



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 15, 2008
TO: Michigan Economic Growth Authority
FROM: Amy Deprez, Packaging Team Manager
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Business Development and Attraction

SUBJECT: Briefing Memo - Faurecia Interior Systems, Inc.
Standard MEGA Credit

COMPANY NAME:

Faurecia Interior Systems, Inc.
2050 Auburn Road
Auburn Hills, MI 48326

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HISTORY OF COMPANY:

The global Faurecia Group is the world's eighth largest Tier I supplier of automotive components to the global Original Equipment Manufacturers (OEM), with its worldwide headquarters in Nanterre, France. The Faurecia Group supplies OEMs with automotive seating, exhaust systems, front end modules and interior systems. The Faurecia Group's US legal structure includes the top level company Faurecia USA Holdings, Inc., which owns each of the three separate operating entities, Faurecia Interior Systems, Inc., Faurecia Automotive Seating, Inc. and Faurecia Exhaust Systems, Inc.

The majority of Faurecia's growth within Michigan has occurred in the past three years. In 2006, Faurecia established five new Michigan locations, a core research facility in Holland, two manufacturing plants in Sterling Heights, and manufacturing plants in Fraser and Shelby Township. In 2007, Faurecia opened its first plant in Lansing. Faurecia USA Holdings, Inc. currently has 1,817 employees in Michigan.

PROJECT DESCRIPTION:

General Motors has awarded Faurecia Interior Systems two new contracts to manufacture and supply instrument panels beginning in mid-to-late 2009, for vehicles that GM will assemble at its Ingersoll, Ontario, Canada, plant. Faurecia can place this new manufacturing activity at one of two existing manufacturing plants, one of which is located in Ontario and the other is in Fraser, MI. The new contracts would require a physical expansion of the Fraser plant. GM will also invest an additional \$9 million of GM owned tooling at the Fraser manufacturing plant.

Total investment for Faurecia over five years will be approximately \$8.875 million. This project will create 82 new jobs with an average weekly wage of \$601. The company will also offer health care benefits and pay a portion of the benefit costs.

**BENEFITS 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 create a total of 281 jobs in the state by the year 2016. We also estimate that the project would create total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, of \$6.1 million (2008 dollars) due to the creation of these new jobs.

**BUSINESS CASE:**

Alternatively, the project could be placed in Faurecia's facility in Mississauga, Ontario. The company faces three significant competitive cost disadvantages in locating the new manufacturing activity in Michigan versus in Ontario.

1) Faurecia's Canadian plant in Mississauga, Ontario, is located less than one hour from the GM assembly plant in Ingersoll. Therefore Faurecia will incur higher transportation costs by manufacturing in Fraser.

2) The Mississauga plant has existing manufacturing space available for the new activity, while Fraser will require a footprint expansion.

3) Faurecia's U.S. income tax rate is higher than the combined current and future Canadian income tax rates. Also, Canada does not impose a personal property tax upon equipment used in a trade or business, while Faurecia would pay personal property tax of 50 percent in Fraser even with the PA 198 tax abatement.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Fraser is supportive of this project and has approved a 12 year PA 198 tax abatement.

**RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends an 80 percent employment tax credit for seven years, for up to 82 net new employees.