



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: May 17, 2005
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo -- American Axle & Manufacturing
Retention Credit

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COMPANY NAME AND ADDRESS:

American Axle & Manufacturing
One Dauch Drive
Detroit, Michigan 48211-1198


HISTORY OF COMPANY:

At a time when many other companies were abandoning Detroit, American Axle & Manufacturing (AAM) became the first multibillion-dollar, major corporate startup to locate in the city in more than 20 years. AAM invested over \$1 billion to upgrade and modernize its Detroit manufacturing complex. The largest independent supplier of driveline components for light trucks and sport utility vehicles manufactured in North America and sold in the United States, AAM is also the market leader in North American metal-formed products. AAM was incorporated in 1994 and has joined the ranks of the Fortune 500, been named one of the "Best Big Companies in America" by Forbes and achieved investment grade status from Standard & Poors and Moody's.

PROJECT DESCRIPTION:

AAM currently manufactures driveline products for several vehicle programs including GM's GMT 800 series program of full size, light truck and SUV vehicles. These products are manufactured at AAM's Detroit and Three Rivers manufacturing facilities. After a very successful life cycle, GM is replacing the GMT 800 series with the GMT 900 series programs, which is scheduled to launch December 2005.

If this project is located in Michigan AAM anticipates investment of nearly \$73 million in Detroit, and \$7 million in Three Rivers, resulting in the retention of 458 Detroit associates and 192 Three Rivers associates with an average weekly wage of \$931.



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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, they estimate that this facility will retain a total of 1,568 jobs in the state through the year 2013. They also estimate that the project would maintain total state government revenues through the year 2013, net of MEGA cost and adjusted for inflation, of \$51.2 million (2005 dollars) due to the retention of this facility.

BUT FOR:

AAM is considering producing the GMT 900 driveline product in Michigan or Guanajuato, Mexico. When comparing the Michigan and Guanajuato, Mexico locations, the company estimates that wage rates in Guanajuato are significantly lower. When this project is fully staffed, lower wage and benefit cost in Mexico could save the company up to \$25.7 million per year.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 458 retained workers, or up to \$458,000.

On March 31, AAM applied for a 50 percent abatement of the company's new personal property taxes for 12 years from the City of Detroit. We anticipate the council taking action on this abatement this summer. This tax abatement has an estimated value of \$8.3, based on investment of approximately \$73 million.

Three Rivers will support a 50 percent, 12-year tax abatement of the company's new personal property. We anticipate the council taking action at their June 21, 2005 meeting. This abatement has an estimated value of \$364,000, based on investment of approximately \$7 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 8 years, for up to 650 retained employees.