



300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER ASSISTANCE
517 373 9808

WWW.MICHIGAN.ORG

DATE: August 13, 2002
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – AutoAlliance International, Inc.

COMPANY NAME AND ADDRESS:

AutoAlliance International, Inc.
One International Drive
Flat Rock, Michigan

HISTORY OF COMPANY:

AutoAlliance International (AAI) is a joint venture between Ford Motor Company and Mazda Motors of America. The manufacturing facility at Flat Rock, Michigan that is managed by AAI has produced the Mazda 626 and Mercury Cougar in the past.

Ford Motor Company was founded in 1903 to produce and sell automobiles designed and engineered by Henry Ford. Ford is the world's largest producer of trucks and the second largest automotive manufacturer. Ford sells vehicles in more than 200 countries around the world and has manufacturing facilities on six continents. In 2001, the company sold 7 million vehicles, and employed nearly 355,000 people worldwide.

PROJECT DESCRIPTION:

AAI intends to bring two new products to either the Flat Rock Facility or to another location in North America. The project will require an investment of approximately \$644 million. AAI proposes to add new machinery and equipment to the Flat Rock site to accommodate two new products. All new machinery and equipment will be purchased and installed in the assembly facility. This project will retain up to 1961 jobs at launch and up to 3350 total employees should demand for vehicles necessitate. Average weekly wage for these jobs will be \$1030 with a comprehensive benefit package.

EXECUTIVE COMMITTEE

GOVERNOR JOHN ENGLER
General Chair

MATTHEW P. CULLEN
Chair
General Motors

PHILIP H. POWER
Vice-Chair
HomeTown Communications
Network

FACUNDO BRAVO
Uni Boring Co., Inc.

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

JOANN CRARY
Saginaw Future Inc.

STEVEN K. HAMP
Henry Ford Museum &
Greenfield Village

HAYDEN H. HARRIS
EDF Ventures

DEWITT J. HENRY
Wayne County

PAUL HILLEGONDS
Detroit Renaissance

MAYOR DAVID HOLLISTER
City of Lansing

MICHAEL J. JANDERNOA
Perrigo Company

MIRGIT M. KLOHS
The Right Place Program

DR. IRVIN D. REID
Wayne State University

DR. MARTIN TAYLOR
BTE Energy Company

PETER S. WALTERS
Guardian Industries
Corporation

RESIDENT & CEO
DOUG ROTHWELL



Briefing Memo
AutoAlliance International, Inc.
August 13, 2002
Page Two

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc, software, we estimate this facility will generate a total of 9,673 jobs in the state by 2023. Total state government revenues through the year 2023, net of MEGA costs and adjusted for inflation, would be increased by \$758,834,000 million (2002 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Flat Rock and an out of state facility. Based on figures obtained from the company, the cost disadvantage for AAI to locate this expansion in Michigan amounts to approximately \$11 million annually. The major factors in this differential are lower employee costs and lower taxes in the competing location.

OTHER STATE AND LOCAL ASSISTANCE:

The state will also offer a 100 percent abatement of the 6-mill State Education Tax for the same term as the local property tax abatement. This abatement is estimated to be worth up to \$6.7 million. The local tax abatement, already approved by the City of Flat Rock, could be worth up to \$31 million over twelve years.

BUT FOR:

AAI is faced with significantly higher tax and employee costs to produce products at the site in Flat Rock. In addition, with the current competitiveness of the American automotive market, the company must contain and reduce operating costs at this facility to justify further expansion. Therefore, the following MEGA credit is needed to encourage this business investment in Michigan.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 70 percent for up to 3350 retained or new employees for a period of 20 years.