



MEMORANDUM

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CUSTOMER ASSISTANCE  
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WWW.MICHIGAN.ORG

DATE: May 7, 2002  
TO: Michigan Economic Growth Authority  
FROM: James Donaldson, Vice President  
Michigan Business Development  
SUBJECT: Briefing Memo – Axle Alliance Company, LLC

COMPANY NAME AND ADDRESS:

Axle Alliance Company, LLC  
13400 Outer Drive, West  
Detroit, Michigan 48239

HISTORY OF COMPANY:

Axle Alliance Company is a subsidiary of DaimlerChrysler North American Holding Corporation and was recently incorporated in Michigan to develop and manufacture axles for commercial vehicles and to provide engineering consultancy services to other axle plants. Axle Alliance Company currently has one employee in Michigan.

PROJECT DESCRIPTION:

The company was created to begin a new line of business for DaimlerChrysler North America, that of commercial vehicle axle production. Plans are to lease roughly 72,000 square feet of manufacturing and office space from the Detroit Diesel facility in Redford, Michigan. Investment of roughly \$900,000 in the building would occur, as well as \$500,000 in annual lease payments. Other investments include \$17 million in machinery and equipment and \$12 in research and development expenditures.

Up to 215 new jobs would be created over a five-year period at an average weekly wage of \$649 and a benefit package worth up to 20 percent of wages. Building preparation will take place from July through December 2002 and production would start in July 2003.

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**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 552 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs and adjusted for inflation, would be increased by \$27.6 million (2002 dollars) due to the presence of this facility.

**BUT FOR:**

As part of its decision-making effort, the company conducted a cost comparison between Redford, Michigan and Charleston, South Carolina. Because this is a new endeavor for DaimlerChrysler, the parent company is very cognizant of costs associated with getting this facility up and going. An existing building is available in Charleston (the former Freightliner axle manufacturing facility), which would require no renovations and would cost \$70,000 per year less to lease. In addition, wages in South Carolina would average 12 percent lower than in Michigan. Due to these cost differences, as well as the fact that South Carolina has offered the company a significant incentive package requires that Michigan provide an aggressive MEGA to attract this project.

It should be noted here that this is the third project that DaimlerChrysler Corporation has tried to locate in the Detroit Diesel facility. Michigan lost the other two projects to South Carolina due to large cost differentials and those facilities not being eligible for MEGA tax credits.

**OTHER STATE AND LOCAL ASSISTANCE:**

Due to the type and level of investments being proposed, the company may be eligible for an Investment Tax Credit of up to \$110,000. The State of Michigan would provide a State Education Tax abatement of 6 mills to match the length of time of the local property tax abatement. The value of this abatement is estimated at \$235,000.

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Redford Township will provide a 50 percent abatement of the company's new personal property for six years and qualified renovations to the facility for 12 years. The estimated value of both of these local abatements is \$996,000.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for 15 years for up to 215 net new employees.