



MEMORANDUM

ORIGINAL

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DATE: April 17, 2007
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – DaimlerChrysler Company LLC
Retention Credit

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COMPANY NAME AND ADDRESS:

DaimlerChrysler Company LLC
1000 Chrysler Drive
Auburn Hills, Michigan 48326-2766

HISTORY OF COMPANY:

DaimlerChrysler Company LLC is a wholly-owned subsidiary of DaimlerChrysler AG. The company develops, manufactures, distributes and sells a wide range of automotive products, mainly passenger cars, light trucks and commercial vehicles.

DaimlerChrysler Company LLC is the U. S. manufacturing entity of the Chrysler Group.

PROJECT DESCRIPTION:

DaimlerChrysler (DCX) is contemplating substantial capital investment in a new engine plant that could be located at the site of the current DCX engine plant in Trenton. The facility will produce V-6 engines beginning in the 2010 model year with production beginning in April 2009. This new facility will retain 485 jobs in Trenton with an average weekly wage of \$1,043. The company is also considering locations in Mexico, Indiana and Ohio.

Although no job creation or retention credits will be provided at these two facilities, the company has pledged to invest at least \$500 million in at least two other Michigan facilities should the MEGA board approve credits for Trenton Engine.

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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 retention of the company's manufacturing facilities will retain a total of 1324 jobs in the state by the year 2017. We also estimate that the project would maintain total state government revenues through the year 2017, net of MEGA cost and adjusted for inflation, of \$71 million (2007 dollars) due to the retention of this facility.

BUSINESS CASE:

The company must achieve cost savings and efficiencies in every facet of its operations and is looking at every facility to identify and pursue operational efficiencies and savings. DCX has excess manufacturing capacity in the United States and must make decisions regarding which facilities will remain in production over the long term. Plants that receive sizable investment and secure successful product programs are less likely to be idled in the near future, thereby helping to secure DCX's operations in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The company has met with local officials at Trenton. The community has expressed full support for the project and has pledged an eight year 100% PA 328 abatement and an additional 6 year 50 percent abatement of personal property taxes for new equipment at the site. In addition, the community will offer a twelve year, 50 percent abatement of property taxes for new investment in buildings at the site.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment credit for nine years for up to 485 retained jobs at the Trenton facility provided that the company makes additional investment at least two other Michigan facilities by December 31, 2009.

As required by the MEGA statute, this credit is subject to a clawback should the company not meet certain contractual requirements.