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Testimony of Frank W. Ervin III

Magna International Inc.

Before the Michigan House Roads and Economic Development Committee

May 26, 2015

Good afternoon Mr. Chairman and Members of the Michigan House Roads and Economic Development Committee. My name is Frank Ervin. I am the Director of Government Affairs for Magna International, and on behalf of the more than 10,150 Magna employees working at our 27 manufacturing and 11 research and development facilities across Michigan, I'd like to share Magna's perspectives on House Bills 4607 and 4608.

Magna International is a leading global automotive supplier with 316 manufacturing operations and 87 product development, engineering, and sales centers in 29 countries. We have approximately 133,000 employees focused on delivering superior value to our customers through innovative products and processes, and World Class Manufacturing. Our product capabilities include producing body, chassis, interior, exterior, seating, powertrain, electronic, vision, closure and roof systems and modules, as well as complete vehicle engineering and contract manufacturing.



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Magna Position

Let me start by saying that Magna ~~strongly~~ opposes House Bills 4607 and 4608, along with any other budgetary efforts to cut MEDC funding for operations or business incentives. In support, I'd like to lay out

(1) Michigan's incentive investments in Magna and (2) Michigan's return on those incentive investments:

- Since 2009, Michigan has invested more than \$46.6 Million to incentivize Magna projects in Michigan.
- In return, since 2009, Magna has invested more than \$800 million in capital spending, which includes new plant costs, expansions of existing facilities, and machinery and equipment.
- In 2009, Magna's total headcount in Michigan was 4,575. Today, that number has grown to more than 10,150. That is an increase of more than 5,575 new jobs.
- Since 2009, Magna's total payroll in Michigan has exceeded \$2.4 Billion.
- As a result of this payroll, since 2009, Michigan received more than \$93.8 Million in State Income Tax Withholdings from Magna employees.
- Since 2009, Magna has paid more than \$26.8 Million in Michigan Corporate Income Taxes (MBT/CIT). That number is after any and all incentive credits used to offset tax liability.
- Magna facilities have paid more than \$17.1 Million in Real and Personal Property Taxes at its new Michigan facilities and facility expansions.
- Since 2009, Magna's Michigan-based facilities have purchased more than \$4.8 Billion in goods and services from Michigan-based vendors and suppliers.



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The MEDC budget cuts defined in House Bills 4607 and 4608 are misguided based upon the real return on investment for Michigan from the awarded incentives. If passed, these bills would essentially eliminate the MEDC. Without the MEDC and its programs, including the MBDP Grant, Skilled Trades Training Fund, and Community Ventures, which are vital to companies like Magna, Michigan could have lost out on much of Magna's investment, job creation, and economic impact since 2009. House Bills 4607 and 4608 threaten to irreparably harm Michigan's ability to compete for new manufacturing projects by forcing companies like Magna to invest and create jobs in more business friendly environments. In order to remain competitive, Michigan should *expand* business incentives and training programs – not functionally eliminate them altogether.

Conclusion

Magna requests that you consider our positions regarding House Bills 4607 and 4608. Business incentives and economic development have played an important role in attracting Magna investment and job creation in Michigan. The return on investment for the State of Michigan and its citizens is undeniable. The complete elimination of economic development programs threatens to put Michigan at a competitive disadvantage and stymie future manufacturing growth. We agree that a sustainable solution that speaks to fixing Michigan's infrastructure should be found, but not at the expense of a strong business attraction policy. Thank you.