



MEMORANDUM

Date: March 15, 2011

To: Michigan Economic Growth Authority

From: Joe Quick, Project Specialist
Packaging Team

Subject: Briefing Memo – Detroit Heavy Truck Engineering, LLC
High Technology MEGA Credit

COMPANY NAME

Detroit Heavy Truck Engineering, LLC
26105 Lannys Road, Suite A
Novi, Michigan 48375

HISTORY OF COMPANY

Detroit Heavy Truck Engineering, LLC (DHTE) was incorporated in April of 2010 for the purpose of designing, engineering, selling and supporting heavy trucks and related mining equipment. All major parts and components of the trucks and machines will be designed, engineered and purchased in the United States, while some light manufacturing and final assembly work will be done in Xiangtan, China. The Chinese government at both the national level (Capital Engineering and Research Corporation) and at the local level (Xiangtan Steel and others, Hunan Province) have joined together to form the manufacturing company Elite (Xiangtan Heavy Industrial Equipment Company). Elite has been charged by the Chinese government to develop a line of mining trucks for the global market, and awarded the contract to DHTE.

The company currently has 12 full-time employees in Michigan.

PROJECT DESCRIPTION

DHTE will expand within the building it currently owns in Novi, Michigan, Oakland County and hire employees to address several new contracts. These contracts have secured DHTE work to: design and engineer a 400 ton diesel-electric mining dump truck; design and engineer additional 200-400 ton truck models; design and engineer electric shovels with 30-70 cubic meter bucket capacity; and to provide engineering, data management systems, quality assurance, sales, after-market service support, and maintenance on these trucks and shovels. DHTE bought out an existing tenant in their building to allow for an additional 3,500 square feet of offices within this existing building. Within 18-24 months from initiation of this project, DHTE anticipates outgrowing its current space and will incur additional building and renovation costs.

The company plans to invest approximately \$4.6 million and create 49 jobs over the next five years, with 12 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,139. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

There are not any other Michigan businesses known in the same industry.

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 generate a total of 94 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$1,205,848 (current dollars) due to the presence of this facility.

BUSINESS CASE

In addition to vast differences in wages between Michigan and Xiangtan, China, DHTE has no customer base in Michigan; 100% of all mining equipment will be sold to other states. China is also a contender for its proximity to customer manufacturing plants and ease of post-production testing and management. DHTE has considered locating this work to Gillette, Wyoming. A branch office was established there in November to administer sales to the established mining industry there.

OTHER STATE AND LOCAL ASSISTANCE

The City of Novi has paid Detroit Heavy Truck's application fee, in the amount of \$1,000.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Engineering or Laboratory Testing, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 50 percent high technology employment tax credit for 5 years for up to 49 net new employees in excess of the company's established base of 12.