



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 WASHINGTON SQ.
ANN ARBOR, MI 48103

CONTACT CENTER
313 9608

WWW.MICHIGAN.ORG

EXECUTIVE COMMITTEE
MATTHEW P. CULLEN
Chair
General Motors

LIP H. POWER
Vice-Chair
ICM, Inc.

DAVID E. JAKEWAY
President & CEO

DAVID E. BLOUSE JR., CCE
Detroit Regional Chamber

DAVID W. BROWN
Caterpillar Corporation

DAVID E. COLE
Center for
Automotive Research

DAVID N. JURY
Maginaw Future Inc.

HAIFA FAKHOURI
Arab American and
Palestinian Council

VEN K. HAMP
The Henry Ford

DEN H. HARRIS
JF Ventures

L. HILLEGONDS
TE Energy Company

DAVID C. HOLLISTER
Michigan Department of
Labor & Economic Growth

DAVID R. JACKSON JR.
Detroit Economic Growth
Corporation

DAVID J. JANDERNOA
Edge Street Capital
Partners, LLC.

DR. ROBERT B. JONES
City of Kalamazoo

DAVID M. KLOHS
The Right Place, Inc.

IRVIN D. REID
Wayne State University

DAVID SHOEMAKER
LW International

DAVID ARTIN TAYLOR
Detroit Renaissance

DAVID Y. TORGOW
Perling Group

DAVID ER S. WALTERS
Industries Corp.

DAVID ER S. WALTERS
Industries Corp.

DAVID ER S. WALTERS
Industries Corp.

DATE: June 21, 2005
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Detroit Diesel Corporation
Retention Credit

COMPANY NAME AND ADDRESS:

Detroit Diesel Corporation
13400 Outer Drive, West
Detroit, Michigan 48239

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 renovations and infrastructure improvements.

The company's initial investment plans are related to the production of two major heavy-duty engine platforms. To produce these engines in Redford, the company anticipates capital investment in excess of \$275 million, resulting in the retention of up to 632 positions paying an average of \$932 per week.



Detroit Diesel Corporation
Briefing Memo
June 21, 2005
Page Two

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 retain a total of 1,531 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 \$58.4 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 \$15 million higher per year in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

Redford Township has 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 also approved additional redevelopment assistance through a Brownfield Single Business Tax Credit worth up to \$3 million.

Redford Township has also approved 50 percent abatement of the company's new personal property taxes for 12 years. 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 at the facility.