



August 21, 2018

Mark Hogan, CEO
Wisconsin Economic Development Corporation
201 West Washington Avenue
Madison, WI 53703

Dear Secretary Hogan,

As details of the Foxconn project continue to evolve, I am writing with serious questions about the scope of this project and how it will impact our state budget for decades to come. Based on the most current information coming from Foxconn representatives, many of the recent claims about the state of the Foxconn project from the Walker Administration and the Wisconsin Economic Development Corporation appear to be inaccurate.

After initially denying reports in May about changes to the scope of the project, Foxconn officials have now confirmed that they will be constructing a smaller screen (Generation 6) LCD panel plant, not a large panel (Generation 10.5) LCD plant as originally planned. According to industry experts, the facility Foxconn is now building only requires an estimated \$2 billion to \$3 billion investment and will not require a local supply chain. In addition, the Walker Administration describes the size of the project as a "20-million-square-foot campus". This footprint estimate is from the initial plan for a large screen Generation 10.5 facility, not the updated plan.

My concern is that the initial Foxconn announcement made on July 26, 2017 described a "*state-of-the-art Gen 10.5 manufacturing facility for the production of LCD panel products.*" The debate that followed before the Joint Finance Committee, State Assembly, and State Senate involved the consideration of *this* specific technology and its viability in future decades. The contract signed by WEDC a little more than three months after the announcement included specific language on the Generation 10.5 LCD panel production facility.

The very clear contract language on what WEDC signed with Foxconn, item (o) on page 4 in the section on definitions states:

"The "Project" means the economic investment activities of locating the Recipients' and Guarantors' Generation 10.5 TFT-LCD Fabrication Facility and supporting operations in the Electronics and Information Technology Manufacturing Zone, the capital investment of up to Ten Billion Dollars and the creation of up to 13,000 new Full-Time Jobs, as outlined in the Recipients' Application, for which WEDC is certifying Recipients as eligible for receiving tax credits."

Despite the significant scope change between what was passed by the Legislature and the actual project moving forward, both the administration and Foxconn continue to use the investment and economic

impact data associated with a study for the original project. In July of 2017, the Ernst & Young stated in their report that they were “*commissioned to estimate the potential economic impacts in Wisconsin that would result from the construction and operations of a proposed generation 10.5 LCD fabrication facility, related Liquid Crystal Module (LCM) assembly and final TV assembly operations (Fab 818).*” This analysis of the Generation 10.5 facility produced the estimates of as much as \$10 billion of capital investment and as many as 13,000 direct and 22,000 indirect jobs. In addition, the average compensation figures still being promoted are for positions that do not apply to the project under construction.

I am requesting in writing responses to the following questions from WEDC:

- 1. How is WEDC accounting for the discrepancy between the estimated \$10 billion investment for a Generation 10.5 plant and the industry estimated \$2-3 billion needed for the Generation 6 plant moving forward?**
- 2. Why is WEDC, the Walker Administration, and Foxconn management continuing to use investment and job numbers associated with a different project?**
- 3. Foxconn officials are now stating they are building a Generation 6 facility. How is this change being addressed at WEDC? When can we expect to receive new numbers on Foxconn’s investment, tax credits, job estimates, and supply chain management?**

In a June 28, 2018 Milwaukee Journal Sentinel article, Mark Maley, WEDC’s public affairs and communications director was quoted as saying “*It’s up to Foxconn — and not state government — to determine what the best use of that facility is... It’s not the state’s role to get involved in the business operations of one of the largest and most successful companies in the world.*”

- 4. Was WEDC alerted to the changes in the project scope or is Foxconn operating independently of the contract they signed with WEDC?**

The organic, Wisconsin-based supply chain promised by the Administration and Foxconn also appears to be in jeopardy. Foxconn’s new plan for a Generation 6 facility will no longer require a glass substrate plant on site. The supply chain that was supposed to create thousands of indirect jobs will now look completely different. Louis Woo, special assistant to Foxconn Chairman Terry Gou stated, “*We can just ship (glass) from somewhere else, could be from Kentucky or somewhere.*” Many of the smaller components required for the Generation 6 screen will come from the existing supply chain in China.

- 5. With as much as \$4 billion of public money subsidizing Foxconn, why was no member of the legislature briefed on these changes that were not debated before the legislature or included in the enabling legislation?**

The non-partisan Legislative Fiscal Bureau (LFB) estimates that Wisconsin taxpayers would not break even on the original Generation 10.5 LCD panel plant deal until 2043, under the best case scenario. All the data points and projections compiled by Ernst and Young and Baker Tilly, which were then analyzed by the LFB, are based on a Generation 10.5 plant. One can safely assume that with a plant that is only

20-30% the size of the original project and no longer requires a glass substrate facility on-site, there will be less than 13,000 jobs created at Foxconn in Wisconsin.

In addition to the Generation plant financial details, it has been reported that the original request for proposal document that was sent by Ernst and Young to WEDC on May 15, 2017 included a separate proposal for the Generation 6 LCD plant. This included information about the smaller project's job creation and capital investment levels. However, a November 13, 2017 BizTimes Milwaukee story by Arthur Thomas states that WEDC redacted the information about jobs and capital investment associated with that information.

- 6. Ernst & Young provided WEDC with the estimates for job creation, position classification and compensation, and capital investment for the Generation 6 LCD plant currently under instruction in Wisconsin. So why did WEDC refuse to release those numbers, while continuing to use the figures from the larger screen project?**
- 7. Will WEDC be transparent and provide the accurate financial information to inform the people of Wisconsin how many people will actually be employed, what their median compensation will be, and how much will be invested in the actual project?**

Since June, Foxconn has been announcing real estate purchases around the state for "innovation centers". These buildings, in Eau Claire and Green Bay, have been announced with Governor Walker, therefore indicating some involvement with our state government. During the Green Bay announcement, Foxconn indicated that the innovation center there would be not be open until after the November election.

In Eau Claire, a city councilman said Foxconn had not submitted any detailed plans to city leaders despite the announcement that the company purchased two properties in downtown Eau Claire and planned to create 150 jobs. Five weeks later, it is unclear if Foxconn has even closed on either property. The company has not answered media requests as to the purchase price, the economic justification for selection of these locations, or even when hiring and operations will begin. That has not stopped Governor Walker's re-election campaign from using the announcements in commercials less than three weeks after the announcement despite the lack of information.

- 8. With the Walker Administration involved in these announcements, can WEDC provide timelines or other assurances as to when Foxconn will hire in these locations? Will these purchases be completed before 2019?**

During the debate before the Joint Finance Committee, State Assembly, and State Senate, the public was told that cash payments from the state to Foxconn for job creation would only count for wages under \$100,000. From the beginning legislators and taxpayers were told that the average wage of workers at Foxconn will be \$53,875. However, the contract signed between WEDC and Foxconn allows for salaries up to \$400,000 to be counted when computing the average salary. As has been reported, by counting salaries up to \$400,000, Foxconn could pay employees \$53,875 on average a year and still pay more than 90 percent of them only \$30,000 a year.

Foxconn has not released a detailed report showing what positions will be required for the revised project, nor has it included what the compensation will be for those positions. However, since the Administration and Foxconn continue to highlight an average wage of \$53,875 while including salaries up to \$400,000, it is important to provide a more meaningful breakdown on the wages that can be realistically expected for the majority of workers. The correct way to report this information is to provide the median salary for non-hourly workers, and then separately provide the median wage for all hourly workers.

9. Why did WEDC allow for salaries above \$100,000 to be included for consideration in average wages paid by Foxconn?

10. Could WEDC provide a detailed report showing what positions will be required for the Generation 6 LCD panel plant, and what the compensation will be for those positions?

11. Could WEDC provide the median salary for non-hourly workers and then separately provide the median wage for all hourly workers.

On Friday, June 22, 2018, the Chairman of Foxconn, Terry Gou, said the company plans to replace 80% of workers with robots in the next 5-10 years at their annual meeting. In ten years it is possible that the company will have utilized credits for construction of a facility and credits for a workforce that will be 80% replaced by robots by 2028.

12. Has WEDC done any long term planning for the effect automation will have on the future workforce at Foxconn?

I look forward to your reply.

Sincerely,



Gordon Hintz
Assembly Democratic Leader
State Representative- 54th Assembly District