

Blockbuster Deal

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\$50.1 Million in Incentives

SE Michigan Lands GEMA's \$323-Million, 250-Employee Plant

By **JACK LYNE**, *Site Selection* Executive Editor of Interactive Publishing

DUNDEE, Mich. – Little **Dundee** has done it again. A small (3,600 residents) **Michigan** city sitting 58 miles (93 kilometers) southwest of downtown Detroit, Dundee has landed the **Global Engine Manufacturing Alliance's** (GEMA) second U.S. plant, a US\$323-million, 450,000-sq.-ft. (40,500-sq.-m.) project.

A joint venture between **DaimlerChrysler** (www.daimlerchrysler.com), **Hyundai** (www.hyundai-motor.com) and **Mitsubishi** (www.mitsubishi.com), GEMA had picked Dundee for its first assembly plant back in February 2003. The joint venture's newly announced operation will be a totally separate facility, built beside GEMA's other plant.

A \$400-million project, the first plant is scheduled to come online in 2005. In 2006, GEMA's second Michigan assembly plant will begin operations.

"Our volume requirements have grown significantly since we began planning the first plant in Dundee," said Bruce Coventry, president of the joint venture formed in May of 2002. "We will be supplying more than 25 future vehicle programs for our alliance partners. Plus, we will look at possible other commitments in the future."

GEMA's newest plant will double the Michigan operation's total production capacity. With both plants online, GEMA in Dundee alone will be able to annually assemble as many as 840,000 four-cylinder aluminum engines for small and midsize cars.

The project will also double employment and square footage at the joint venture's 270-acre (108-hectare) site. The second Dundee plant will add 250 new jobs, bringing the two facilities' total work force to 500 employees. Together, the two plants will span 900,000 sq. ft. (81,000 sq. m.) of space.

"Global Engine has chosen Dundee and Michigan, not once, but twice," Gov. Jennifer Granholm (D) said in announcing the project at Dundee High School. "The company decision to continue to grow here is a testament to the top quality of the area's work force, as well as to the outstanding collaborative efforts of state, local, business and labor organizations that worked together to make this expansion a reality."



The little village that could: With GEMA's second plant, the small (3,600 residents) Michigan village of Dundee (pictured) will home to 500 of the joint venture's employees in 900,000 sq. ft. (81,000 sq. m.) of space.



"We'll give you about 20 million reasons to expand here," joked Gov. Granholm (pictured earlier this year during her State of the State address in Lansing).

'Partnerships' Include \$50.1 Million in State, Local Subsidies

Dundee won the project over six other locations that made GEMA's short list, Coventry said. Contending sites, he explained, included sites in Indiana and Wisconsin, as well as others in unspecified Southeast states.

"All the locations had attractive elements, but Dundee already had the most perfect site for us," Coventry said at the city's high school. "We had everything we needed right here, including a number of great partnerships with the state and with the village."

Those partnerships produced a \$50.1-million incentive package for GEMA's second plant.

"We'll give you about 20 million reasons to expand here," Granholm joked from the podium.

The state's slice of GEMA's incentives is actually larger, totaling as much as \$21.6 million over 20 years. That subsidy is coming from Single Business Tax credits that GEMA was awarded by the Michigan Economic Development Corp. (www.medc.michigan.org).

Other major incentives for the joint venture's second U.S. plant include:

- a 50-percent, 12-year abatement of new real and personal property taxes from the city that's worth an estimated \$19.7 million;
- a \$5-million federal Community Development Block Grant to assist the city with building a new wastewater treatment plant and with pre-employment training assessment for GEMA job applicants.
- a worker-training grant valued at more than \$2.6 million from the Southeast Michigan Community Alliance (www.semca.org), part of the state's MichiganWorks! program;
- an \$800,000 Transportation Economic Development grant through the Michigan Department of Transportation for roadway improvements.

While clearly sizable, the \$50.1 million in incentives for GEMA's second plant is less than half of the \$115 million in state and local subsidies for the first Dundee factory. Negotiations for GEMA's initial project straddled two gubernatorial administrations: those of both Granholm and John Engler, her Republican predecessor. Last year's announcement of GEMA's first Dundee plant came only six weeks after Granholm's inauguration.

GEMA Plants Aim to Slash Engine Production Time by More than Half

The tripartite auto venture will also likely find a strong available work force in the region, where DaimlerChrysler has laid off a number of workers. And GEMA's jobs should be in demand. Pay at the engine plant will average \$26 an hour, Coventry said.

(Several hundred of DaimlerChrysler's idled employees are already headed back to work. Chrysler announced last month that it was adding a third shift at its truck plant in Warren, Mich., to meet brisk demand for its Ram pickup.)

GEMA's new workers in Dundee will be part of a major initiative to increase production time-efficiencies, said Chrysler Chief Operating Officer Tom LaSorda. Chrysler's U.S. plants currently take an average of 4.87 hours to build an engine, according to Harbour & Associates' reports. That's the auto industry's second-slowest rate.

LaSorda thinks GEMA's new plants are a major step forward in Chrysler's efforts to more than halve its engine production time. The company's goal is to slash that time to less than two hours. That would be significantly less than the auto industry's current time-efficiency leader, Toyota. The Japanese automaker's U.S. plants average 2.95 hours in making an engine, according to Harbour & Associates.



"All the locations had attractive elements, but Dundee already had the most perfect site for us," said GEMA President said Bruce Coventry (pictured).

Chrysler will use most of the engines built at the Dundee plant, said Coventry. The rest of the output will go to Mitsubishi's assembly factory in Normal, Ill.

Korea Plant Will Begin Making GEMA's Engines This Year

Chrysler is counting on GEMA's collaborative strengths to make a major contribution in increasing production efficiencies. Each of the joint venture's three partner companies is taking the lead role in specific areas, including plant development planning and implementation, facility layout, production processes, and work-force strategy.

"The objective is to compete with anybody, anywhere," Coventry said of GEMA's underlying strategy. "We can take advantage of incredible advantages from the standpoint of economies of scale, sourcing and investment. So we've designed this facility on an entirely different model. We'll have state-of-the-art production equipment and technology, innovative new processes and the right people to make it all work."

DaimlerChrysler is clearly chief among GEMA's three equals; it owns a controlling 37-percent stake in Mitsubishi and 10.5 percent of Hyundai. Seoul-based Hyundai, however, developed the basic design for the first new engines that the joint venture will build.

In addition, the Korean company will be the first to manufacture GEMA's engines. Hyundai later this year will begin production at one of its existing Korean plants. The company also plans to make the joint venture's engines at another of its existing Korean production operations.

Mitsubishi plans to follow a similar strategy. The company will make GEMA's engines at one of its existing Japanese plants.

The Dundee plants, however, will mark the first time that the three alliance partners meld production procedures under one roof.

Make that *two* roofs, given the second plant's announcement.



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