMORANDUM

ORIGINAL

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DATE: November 18, 2003
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Ford Motor Company – City of Wayne
Retention Credit

FILE

COMPANY NAME AND ADDRESS:

Ford Motor Company
One American Road
Dearborn, Michigan 48126

HISTORY OF COMPANY:

Ford Motor Company began producing and selling automobiles designed and engineered by Henry Ford in 1903, and has become the world's second-largest producer of cars and trucks combined. Ford sells vehicles in more than 200 countries and territories around the world, and has manufacturing facilities on six continents. In 2002, the company sold 7 million vehicles, and employed 350,000 people worldwide.

The Ford Wayne Assembly operation currently employs 7,029 workers. The facility produces the Focus, Expedition and Navigator models.

PROJECT DESCRIPTION:

Ford Motor Company is assessing the possibility of consolidating all North American Focus production at the Wayne facility, which would relocate production from Mexico and Europe. They would also add vehicle enhancements to extend the life of the product line. In addition to Focus production, they are also considering a new SUV derivative based on the Expedition platform. Without major updates to these product lines, annual volume of these products is likely to decline over the next few years, resulting in reduced employment at the facility.

The project would require an investment of up to \$583 million and the retention of up to 2,662 employees. It is anticipated that capital expenditures would begin in 2003 and continue through 2007. The retention of employees would begin in the last quarter of 2005, and increase as production ramps up. The retained jobs would pay an average weekly wage of \$967.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate that this facility will retain a total of 11,426 jobs in the state by the year 2024. We also estimate that the project would maintain total state government revenues through the year 2024, net of MEGA cost and adjusted for inflation, of \$970 million (2003 dollars) due to the retention of this facility.

BUSINESS CASE:

Ford Motor Company is assessing production plans for all of its manufacturing operations and must pay particular attention to putting production where it can get the lowest costs. While the company would like to see the Wayne operation continue to operate at its current level, it is making decisions based on a number of variables, including available capacity, a successful labor agreement and an incentives plan from the State and local government that will enhance the business case and strengthen the company's ability to operate profitably.

The project involves moving production from Mexico and Europe. Since the bulk of the relocated production is from Mexico, Ford faces higher wage and fringe benefit costs in Wayne, which are partially offset by savings in transportation costs. The project also requires a major capital commitment, including building alterations and a new flexible body shop. Operating costs at the Wayne facility are more than \$20 million higher each year than the other locations under consideration. Without the MEGA and other incentives, this project would not be feasible in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer an abatement of 100 percent 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 \$10 million.

The City of Wayne is expected to approve a 50 percent abatement of the company's new real and personal property taxes for 12 years at their December 2, 2003 city council meeting. This tax abatement has an estimated value of \$48 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the retention of up to 2,662 jobs for a period of 20 years.