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FOR INFORMATION CALL

April 11, 2018

Ald. Robert Bauman
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Release of Council report to ramp up scrutiny of Foxconn development

Starting tomorrow (**Thursday, April 12**) vetting of the massive Foxconn development will reach an intensive new level when the 54-page document *An Overview of the Foxconn Technology Group and Plans for Wisconsin Operations* (**attached**) is made public.

Alderman Robert J. Bauman, chair of the Public Works Committee, said the report – prepared by the Legislative Reference Bureau – looks in-depth at the history, financials and global operations of the Foxconn Technology Group, and its plans for development in Wisconsin.

“This detailed look at the Foxconn project by the Common Council is really the first time the public will see what is planned, the Foxconn record in several key areas, and how the company has operated during its history,” Alderman Bauman said. “Because the project was jammed through and there have been no real public hearings at the state or local levels, this is a first real dive into the Foxconn project details.”

The report covers a wide array of Foxconn topics, including working conditions, water usage, utilities, public transit, worker safety, suicides, environmental record, incentives, and broken promises.

The **report will be taken up** by the Steering and Rules Committee when it meets tomorrow (**Thursday, April 12**) at **9 a.m.** in room 301-B at City Hall, 200 E. Wells St. The meeting will be carried live on Spectrum Cable, AT&T U-Verse and the City Channel at www.milwaukee.gov/channel25.

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Foxconn Company Profile

Prepared by the Legislative Reference Bureau

**An Overview of the Foxconn Technology Group
and
Plans for Wisconsin Operations**

April 2018

Report by the Legislative Reference Bureau reviewing the history, financials and global operations of the Foxconn Technology Group, and its plans for development in Wisconsin.

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FOXCONN COMPANY PROFILE

City of Milwaukee, Wisconsin
April 2018

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TABLE OF CONTENTS

I.	HISTORICAL OVERVIEW	1
II.	CORPORATE STRUCTURE AND FINANCES	4
III.	GLOBAL OPERATIONAL ISSUES AND PROBLEMS	8
	A. Working Conditions	8
	B. Worker Safety	13
	C. Suicides	14
	D. Environmental Record	15
	E. Broken Promises	19
IV.	FOXCONN PLAN FOR WISCONSIN	20
V.	STATE AND LOCAL INCENTIVE PACKAGES	23
	A. Direct State Incentives	23
	B. Indirect State Incentives	25
	C. Local Incentives	27
	D. Cost of State and Local Incentives	29
	E. Streamlined Legal Process	32
VI.	INFRASTRUCTURE ISSUES IN WISCONSIN	33
	A. Water Usage	33
	B. Utilities	34
	C. Road Improvements	35
	D. Public Transit	37
VII.	WORKFORCE DEVELOPMENT	39
	APPENDIX – FINANCIAL REPORT	41

I. HISTORICAL OVERVIEW

Foxconn Technology Group (Foxconn) is the trade name for Hon Hai Precision Industry Co., Ltd. Foxconn was established by Tai-Ming “Terry” Gou in 1974, and is a multinational electronics contract manufacturing company headquartered in Tucheng, New Taipei, Taiwan.¹

Foxconn’s first manufacturing facility in the People’s Republic of China opened in Longhua Tou, Shenzhen, in 1988.² Today, Foxconn is the largest contract electronics company in the world and the fourth largest information technology company by revenue.^{3, 4} It is also the manufacturer of consumer electronic devices for several American companies, including Apple, Microsoft, Amazon, Cisco, Google, Hewlett-Packard and Vizio.⁵

A brief history includes:⁶

- 1974 - Company founded to manufacture plastic dials for televisions.
- 1980- Atari ordered game console joysticks.
- 1981 - Began manufacturing connectors for the computer industry.
- 1988 - Main manufacturing plant opened in Shenzhen, China
- 1991 - Listed on Taiwan Stock Exchange.
- 1996 – Began production of PC cases; became the world leader within 1 year.
- 2002 - Became largest Chinese exporter
- 2010 - First achieved \$100 billion in sales
- 2012 - Acquired stock in Japanese electronics company, Sharp Corporation
- 2013 - Ranked 30th among Fortune Global 500
- 2016 - Ranked 25th among Fortune Global 500

Currently, Foxconn employs 873,000 people worldwide, including an estimated 450,000 workers employed at the company’s Longhua Services and Technology Park (“Foxconn City”), consisting of 15 factories.⁷ Foxconn’s current workforce reflects a reduction from

a high of 1.3 million workers as a result of increasing automation in its factories. Most of the company's manufacturing plants are in China, though it has facilities worldwide.

In 2016, Foxconn had nearly \$140 billion in sales revenue and \$5 billion net income.⁸ Foxconn manufactures computer, communication and consumer electronics products for a number of companies including:⁹

- iPhones, iPads and iPods for Apple.
- Android smartphones for Motorola, Sony, Huawei, Xiaomi and OnePlus.
- Windows smartphones for Nokia.
- Blackberry smartphones.
- Game consoles including Microsoft Xbox, Sony Playstation and Nintendo Wii U.
- Amazon Kindles.
- Computers and equipment for Acer, Dell, HP, Levono, Cisco, IBM, Intel, Ericsson and Phillips.
- Televisions for Sony, Sharp and Toshiba.

In 2012, Foxconn manufactured 40% of consumer electronics sold worldwide.¹⁰ That dominance has continued. Its largest client is Apple, which provided about 50% of Foxconn's revenue in recent years.¹¹

Personal Life

Terry Gou was born in Taiwan in 1950 to parents who fled from mainland China during the Chinese civil war. His father was a career police officer. Terry's younger brother, Tony Gou, is also a successful businessman. In 1974, Terry Gou married Serena Lin, who died of breast cancer in 2005 at the age of 55. They had 2 children, a son, Jeffrey, and a daughter, Shirley. While Jeffrey is involved in Foxconn Group's film-production and real-estate operations and Shirley oversees her parents' educational charity, neither appear interested in running Foxconn one day.^{12,13}

Terry Gou married Delia Tseng in 2008. They have three young children, the eldest of whom is about 8 years old.

II. CORPORATE STRUCTURE AND FINANCES

Financial statements based on Hon Hai Precision Industry Co., Ltd.'s financial reports are presented in the appendix. Unless otherwise noted, the primary source of information for the financial data in this section was Hon Hai Precision Industry Co., Ltd.'s annual financial reports or summaries thereof.

Foxconn Technology Group is governed by a 9-member board of directors who serve 3-year terms. The current term started on July 1, 2016, and will expire on June 30, 2019. Membership of the board of directors (including first election and other positions):^{14, 15}

Tai-ming (Terry) Gou Feb. 20, 1974	Chairman. Chief Executive Officer, Hon Hai Precision Industry Co., Ltd.
Fang-ming Lu June 8, 2010	Director. President of Foxconn Business Group. President of Asia-Pacific Telcom Co., Ltd.
Jen-gwo Chen June 22, 2016	Director. Principal of Foxconn University (IE Institute). Chairman of FLNet International e-Commerce Co. Ltd.
Robert Yunan Mao April 21, 2017	Director. Chairman of Hewlett-Packard China. Director of Yulon Nissan Motor Co., Ltd.
Qing-yuan Huang June 8, 2007	Director. Independent director of Cathay Life Insurance, Cathay Securities Corp., and Cathay Financial Holdings. Managing (Independent) Director of Cathay United Bank.
Hsueh-hen Sung June 22, 2016	Director. Independent Director of Taiwan Mobile Co., Ltd. Chairman of Sonquan Co., Ltd. Chairman of New Total Asset Management Co., Ltd.
Chi-shean Chan June 22, 2016	Independent Director. Chairman of Adimmune Corp.
Kai-fu Lee June 22, 2016	Independent Director. Chairman and CEO of Innovation Works. Non-Executive Director of Meitu Inc.
Li-Chen Fu June 22, 2016	Independent Director. Member, Board of Governors, IEEE Control Systems Society. Chief Editor of Asian Journal of Control (SCI Journal). Editor of Advanced Robotics (SCI Journal).

Key Foxconn executives include:¹⁶

Tai-Ming (Terry) Gou	Chairman and Chief Executive Officer
De-Cai Huang	Chief Financial Officer
Ho Leung Cheung	Vice President, General Manager of Technology Merging Services
Fang-Ming Lu	Deputy General Manager
Yi Pin Chien	Deputy General Manager
Cheng Wu Tai	Deputy General Manager
Zong-Kai Chou	Accounting Director
Chao-An Chou	Manager-Central Information
Chih Ping Hsing	Spokesman

Foxconn Technology Group has 17.3 million outstanding shares of stock owned by 614,327 shareholders. Major shareholders include:¹⁷

	Shareholdings (%)
Mr. Tai-Ming (Terry) Gou	12.2%
The Vanguard Group, Inc.	2.9%
BlackRock Fund Advisors	2.3%
GIC Pte. Ltd. (Investment Management)	1.9%
Saudi Arabian Monetary Agency	1.8%
Hon Hai Precision Industry Co., Ltd.	1.5%
Norges Bank Investment Mgmt.	1.3%
Fidelity Management & Research Co.	1.1%
APG Asset Management NV	0.8%
Dimensional Fund Advisors LR	0.6%

Foxconn Technology Group has several subsidiaries and affiliates including:¹⁸

- Zhen Ding Technology, which produces printed circuit boards.
- Foxconn Technology Company, which produces casings and other parts.
- General Interface Solution, which produces touch modules.
- Sharp Electronics, which produces home appliances and display panels.
- Innolux, which produces display panels.
- Ennocon, which produces industrial computers.
- Escon Precision, which makes molds and mechanical parts.
- FIH Mobile, which assembles non-Apple smartphones.
- Simplo Technology, which produces battery modules.
- ShunSin Technology, which produces chip packaging for power amplifiers and image sensors.

Foxconn Technology Group has extensive manufacturing capacity, the vast majority of which is in China with 12 factory complexes in 9 cities including Shenzhen, Guangzhou, Chengdu, Zhengzhou, Taiynan, Yantai, Wuhan, Kunshan and Tianjin¹⁹. Foxconn also has manufacturing facilities outside China, including locations in Mexico (22,000 employees), Brazil (4,800 employees), the Czech Republic (4,000 employees), Hungary (950 employees), Slovakia (860 employees), Australia (200 employees), and the United States (1,800 employees).²⁰ The U.S. locations include approximately 400-500 employees in Harrisburg, Pennsylvania, 400 employees in Virginia, and 900 employees in Indiana.

As labor costs in China have increased, Foxconn is aggressively developing robotic technology to assume some repetitive assembly tasks. According to a May 25, 2016 BBC report, Foxconn had replaced 60,000 factory workers with robots.²¹ A Foxconn spokesperson said, "we are applying robotics engineering and other innovative manufacturing technologies to replace repetitive tasks previously done by employees, and through training, also enable our employees to focus on higher value-added elements in the manufacturing process, such as research and development, process

control and quality control.” Whether Foxconn maintains employment levels long-term in the future is uncertain.

As mentioned above, Apple is a major customer of Foxconn, providing approximately 50% of its revenue in recent years.²² Foxconn has made strategic moves to decrease its reliance on Apple, including its 2016 acquisition of the Japanese company Sharp Electronics.²³ Foxconn’s subsidiary FIH Mobile is reviving the Nokia smartphone brand.²⁴ Foxconn has aspirations of developing its own brand name products including high-definition television monitors and other consumer electronics.²⁵

III. GLOBAL OPERATIONAL ISSUES AND PROBLEMS

This section provides information regarding Foxconn's operations, foreign and domestic, and controversies associated with those operations.

A. Working Conditions

Foxconn's chief factory, Longhua, is outside of Shenzhen, and is believed to house up to 450,000 workers who live, work, eat and sleep on site.²⁶ The campus covers 1.16 square miles and includes 15 factories, 4 swimming pools, worker dormitories, a fire brigade, its own television network and a city center with a grocery store, bank, restaurants, bookstore and hospital.²⁷ The cramped dorms sleep eight per room.

In an interview with Brian Merchant, a technology editor for VICE magazine and author of *The One Device: The Secret History of the iPhone*, one worker said Foxconn promised him free housing but then forced him to pay exorbitantly high bills for electricity and water.²⁸ Workers migrate to Foxconn factories from rural parts of China with little experience. Some live in the surrounding villages, but many others live and work inside the complex. Many workers sign contracts that subtract penalties from their pay if they quit before the end of a 3-month introductory period. Workers have routinely received insufficient overtime pay.

Security is tight at Foxconn facilities. The manufacturing plant is guarded at each entry point with security guards. Employees cannot enter without swiping ID cards. Drivers entering with delivery trucks are subject to fingerprint scans. A Reuters journalist was once dragged out of a car and beaten for taking photos from outside the factory walls. Inside the Longhua factory, Brian Merchant observed conditions to be damp, with rusty structures throughout.

In China, Foxconn is known for ruthless efficiency. There are numerous reports of employees working 7 days per week without the required 24-hour rest. They work 10 to 12 hours per day, often on their feet. Some workers have reported standing so long that

their legs swell. The work consists of repetitive, highly-detailed tasks. If a worker makes a mistake, management often berates the worker, which adds additional stress to working conditions. Company rules impose silence on the factory floors.

A 2010 report from 20 Chinese universities described Foxconn factories as labor camps with widespread worker abuse and illegal overtime.²⁹

Another complaint is discrimination against mainland Chinese workers by their Taiwanese co-workers. Workers are reprimanded publicly as a way of making them examples for everyone else. If a worker has made what is deemed to be a costly mistake, the worker must prepare a formal apology and read it aloud in front of co-workers.

In 2012, the Fair Labor Association (FLA) launched an independent investigation into labor rights allegations at Foxconn.³⁰ FLA assessors spent 3,000 staff hours inside the factories, evaluating conditions based on visual observation and review of policies, procedures, and documentation; interviewing hundreds of workers and managers; and conducting an anonymous worker perception survey of 35,500 randomly-selected workers.

According to FLA's report, the average Foxconn worker worked at least 56 hours per week, found the factory stressful, had seen an accident, wanted better air conditioning and planned to leave the company within 2 years. The FLA found many severe violations relating to excessive overtime and health and safety risks. The number of hours worked per week exceeded both the FLA Code of Conduct and Chinese legal limits.

Based on results from an FLA employee survey, an average Foxconn factory worker's experience in 2012 was:³¹

- The average number of hours worked per week ranged from 56 to 61 hours.

- The employee worked more than 7 days in a row without the required 24 hours off.
- The employee did not receive fair compensation for unscheduled overtime, nor was compensation enough to pay for basic needs (especially education and healthcare).
- The employee found work at the factory to be stressful overall.
- The employee lived in a crowded dorm.
- The employee had either experienced or witnessed an accident while at work.
- Air conditioning and other ventilation systems worked inadequately.
- Body pain at the end of a full day of work was common (most often neck, back, arm and hand pain).
- The employee never heard of management consulting with workers or representatives about factory regulations and conditions.
- The employee was never surveyed or asked about workplace satisfaction.
- The employee never used any communication channels to voice suggestions or complaints to factory management.
- The employee thought that environmental issues and protection at the factory should be priorities.
- The employee had a friend or relative also working at the factory.
- The employee would likely remain working at the factory for another 2 years, regardless of whether the employee felt a sense of belonging at the factory.
- All employees in China were required to be provided with health, accident, social security, unemployment and maternity coverage. This coverage was set up on a provincial and city basis. Employees who migrated from other cities or provinces could not collect their insurance when they returned home.

Most often, employees reported a desire for an increase in salaries, skills training and the quality of the food available at the canteen.³² Unscheduled overtime was paid only in 30-minute increments; accordingly, 29 minutes of overtime work would result in no pay, and 58 minutes of overtime would result in only one unit of overtime pay. The FLA issued recommendations to reduce the number of monthly overtime hours from 80 to 36 paired with a compensation package that protects workers from losing income due to

reduced overtime. Another recommendation was requiring supervisors and workers to report all accidents that result in injuries.

Workers have limited knowledge of the structure, function and activities of the worker participation bodies within Foxconn. Even though a union exists, a large majority of workers were unaware of its activities and of the collective bargaining agreement. A majority of the members of union committees are drawn from the ranks of management. Although Foxconn union holds elections, the candidates are often supervisors or managers nominated by management.

Debby Chan, a human rights activist, has documented compulsory meetings where managers berate employees about low productivity, high rates of product defects and disciplinary problems.³³ Most of the workers she interviewed felt hopeless with respect to work pressures, saying it is the same everywhere.

The Sriperumbudur plant in India closed in 2015.³⁴ Approximately 40-60% of the workers were contract workers, and there was no limit to the number of contract extensions. Additionally, trainee status lasted up to 15 months, although training was almost never longer than one month. Training could be extended or terminated at will. Workers were aware of their vulnerability and would not get involved in unions or complain for fear of losing their sources of income. Workers were often asked to work two consecutive shifts without a break or to work up to 9 days in a row. Working days were extended by long commutes of over an hour each way, which resulted in chronic fatigue.

Workers felt intense pressure to meet daily production targets, and if they did not, would receive written warnings or were made to clean the shop floor as a form of humiliation. The wages workers received were not enough to support a family or put aside savings. Wages of contract workers and trainees were lower than those of permanent workers. This disparity violated the Constitution of India. Additionally, hiring workers on a contract basis throughout the year for core functions of the business violated the Contract

Labour (Regulation and Abolition) Act, 1970. The contract workers were predominantly migrants from other states, and they stayed in a dormitory on the factory premises.

Night shift workers did not have a meal break; they only received a 5-minute break every 2 or 2.5 hours. The breaks did not meet the workers' need for proper rest and nutrition. Trainees who had just joined the company were able to reach higher targets because they were still fresh and had a lot of energy. Workers who had been working at the factory for a longer time were worn out and could not compete with the trainees for reaching goals. Management sometimes reprimanded employees for not meeting trainee goals, and when workers told management they could not reach the target, supervisors made veiled threats. Indirect threats built resentment among workers and compromised the dignity of labor.

Workers were required to work on Sundays if monthly targets were not met or if there was an abundance of orders. If workers were not able to achieve targets, they were shifted to tasks like cleaning, which is considered a form of public humiliation in India.

Workers were not allowed to take leave for more than 3 consecutive days, even for their own weddings. There was no sick leave policy. According to a former employee, who stated she regretted having worked there because every day she went straight to bed after work, straight to work after waking up and felt "like an animal," the sick leave and benefits she was promised at the beginning turned out to be only for senior employees.

Many workers refrained from complaining for fear of being fired. One former worker reported that asking too many questions resulted in being given extra work. Workers feared the consequences of raising issues. Workers were not allowed to take mobile phones into the factory. If there was a family emergency, the family member would have to come to the factory and locate the worker. Male and female workers were not allowed to speak to one another, even if they were married to each other. Union workers were penalized. Employees were threatened with criminal liability for speaking to the press.

B. Worker Safety

Airborne toxic discharges, such as teratogenic mercury vapor, are a threat to workers in electronics plants, as is n-hexane, a chemical used in making iPhone's signature slick, glass screens. N-hexane fumes are narcotics that can disrupt the central nervous system of humans and induce vertigo and muscular atrophy. Workers exposed to n-hexane have been hospitalized with nerve damage. Studies have found ties between parental exposures to chemicals used in electronics manufacturing and childhood afflictions, such as brain tumors, malformations, skeletal abnormalities, developmental delays, heart defects, learning disabilities and other problems.

In 2010, more than 200 workers at Foxconn's Sunguvarchatram plant in India had to seek medical help for symptoms such as fainting, breathlessness and coughing due to an incident involving pesticides.³⁵ The inadequate investigation of the incident by Foxconn led to a loss of worker confidence in the company.

In 2011, an explosion at one of Foxconn's Chinese factories killed 3 workers and injured 16 workers.³⁶ Aluminum dust caught in an air duct triggered the blast. In Foxconn's metal-working and parts-processing workshops, workers handle chemicals unknown to them with little in the way of protection.

In 2012, a fight at one of the dormitories escalated into a riot involving 2,000 people.³⁷ One month later, the company admitted that 14-year-old children had been working at one of the facilities. That same month, a worker suffered an electrical shock and fell, requiring surgery to remove nearly half of his brain, which resulted in loss of memory, speech and mobility.

Some of the machines at Foxconn's India plant were very loud and produced noise levels of approximately 150 decibels (dB), which is comparable to the noise level of fireworks and firearms.³⁸ The National Institutes of Health has stated that prolonged

exposure to noise levels at 80 dB may cause permanent hearing loss. Workers were provided with foam earplugs, but they still experienced discomfort from the noise.

Machines were supposed to have sensors that stopped them immediately when something went wrong, but many of the sensors did not work. There was an incident where a worker dropped something in the oven and wanted to take it out, but his shoe melted in the heat and his foot was burned. The machinery gave off an incredible amount of heat, which caused at least one pregnant worker to resign because of the heat. Overgrown bushes surrounded the factory and attracted insects, rodents and snakes. Snakes occasionally entered the factory and required removal.

The 2012 workplace audit by the FLA, conducted at the request of Apple, Inc., found that workplace accidents were common. Other health and safety violations included blocked exits, lack of or faulty personal protective equipment, and missing permits.

The audit also found that workers were generally not involved in the safety and health committees and had relatively low levels of confidence in the management of those issues. There were either no elections, or management nominated the candidates for these committees. The result was that committees were management-dominated and did not engage workers. Committees were mostly reactive and did not proactively monitor conditions. Workers were largely unaware of the existence or role of safety and health committees and, if they were, they tended to doubt their effectiveness. A considerable number of workers were concerned about the protection of their health and safety.

C. Suicides

In July 2009, a Foxconn worker committed suicide after reporting loss of a phone prototype in his possession.³⁹

Longhua was in the news in 2010 because of a rash of suicides – 14 people died by suicide in a single year.⁴⁰ According to Brian Merchant, author of *The One Device: The Secret History of the iPhone*, conditions have not improved much since the 2010 suicide epidemic.⁴¹ Wages have increased slightly, overtime has been reduced and counselors are provided on site. Foxconn has installed safety nets to catch people jumping from its buildings and requires workers to sign an anti-suicide pledge, assuring that if they kill themselves, the company will not be blamed or held liable for compensation.⁴² However, the culture has not changed with respect to aggressive supervisors who push workers to extremes. Suicides persist, although not to the same degree as in 2010.

In 2012, approximately 150 Foxconn employees gathered on a rooftop and threatened to commit mass suicide in protest of their working conditions. In 2016, a smaller group repeated the threat.

D. Environmental Record

According to Urban Milwaukee, Foxconn was reportedly attracted to Wisconsin because of the bordering Great Lakes.⁴³ Micro-circuitry manufacturing depends on metals and acidic chemical treatment. Water is used to wash the product when it is newly manufactured to remove dust and other impurities. The water is then returned to the watershed.

Part of Wisconsin's Foxconn Act creates major environmental exceptions for the project. In addition, with President Trump's administration reviewing all environmental rules, the states are potentially the last line of defense against harmful pollution. With the Wisconsin Department of Natural Resources (DNR) stepping back regulations and passing responsibility onto the U.S. Environmental Protection Agency, Foxconn may have paper-thin requirements to meet in the way of environmental protection.

In 2013, Chinese environmental regulators launched an investigation into Foxconn for dumping water with a black-green color and a chemical odor into the Huangcangjing and Hanputang rivers, which feed into the Yangtze and Huangpu rivers. The factory

dumped “sudsy” water twice a day. Foxconn claimed that it was complying with emissions standards. The emissions from Foxconn, however, contribute to China’s heavy-metal pollution problem. As of 2013, 25 to 60 million acres of China’s arable land were polluted with heavy metals due to electronics factories. Details regarding the specific chemicals investigated, however, are not available.

An article by Lee Bergquist published March 28, 2018, in the Milwaukee Journal Sentinel, “Foxconn industrial operations would represent a major new source of air pollution in region,” stated that emissions from the company’s operations in Mount Pleasant would rank among the highest in southeastern Wisconsin for pollutants that create smog, also known as ozone pollution, according to state documents.⁴⁴ This will exacerbate health risks, especially to vulnerable populations like children and the elderly and those with asthma. Ozone pollution can also lead to reduced lung function for people working and exercising outdoors. Foxconn’s most significant air pollutants would be volatile organic compounds (VOCs) and nitrogen oxides (NOx). According to the DNR, Foxconn would have the highest emissions in the region – by measuring VOCs alone. In summer, VOCs and NOx interact with heat and light to form ground-level ozone.

Governor Walker has asked the Trump administration to set aside the tougher Environmental Protection Agency limits set in place during the Obama administration, arguing the region gets much of its ozone from neighboring Illinois. Foxconn’s permit application shows that the company plans to emit hundreds of tons of carbon monoxide, particulates, sulfur dioxide and various hazardous air pollutants in addition to VOCs and NOx each year. If regulators measured air quality between 2015 and 2017, Racine County would already be in violation of the new federal ozone standard without adding Foxconn’s emissions into the calculation. Additionally, Foxconn has not yet submitted an air permit to build a separate glass manufacturing plant, which is an essential piece to the enterprise. Without information about the glass manufacturing component, the true impact that Foxconn’s operations will have on future air quality is underestimated.

In 1999, The World Bank Group, in collaboration with the United Nations Environment Programme and the United Nations Industrial Development Organization, issued a report regarding environmental issues related to the industry practices of electronics manufacturing companies that produce the types of products that Foxconn produces.⁴⁵ In the paper, waste characteristics were described in three categories (Air Emissions, Effluents, and Solid and Hazardous Wastes), and were detailed follows:

1. Air Emissions

Potential air emissions from semiconductor manufacturing include: toxic, reactive and hazardous gases; organic solvents; and particulates from the process. The changing of gas cylinders may also result in fugitive emissions of gases. Chemicals in use may include: hydrogen, silane, arsine, phosphine, diborane, hydrogen chloride, hydrogen fluoride, dichlorosilane, phosphorous oxychloride and boron tribromide.

Potential air emissions from the manufacture of printed circuit boards include: acids such as sulfuric, hydrochloric, phosphoric, nitric and acetic; chlorine; ammonia; and organic solvent vapors (isopropanol, acetone, trichloroethylene); n-butyl acetate; xylene; petroleum distillates; and ozone depleting substances (ODSs).

In the manufacture of printed wiring assemblies, air emissions may include organic solvent vapors, fumes from the soldering process, including aldehydes, flux vapors, organic acids, etc.

Throughout the electronics manufacturing sector, chlorofluorocarbons (CFCs) have been a preferred organic solvent for a variety of applications. CFCs are ozone-depleting substances. Their production and import in developing countries will soon be banned. HCFCs (hydrochlorofluorocarbons) have been developed as a substitute for CFCs, but they, too, are ODSs and will be phased out. Methyl chloroform, another organic solvent, has also been used by the electronics industry. It, too, is an ODS and is being

eliminated globally on the same schedule as CFCs. Chlorobromomethane and n-propyl bromide are also unacceptable because of high ozone-depleting potential.

2. Effluents

Effluents from the manufacture of semiconductors may have a low pH from hydrofluoric, hydrochloric and sulfuric acids (the major contributor to low pH), and may contain organic solvents, phosphorous oxychloride (which decomposes in water to form phosphoric and hydrochloric acids), acetate, metals and fluorides.

Effluents from the manufacture of printed circuit boards may contain: organic solvents, vinyl polymers, stannic oxide, metals such as copper, nickel, iron, chromium, tin, lead, palladium and gold, cyanides (some metals may be complexed with chelating agents), sulfates, fluorides and fluoborates, ammonia and acids.

Effluents from printed wiring assemblies may contain acids, alkalis, fluxes, metals and organic solvents, and, where electroplating is included, metals, fluorides, cyanides and sulfates.

3. Solid and Hazardous Wastes

Solid and hazardous wastes from semiconductor manufacture may include: heavy metals, solder dross (solder pot skimmings), arsenic, spent epoxy and waste organic solvents (which represents the largest waste). In printed circuit board operations, solid wastes may include scrap board materials, plating, and hydroxide sludges and inks, while in the manufacture of printed wiring assemblies solid wastes may include solder dross, scrap boards, components, organic solvents and metals. Boards may also be treated with brominated flame retardants which may pose some environmental risk when boards are disposed in landfills. All conventional electronics present additional hazards in landfills by the presence of lead in cathode-ray tube envelopes and solder,

as well as lead and other metal salts, particularly if they have not been cleaned in a post-soldering operation.

For all three manufacturing processes, there may also be sludges containing heavy metals where waste water treatment plants are operated. Other wastes requiring management and disposal are organic solvent residues.

E. Broken Promises

According to Brian Merchant, author of *The One Device: The Secret History of the iPhone*, there is speculation that Foxconn plans to open its location in Wisconsin as a way of experimenting with new technologies of its own and to gain awareness and recognition in the American market.⁴⁶ This is part of a push that Foxconn has made to open factories around the world. It has opened factories in Brazil, Eastern Europe, Mexico, Japan, Malaysia and South Korea.

Americans may be wary of whether Foxconn will actually open its Wisconsin operation. In 2013, Foxconn earned headlines for a plan to invest \$30 million and hire 500 workers for a new high-tech factory in central Pennsylvania.⁴⁷ After the attention died down, Foxconn never followed through with its plans. It is difficult to predict what labor conditions will look like in Wisconsin without another example in the United States. The goal of maximizing labor efficiency may look different with an American workforce than in China.

In 2014, Foxconn signed a letter of intent to invest up to \$1 billion in Indonesia. That investment has yet to occur. That same year, Foxconn said it planned to invest \$5 billion over 5 years in India, but three years later, the investment has amounted to only a small fraction of its original promise.

Foxconn also planned to invest \$5 billion in Vietnam and \$10 billion in Brazil, and both projects have fallen short of expectations.

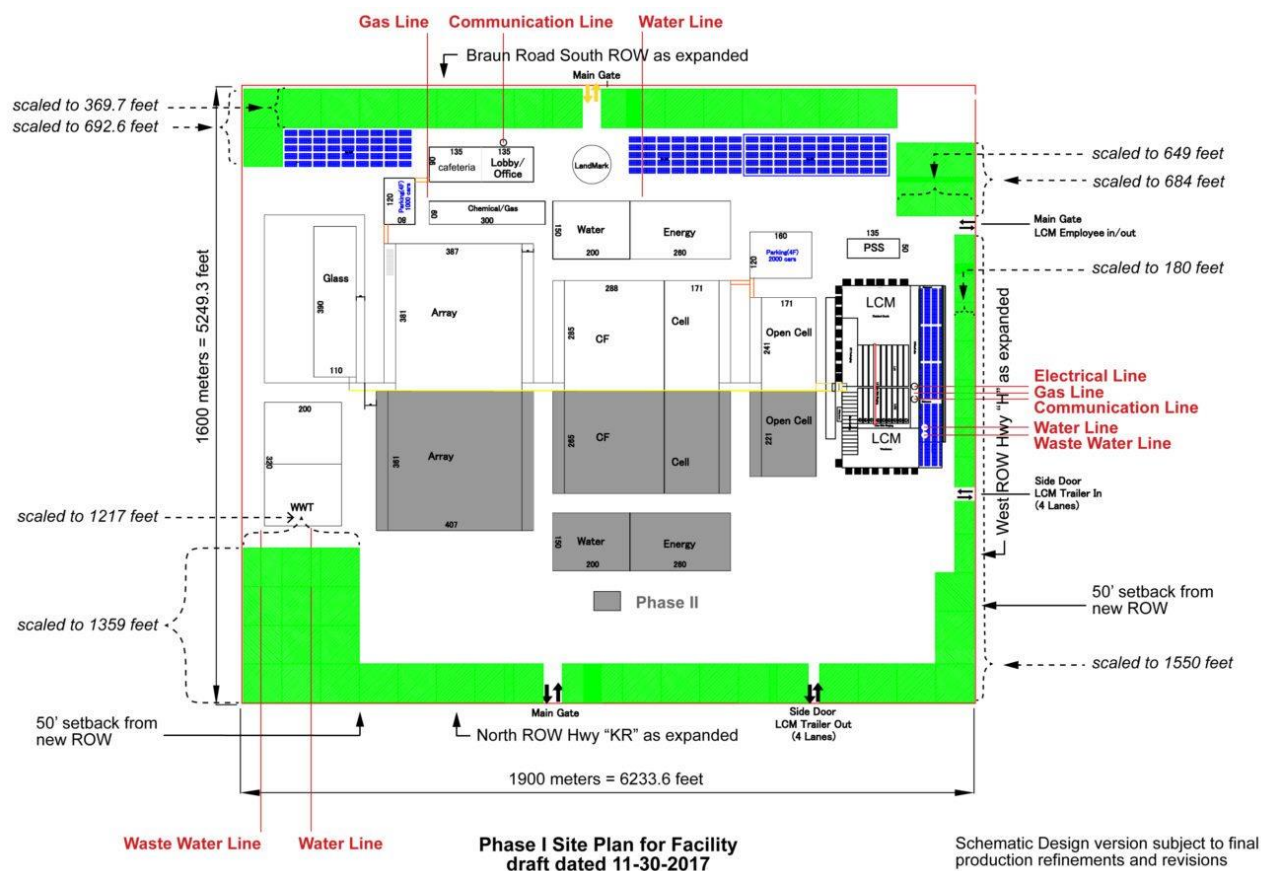
IV. FOXCONN PLAN FOR WISCONSIN

Foxconn plans to build a technology and manufacturing campus for liquid crystal display (LCD) screens in Mount Pleasant, WI. The LCD screens are intended for assembly into household televisions, as well as devices with auto, aero, education, health, entertainment, safety and surveillance applications. Based on the Foxconn RFP, it is likely that the LCD screens will be sized for larger format applications, as opposed to smaller screens for handheld applications. The screens and devices are expected to be part of an “8k+5G ecosystem” of products that the company is creating in the United States. The term “8K” refers to high-resolution screens like those Foxconn plans to build, and “5G” to ultra-fast data networks that are expected to be rolled out in the near future.

Foxconn selected three tracts of land just east of I-94 in Mount Pleasant totaling 2,900 acres. Area I, about 1,200 acres, will be the site of the technology and manufacturing campus. Area II, just north of Area I, is being reserved for future expansion. Area III, just east of Area I, will be a staging location for construction in Area I. Wisconsin officials have adopted the name “Wisconn Valley” to refer to the Foxconn campus and hoped-for satellite developments in the area.



Foxconn is expected to make a \$10 billion capital investment on 20-22 million square-feet of building space in Area I. A schematic of the site plan submitted by Foxconn to Mount Pleasant in December 2017 identifies more than two dozen buildings that will be built in two phases, including offices, a cafeteria and parking ramps.⁴⁸



Constructing and equipping the campus in Area I is expected to support 10,000 construction jobs during the first four years of the project, with an additional 6,000 indirect jobs. Gilbane Building Company, a Rhode Island company with offices in Milwaukee, has been selected as the lead contractor.

Foxconn plans to be in operation in Mount Pleasant by 2020 and to increase the workforce to 13,000 full-time employees by the end of 2022. Foxconn projects that the average annual salary for its Mount Pleasant employees will be \$53,875 plus benefits.

In conjunction with the Port of Milwaukee, a Foxconn subsidiary applied to the U.S. Department of Commerce Foreign-Trade Zones Board for designation as a foreign-trade sub-zone at the Foxconn campus. The Port of Milwaukee itself was granted status as a foreign-trade zone in 2011, which allows businesses in counties within 60 miles or a 90-minute drive from the Port of Milwaukee to receive an expedited Foreign-Trade Zones Board approval. If the Foxconn development is designated a foreign-trade zone, the company would not pay customs fees on materials it imports and uses in finished products that are later exported. Foxconn may also be able to reduce the customs fees on some imported components that go into products sold in the United States.

Foxconn is leasing a 155,000 square-foot industrial building in the Mount Pleasant Business Park as an interim facility. In early February, a Foxconn-related entity called Adams Street Development LLC bought 39.6 acres of land in Sturtevant located kitty-corner from Foxconn's planned campus. The same entity also purchased 65 acres of farmland in the Village of Somers in Kenosha County, four miles from the planned Foxconn campus, for \$1 million.⁴⁹

Foxconn recently purchased a 7-story, 132,800 square-foot office building from Northwestern Mutual Life at 611 E. Wisconsin Ave. in downtown Milwaukee. Foxconn has said that 870 employees will be placed there by 2022. It is believed that this building will be Foxconn's North American headquarters.⁵⁰

V. STATE AND LOCAL INCENTIVE PACKAGES

The Wisconsin Legislature passed 2017 WI Act 58 (the Foxconn Act) in July 2017, establishing the framework for tax incentives in an Electronics and Information Technology Manufacturing Zone (EITM Zone) intended to encompass the Foxconn development in Mount Pleasant. In coordination with the Foxconn Act, Governor Walker executed a contract with Foxconn in November 2017 that provides incentives for Foxconn locating the LCD manufacturing facility in Wisconsin.⁵¹

A. Direct State Incentives

While the first two incentives discussed below are structured as tax credits, this is somewhat misleading. Foxconn will presumably qualify for Wisconsin's already very favorable tax treatment for manufacturers, and have a negligible state tax and corporate income tax liability. Therefore, these incentives will most likely be in the form of cash payments to Foxconn rather than credits against a tax liability owed to the State of Wisconsin.

1. Job Creation Tax Credits

Foxconn can earn up to \$1.5 billion in state tax credits at a rate of 17% of the wages paid in Wisconsin for the first 15 years of the project. The right to earn the job creation tax credit is based on the number of full-time Foxconn jobs in Wisconsin. In order to count toward the tax credit calculation, the job must pay at least \$30,000 annually, and the average wage of all Foxconn employees in Wisconsin for the counting period must be at least \$53,875. Credits will be paid on the first \$100,000 in wages for each employee annually.

In 2018, the first counting period, the minimum number of jobs Foxconn must provide in order to receive any tax credit is 260, or 25% of the 1,040 jobs needed to qualify for the maximum tax credit. The tax credit is pro-rated based on the actual number of jobs up

to 1,040. The minimum target percentage accelerates from 25% of the maximum in the first year to 80% of the maximum in the 15th year, while the number of jobs needed to obtain the maximum tax credit increases from 1,040 in the first year to 13,000 in the 5th through the 15th year. The maximum credit permitted increases annually, and unused tax credits can be carried forward.

2. Capital Investment Tax Credits

Foxconn can earn up to \$1.35 billion in capital investment tax credits at a rate of 15% of the company's annual capital expenditures for the first seven years of the project. To earn the full amount of credits, Foxconn must make \$9 billion in capital investments. Again, the right to earn the capital investment tax credit is tied to the number of full-time jobs Foxconn creates in Wisconsin. In 2019, the first counting period, Foxconn must create at least 520 full-time jobs to qualify for the maximum tax credit. By the seventh year, Foxconn must create at least 8,450 jobs in Wisconsin to qualify for the maximum tax credit. The allowable credits are pro-rated downward if Foxconn falls short of the job targets. The maximum credit permitted is \$193 million each year, and unused tax credits can be carried forward.

3. Sales Tax Holiday

Foxconn will be exempt from up to \$150 million in state and local sales taxes on purchases for building materials, supplies, equipment, landscaping and lawn maintenance services for its Mount Pleasant facility.

4. Market-based Public Utility Rates

The Public Service Commission was directed to permit Foxconn to purchase electric power from utilities at wholesale rates. The rate available to ordinary customers has not been less than 8 cents/kilowatt hour since 2013, while the wholesale rate has ranged from 2.9 – 4.3 cents/kilowatt hour over same period.⁵²

Clawback Provision

Various clawback provisions in the Foxconn contract allow the State to recoup tax credits already paid if Foxconn:

- Supplies false or misleading information.
- Leaves the EITM Zone to conduct the same business outside of the zone.
- Ceases operations within the EITM Zone and does not restart operations within 12 months.
- Fails to maintain employment/capital investment levels as required through 2032.

In the first five years of the contract, Foxconn could be declared in default if any of the first three provisions listed above occur. In that case, 100% of the tax credits would be rescinded. Failure to meet targeted jobs required (as the last provision above describes) through 2022 would not put the company in default. After the first five years, the company could be declared in default if the number of jobs falls below certain thresholds.

- Hon Hai Precision Products will be responsible for 75% of the clawback amount.
- Foxconn Chairman and CEO, Mr. Terry Gou, as an individual, will provide a personal guaranty for 25% of the clawback amount.
- SIO International, a private company of which Mr. Gou indirectly owns approximately 89%, will also be responsible for the same 25% as Mr. Gou's personal guaranty.

B. Indirect State Incentives

In addition to direct incentives to Foxconn, the State's legislative package included the following provisions to make Wisconsin a more attractive candidate for the Foxconn facility:

1. Exemptions from State Environmental Regulations

The Foxconn Act provides exemptions from certain State environmental regulations for activities taking place in the EITM Zone (i.e., in and around the Foxconn Campus). In most situations, this means that Foxconn will only need to comply with applicable federal environmental regulations.

- Any permit or approval issued for the EITM Zone will not be considered a major action for the purpose of the environmental impact statement requirement under s. 1.11(2)(c), Wis. Stats. In practice, this means that Foxconn will likely only have to submit an environmental impact statement only to the federal government.
- The DNR is to ensure conditions of all applicable permits, licenses and approvals under the DNR's jurisdiction are met for all activities related to the EITM Zone.
- A request from a watershed straddling community to the DNR to divert water from the Great Lakes Basin into a watershed outside of the Great Lakes Basin for the EITM Zone will be exempt from the requirement to be consistent with an approved water supply service area plan.
- Development in the EITM Zone will be exempt from permitting requirements for discharging dredged or fill material into a wetland. The Foxconn Act does require compensation for adverse impacts to the functional value of wetlands through the purchase of credits from a wetland mitigation bank, participation in the Wisconsin Wetland Conservation Trust in-lieu fee program or wetland mitigation. The DNR will also waive its water quality certification requirements related to discharges into wetlands.
- Development in the EITM Zone will be exempt from DNR permitting requirements for the construction, dredging or enlargement of artificial bodies of water, grading and removing topsoil from the banks of navigable streams, depositing material on the beds of navigable streams, straightening or changing the course of navigable streams, and the placement of bridges or culverts in, on, or over navigable waters. There are some exceptions relating to the riparian rights of other riparian owners in the area and to areas of special natural resource interest.

2. Road Improvements near the Foxconn Development

The Foxconn Act authorized \$252 million in new borrowing for work on the I-94 North South Corridor in southeastern Wisconsin. In November 2017 the State applied for \$246 million in federal INFRA grant funding from the U.S. Department of Transportation (DOT). In that application, state officials indicated that the State would be funding approximately \$134 million for state and local road improvements associated with the Foxconn development. The total cost of the I-94 North South Corridor work is expected to total \$500 million.

3. Workforce Development Funding

The Foxconn Act allocated \$20 million from the 2019-2021 Department of Workforce Development (DWD) appropriation for worker training programs.

4. Local Infrastructure Improvements

The Foxconn Act established a \$15 million grant program in the 2017-2018 State Budget for local municipalities to help cover the costs of infrastructure related to the Foxconn development.

C. Local Incentives

The Village of Mount Pleasant has agreed to a \$764 million tax incremental financing (TIF) incentive package in relation to acquiring and improving the land for the Foxconn campus.⁵³ Briefly, Mount Pleasant will borrow as needed to acquire the land in Area I, while Foxconn will advance at least \$60 million to Mount Pleasant to acquire the land in Areas II and III. In return, Foxconn has agreed to guaranty a minimum \$1.4 billion in taxable property value in a TIF district encompassing Area I from 2023 – 2047. Through tax incremental financing, the incremental property taxes Foxconn pays to Mount Pleasant will be used to reimburse Foxconn and Mount Pleasant for their land

acquisition costs. The end result is that Foxconn will receive the 1,200 acres land in Area I at no cost, and has the option to acquire the land in Areas II and III at no cost as well.

Mount Pleasant has or is in the process of acquiring land or options to purchase land in Areas I, II and III.



According to media reports, owners of larger, open parcels were offered \$50,000 per acre in 2017 as Mount Pleasant put together the incentive package to lure Foxconn.⁵⁴ Media reports have said that amount is several times more than the going price for farmland in the surrounding area, and that sales in the designated Foxconn zone ranged from \$4,300 to \$12,300 per acre between 2011 and 2016. Small property owners, primarily located around the edges of the Areas I, II and III, have complained of being offered only 1.4 times the market value of their small parcels, much less than the rate offered to larger property owners.

At a recent public hearing conducted by the Mount Pleasant Community Development Authority, Mount Pleasant officials proposed designating all or portions of the Foxconn district as “blighted,” a first step in using the village’s power of eminent domain to acquire land from property-owner hold-outs (primarily small property owners). State law permits “blight” designations within a redevelopment zone if an area is predominantly open and, because of diverse ownership, obsolete platting, or even for unspecified reasons, “substantially impairs or arrests the sound growth of the community.” Local

landowners have protested the legality of a “blight” designation under state law for transfers to a private developer, and in relation to acquiring single-family homes in particular in the absence of elevated crime levels, as is discussed in state statutes.

The majority of the land in Areas I, II and III is open, unimproved farmland. Mount Pleasant has agreed to provide infrastructure and village services, including construction and capital investments for police and fire needs, at no charge to Foxconn. However, the Foxconn Act included provisions that allow Mount Pleasant to recoup expenditures for constructing and expanding fire stations, purchasing police and fire equipment, and the cost of general government operating expenses related to providing fire and police services from tax incremental financing, even though the costs may be incurred outside the actual TIF district.

Beyond land acquisition incentives, Mount Pleasant agreed to allocate \$5.75 million for workforce development from 2018-2021, and to pay \$11.5 million toward road improvements around the Foxconn campus.

D. Cost of State and Local Incentives

The potential costs of the State and local assistance, road improvements and utility subsidies for the Foxconn facility are as follows:⁵⁵

Form of Assistance	Potential Cost
Job Creation Tax Credit	\$1,500,000,000
Capital Expenditures Tax Credit	1,350,000,000
Sales and Use Tax Exemption	139,000,000
Grants to Local Governments	15,000,000
DWD Worker Training and Employment	20,000,000
WEDC Economic Development Liaison position	400,000
I-94 North South Corridor Improvements (State funded)	408,300,000
I-94 North South Corridor Improvements (federal grant request)	246,200,000
Other State and Local Road Improvements	134,000,000
Mount Pleasant Land Acquisition Deal	763,800,000
ATC Utility Infrastructure Improvements	120,000,000
Total	\$4,696,700,000

The Foxconn Act authorized \$252 million in new borrowing for work on the I-94 North South Corridor in southeastern Wisconsin. The total estimated debt service for this borrowing from 2018 to 2042 was estimated by the State Legislative Fiscal Bureau to be \$408.3 million, assuming a 5% interest rate and 20-year bond maturities.

In a November 2017 federal INFRA grant application to the U.S. DOT requesting \$246 million for the I-94 North South Corridor project, Wisconsin indicated that State funding for State and local road improvements associated with the Foxconn development would be approximately \$134 million. The Walker Administration has stated that the funds are coming from savings in earlier road projects, rather than by delaying future projects. A February 2018 analysis by the Legislative Fiscal Bureau contradicts the Walker Administration's statement, and calculates that the previously unscheduled Foxconn-related roadwork could reduce the amount of State Highway Rehabilitation program funding by \$70-90 million in the biennium.⁵⁶

1. Cost to the State per Job Created

According to an analysis published by the Milwaukee Journal Sentinel, incentives provided to lure Foxconn to Wisconsin will cost the State more than 8 times as much per job as Wisconsin will provide under similar job-creation deals struck last year.⁵⁷ The media outlet estimates that each job will cost more than \$200,000 in state taxpayer money, totaling more than 3 times as much per job as the next most costly deal. This analysis includes only State tax credits and excludes incentives provided by local government and indirect costs like road improvements.

The most similar deal to Foxconn in terms of cost per job was with convenience-store chain Kwik Trip, which is getting \$63,800 per job to expand its La Crosse headquarters.

2. Break-even Calculation

According to the Wisconsin Department of Administration, the State is expected to “break even” on the state-portion of the Foxconn incentive package by 2042-2043.⁵⁸ (Including only the Job Creation Tax Credit and the Capital Investment Tax Credit, plus an estimated \$15 million in grants to local governments.) This analysis assumes that Foxconn scales up and maintains 13,000 employees through 2043, and that all of these employees are Wisconsin residents. However, since the Foxconn campus is less than 15 miles from the Illinois border, it is reasonable to assume that a portion of Foxconn’s employees in Mount Pleasant will be Illinois residents. Wisconsin has an income tax reciprocity agreement with Illinois, so Illinois residents working at the Foxconn development will not pay Wisconsin income taxes. The Department of Administration calculates that if 10% of Foxconn’s employees are Illinois residents, the break-even date will be delayed to 2044-2045.

If Foxconn fails to achieve and maintain a 13,000-person workforce in Mount Pleasant, the break-even date will be pushed back significantly further.

E. Streamlined Legal Process

A final incentive provided through the Foxconn Act creates an expedited procedure for appeals of certain judicial orders relating to government decisions concerning the EITM Zone (i.e., the Foxconn development).

Under current law, only a final trial court judgement or order is appealable to the Court of Appeals as a matter of right. Under the Foxconn Act, any judgement or order of a trial court relating to a decision by a state or local official, board, commission, condemnor, authority or other department concerning Foxconn may be taken to the Court of Appeals as a matter of right. The Foxconn Act also sets truncated time limits at each step in the appeals process, and provides that any judgement or order is automatically stayed upon the filing of an appeal.

The Foxconn Act requires the Court of Appeals to certify Foxconn-related appeals to the jurisdiction of the Wisconsin Supreme Court within 3 days of receipt of the respondent's reply brief, and requires the Wisconsin Supreme Court to give preference to such appeals. In practice, this means that Foxconn-related litigation will bypass the Court of Appeals and proceed directly from the trial court to the Wisconsin Supreme Court.

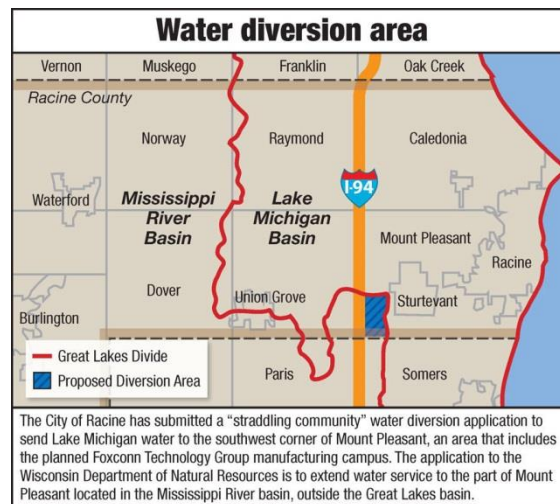
The Wisconsin Legislative Council has opined that the automatic stay and requirement that the Supreme Court give preference to Foxconn-related certifications appears to be subject to constitutional challenges.⁵⁹

VI. INFRASTRUCTURE ISSUES IN WISCONSIN

A. Water Usage

Manufacturing LCD screens is a water-intensive process in which ultra-clean water is used to rinse the screens at different stages to wash away chemicals, heavy metals and other contaminants. Large volumes of water will also be used in industrial cooling towers serving the Foxconn facilities.

Racine, which is located within the Great Lakes Basin, pumps water from Lake Michigan and sells water to other communities, including Mount Pleasant. Racine also collects wastewater from these communities for treatment and return to Lake Michigan. In January, 2018, the City of Racine submitted an application to the DNR to divert up to 7 million gallons of water per day (mgd) to the portions of Mount Pleasant, including the Foxconn campus, that lie outside of the Great Lakes Basin in the Mississippi River Basin (the diversion area).⁶⁰



At full Foxconn build-out, Racine expects to pump 7 mgd to the entire diversion area, of which 2.7 mgd will be consumed and 4.3 mgd will be collected and returned to Lake Michigan via Racine's wastewater treatment facilities. Of the 2.7 mgd consumed, 2.1

mgd will be evaporated in the Foxconn cooling towers and 0.4 million gallons will be consumed in the Foxconn manufacturing process, with the remainder consumed by other industrial and commercial users. According to Foxconn statements, the manufacturing water will be repeatedly recycled so as to reduce consumption. Foxconn has also indicated that it is exploring developing and implementing a Zero Liquid Discharge system, which could further reduce water consumption.⁶¹

Racine currently has an approved pumping capacity of up to 60 mgd, the majority of which is unused. As recently as 1995, Racine pumped an average 22 mgd, and in 2016, less than 17 mgd. To service all of its customers at full Foxconn build-out, Racine forecasts withdrawing an average 38.9 mgd. The requested diversion volume can therefore be provided from Racine's existing approved capacity.

Racine would need to upgrade one of its high-lift distribution pumps from 10 mgd to 20 mgd, add more ultra-filtration membranes for winter cold-water treatment demands, and add new mains and up to two new pumping stations to distribute water to the diversion area. Racine does not need to expand its wastewater treatment facilities to accommodate the proposed diversion. However, Mount Pleasant will need to install new wastewater collection facilities to accommodate return flow.

B. Utilities

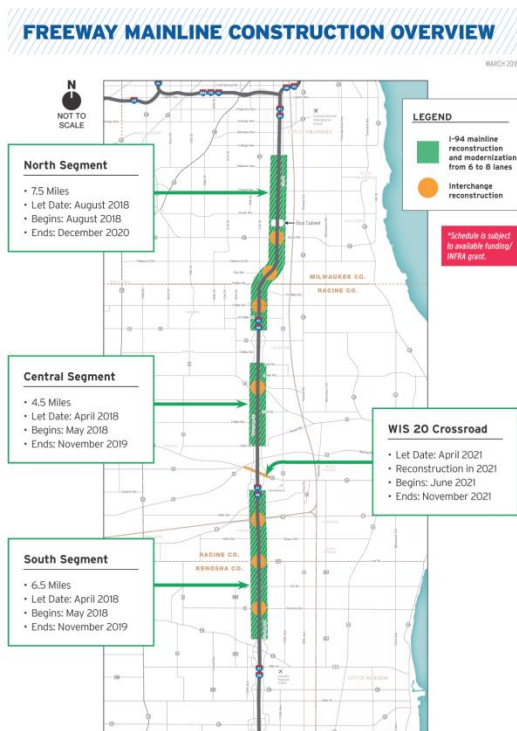
American Transmission Company LLC (ATC) has submitted an application to the Public Service Commission of Wisconsin (PSC) regarding the proposed construction of high-voltage electric transmission lines and a new substation related to the Foxconn development.⁶² The proposed project cost for the new lines, modifications, and substation is estimated at \$117 – 120 million. ATC has stated publicly that ATC's project costs will be passed on to utility ratepayers within ATC's service area, as shown in green below.^{63, 64}



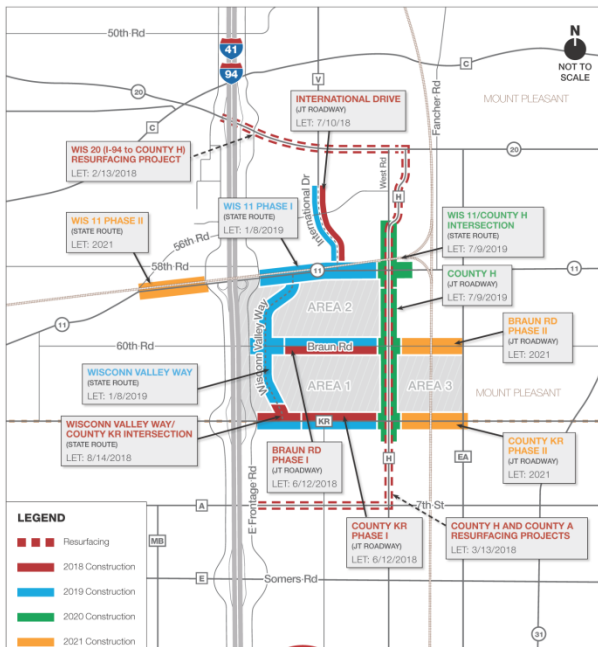
The City of Milwaukee has requested status as a party to the ATC proceedings before the PSC to object to its plan to pass costs for the Foxconn development to rate-payers in Milwaukee.

C. Road Improvements

The Foxconn Act authorized \$252 million in new borrowing for the I-94 North South Corridor project in southeastern Wisconsin. The Walker administration has also said that \$134 million will be allocated for state and local road improvements in and around the Foxconn development. Expected road improvements for both the I-94 North South Corridor and local roads are shown below.⁶⁵



Local Road Improvements⁶⁶



D. Public Transit

As part of the State's allocation for workforce development in the Foxconn legislation, the DWD has announced that it will use a portion of the \$6 million from the Wisconsin Career Creator initiative to implement multi-county transportation plans through partnerships with local governments to incentivize coordination of transit services and to reduce route gaps.⁶⁷

1. Increased Bus Service

The Southeastern Wisconsin Regional Planning Commission (SEWRPC) has reported on the costs and other issues associated with increasing fixed-route bus services from Milwaukee and Racine to the Foxconn development.⁶⁸ A primary consideration is to coordinate bus service with shift changes at the Foxconn development. According to SEWRPC, Foxconn has tentatively indicated that the campus would operate on 12-hour shifts.

According to the SEWRPC, a potential bus route could connect downtown Milwaukee, the Holt and College Avenue Park & Ride lots, and the future Foxconn development. This route could also connect downtown Racine, a Racine transit center, and Gateway Technical College's Racine campus to the Foxconn Development. With transfers from existing Milwaukee County Transit System routes and Racine transit system routes, large numbers of passengers over a wide area in both counties could be served.

	Buses Needed	Estimated Capital Costs
4-round trips/day	3-4	\$1.5-2.0 million
8-round trips/day	6-7	3.0-3.5 million
12-round trips/day	9-11	4.5-5.5 million

Alternatively, SEWRPC considered that rather than institute a publicly-run transit system between Milwaukee and the Foxconn campus, Milwaukee County could choose to pursue a contract with a third-party operator to provide service on privately-owned

motor coaches. Operational costs may be higher, but this scheme would allow the City and County to avoid capital expenditures for the purchase of additional buses.

2. Increased Train Service

Amtrak operates train service between Milwaukee and Chicago on the Hiawatha Line.

The Hiawatha service cuts through the proposed Foxconn campus and stops at the Sturtevant station, approximately 2 miles from the proposed Foxconn campus.

Currently, Amtrak operates 7 trains per day from Milwaukee to Chicago via Sturtevant.

Travel time from the Intermodal Station in downtown Milwaukee to the Sturtevant station is 22-27 minutes, and round-trip ticket prices start at \$22.

While the DOT has been studying an expansion of the Hiawatha route from 7 to 10 trains per day since 2012, no completion date for the project has been set. In 2016, a Federal Railroad Administration official told the Milwaukee Journal Sentinel that the expanded rail service would cost about \$150 - \$200 million.⁶⁹

VII. Workforce Development

As previously discussed, the Foxconn Act allocated \$20 million from the 2019-2021 DWD appropriations for worker training programs. In January 2018 Gov. Walker announced the Wisconsin Career Creator, a \$20 million initiative through the DWD aimed at improving education and training opportunities for Wisconsin residents.⁷⁰ The Wisconsin Career Creator initiative:

- Provides \$5 million to expand dual enrollment course offerings (one year of college in high school) for participants via the University of Wisconsin (UW) System, the Wisconsin Technical College System (WTCS) and the Wisconsin Association of Independent Colleges and Universities (WAICU).
- Provides \$7 million in scholarship funding to companies to allocate to their Wisconsin employees, or to potential employees who need to “upskill” their current credentials to meet position requirements to obtain additional credentials to advance to a higher position. The UW System, WTCS and WAICU schools will be eligible to participate.
- Provides the DWD with \$6 million to fund workforce development programs including middle school youth apprenticeships, mobile job centers, preparing the incarcerated population for the workforce, upskilling military veterans, and providing transportation to training and employment.
- Provides \$2 million to WCTS in flexible funds to help recruit, retain and successfully credential the hardest-to-serve populations.

Wisconsin officials have also launched a planned multi-million dollar advertising campaign to lure millennials from Chicago to Wisconsin. Between January and June, the state will spend \$1 million to advertise on social media, downtown Chicago trains, and in bars and health clubs. This funding was included in the existing WEDC budget.

In March, the State legislature approved an additional \$6.8 million to continue the marketing campaign long-term.⁷¹

APPENDIX

Foxconn Technology Group

www.foxconn.com

Trade name for

Hon Hai Precision Industry Co., Ltd.

Taiwan ticker symbol 2317.TW

A multinational electronics contract manufacturing firm.

Founded in 1974 by Mr. Terry Gou (Gou Tai-ming)

Employs 873,000 people worldwide.

Income Statement (mil)	2016	2015	2014	2013	2012
Revenue	\$134,772.04	\$136,122.77	\$132,546.40	\$131,651.70	\$134,111.28
Gross Profit	\$9,943.41	\$9,736.38	\$9,184.55	\$8,483.87	\$8,593.56
Operating Income	\$5,409.13	\$4,988.84	\$4,504.80	\$3,641.26	\$3,705.23
Net Income	\$4,596.66	\$4,460.35	\$4,106.62	\$3,554.08	\$3,250.01
Diluted EPS	\$0.26	\$0.26	\$0.24	\$0.21	\$0.19

Cash Flow (mil)	2016	2015	2014
Cash at the Beginning of the Year	\$19,957.27	\$21,362.51	\$23,118.04
Net Operating Cash	\$5,380.72	\$7,359.34	\$5,998.66
Net Investing Cash	(\$6,559.18)	(\$1,996.51)	(\$1,958.40)
Net Financing Cash	\$1,606.15	(\$5,806.09)	(\$4,977.55)
Net Change in Cash	(\$741.54)	(\$665.09)	(\$471.58)
Cash at End of the Year	\$19,577.16	\$19,957.27	\$21,362.51
Capital Expenditure	(\$1,573.35)	(\$2,011.73)	(\$835.52)

Balance Sheet

Assets (mil)	2016	2015	2014
Current Assets			
Cash	\$19,577.16	\$19,957.27	\$21,362.51
Net Receivables	\$23,030.04	\$18,479.70	\$24,985.87
Inventories	\$11,974.51	\$12,895.86	\$11,614.93
Other Income Assets	\$3,301.15	\$1,536.14	\$1,292.80
Asset Summary			
Total Current Assets	\$59,712.75	\$54,308.21	\$60,793.98
Net Fixed Assets	\$9,560.54	\$10,226.75	\$11,290.00
Other Noncurrent Assets	\$973.88	\$788.42	\$844.76
Total Assets	\$80,145.97	\$70,103.07	\$77,477.01

Liabilities (mil)	2016	2015	2014
Current Liabilities			
Accounts Payable	\$21,942.79	\$19,560.04	\$23,133.48
Short Term Debt	\$7,675.15	\$3,732.57	\$8,015.18
Other Current Liabilities	\$9,113.86	\$8,781.82	\$9,831.19
Liability Summary			
Total Current Liabilities	\$38,731.79	\$32,074.43	\$40,979.85
Long Term Debt	\$5,566.13	\$5,316.37	\$4,997.17
Other Noncurrent Liabilities	\$45.58	\$27.49	\$299.01
Total Liabilities	\$46,791.04	\$39,501.35	\$48,211.93

Stakeholder's Equity (mil)	2016	2015	2014
Equity			
Preferred Stock Equity	\$	\$	\$
Common Stock Equity	\$5,358.05	\$4,749.35	\$4,654.01
Equity Summary			
Total Equity	\$33,354.93	\$30,601.72	\$29,265.07
Shares Outstanding	17,328.74	17,202.12	17,086.39

Average Growth Rates
Past Five Years
Ending 12/31/2016

Revenue	2.32%	Net Income	11.38%	Earnings Per Share	10.94%
Capital Spending	-5.64%	Gross Margin	8.84%	Cash Flow	5.06%

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