

MEMORANDUM

Date: December 15, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

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Packaging Team

Subject: Briefing Memo – Caparo Vehicle Components, Inc.
Retention MEGA Credit

COMPANY NAME

Caparo Vehicle Components, Inc.
44700 Grand River Avenue
Novi, Michigan 48376

HISTORY OF COMPANY

Caparo Vehicle Components, Inc. (CVCI) is a U.S. subsidiary of Caparo Group. Caparo Group, headquartered in London, England, is focused on the manufacture of steel, automotive, and general engineering products.

CVCI is the North American branch of the company's vehicle components division. The branch was formed in 2007 through the acquisition of Voestalpine Polynorm, Inc. CVCI serves as the platform for expanding Caparo Group's presence in the North American Automotive Industry. In Michigan, CVCI produces small to medium metal stampings, welded assemblies, and e-coated components for OEMs and major Tier 1 suppliers.

CVCI is located in the City of Novi, Oakland County and has 117 employees in the State of Michigan.

PROJECT DESCRIPTION

The proposed project will be the retention of CVCI's facility in the City of Novi, Oakland County. The retention of these jobs will allow the company to meet existing customer requirements, and penetrate new customers in North America.

CVCI will invest approximately \$10.5 million and retain 117 jobs in the State of Michigan over the next five years as a result of this project. The average weekly wage for the retained jobs will be \$784. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of the tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will retain a total of 398 jobs in the state by the year 2014. It is also estimated that the project would maintain total state government revenues through the year 2014, net of MEGA costs, of \$6.8 million (current dollars) due to the retention of this facility.

BUSINESS CASE

CVCI has an existing facility in San Luis Potosi, Mexico, which has capacity for potential growth. The company also has capacity at their sister facilities throughout the southeastern United States. All of these opportunities give the company the ability to cater to a broad range of North American Customers at a lower cost base.

OTHER STATE AND LOCAL ASSISTANCE

At this point there is no local support by the City of Novi for this project. Oakland County is supporting this project with \$25,000 in federal training funds through the Workforce Investment Act.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to an 80 percent retention employment tax credit for 5 years for the 117 retained employees in the City of Novi.