



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: February 15, 2005
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – DaimlerChrysler North America Holding Corporation
Retention Credit

COMPANY NAME AND ADDRESS:

DaimlerChrysler North America Holding Corporation
1000 Chrysler Drive
Auburn Hills, Michigan 48236

HISTORY OF COMPANY:

Detroit Diesel Corporation (DDC) is a subsidiary of DaimlerChrysler AG, the world's leading manufacturer of heavy-duty diesel truck engines. Within DaimlerChrysler AG, DDC is part of the NAFTA Truck business unit, within the Commercial Vehicle Division.

DDC is headquartered in Detroit, Michigan, and is engaged in the design, manufacture, sale and service of heavy-duty diesel and alternative fuel engines and engine-related products. DDC offers a complete line of diesel engines from 170 to 515 horsepower for the on-highway market directly and through a worldwide network of authorized distributor locations.

PROJECT DESCRIPTION:

DDC is considering investments that will transform its approximately three million square foot Redford Township manufacturing facility into a "Manufacturing Mall" for DaimlerChrysler Commercial Vehicle Division business units in NAFTA. The project will require major investment into the 65 year-old facility, for four major activities:

- Production of a brand new family of heavy-duty diesel engines beginning in 2007, code named HDEP. Locating production at the Company's Redford facility will result in the retention of 541 jobs in Michigan. In addition to engine assembly, the Company plans to machine blocks, heads and cylinder liners at the Redford facility. The average wage for assembly of HDEP engines is approximately \$930 per week.
- Assembly of Mercedes-Benz (MBE) 900 medium-duty diesel engines beginning in January 2007. Today, these engines are produced in Mannheim, Germany and imported to North America through DDC. Locating assembly in Redford will retain 79 hourly and 12 salaried jobs in Michigan. The average wage for assembly of HDEP engines is approximately \$930 per week.
- Production of a brand new Particulate Matter (PM) filter by Purem North America, LLC, a wholly-owned subsidiary of DaimlerChrysler. Locating Purem operations in the Redford facility will create up to 500 jobs in Michigan. The average wage for Purem is \$529 per week.

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Guardian Industries Corp.

- Relocation of Sterling Truck Corporation / Western Star Trucks corporate headquarters to DDC's Redford facility. Sterling/Western Star currently maintains offices in Willoughby, Ohio, but will move to the Redford facility creating up to 100 new jobs in Michigan, paying an average of \$1,129 per week.

Total Michigan employment as a result of locating these projects in Michigan is estimated at 1,232 workers, including 632 retained positions, and 600 new jobs. Average wages for these positions is anticipated to be \$930 per week for retained workers, and \$720 per week for new workers.

Including facility renovations and infrastructure improvements at the Company's Redford facility, the capital investment required for the above four projects is over \$275 million.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate that this facility will create and retain a total of 2,928 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 \$104.2 million (2005 dollars) due to the retention of this facility.

BUT FOR:

After an extensive site selection process, the Company located a manufacturing facility in Winnsboro, South Carolina. This facility is well-suited to these projects, and wages are approximately 30 percent lower than in Michigan. Approximately two-thirds of the diesel engines produced by DDC are shipped to customers located in the Carolinas, thus offering an outbound logistics advantage. Costs of operations are approximately \$30 million higher per year in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The company will be eligible for job training assistance of \$1000 per worker for 143 new workers, or up to \$143,000, under the Economic Development Job Training program.

Redford Township has also approved reimbursement for up to \$10.3 million of the company's demolition activities through local Brownfield Tax Increment Financing. The State of Michigan has proposed to provide additional redevelopment assistance through a Brownfield Single Business Tax Credit worth up to \$3 million.

Redford Township has also proposed 50 percent abatement of the company's new personal property taxes for 12 years. If this abatement is approved, the State of Michigan has also offered 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. These abatements have an estimated value of \$18 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for ten years for the retention of up to 632 jobs, and an employment credit of 100 percent for ten years for up to 600 new jobs at the facility.