



MEMORANDUM

Date: February 15, 2011
To: Michigan Economic Growth Authority
From: Marcia Gebarowski, Project Specialist
Packaging Team
Subject: Briefing Memo – Faurecia Interior Systems, Inc.
Standard MEGA Credit

COMPANY NAME

Faurecia Interior Systems, Inc.
2500 Executive Hills Boulevard
Auburn Hills, Michigan 48326

HISTORY OF COMPANY

Faurecia is the world's sixth largest parts supplier to the global automotive OEM. Headquartered in Nanterre France, Faurecia has operations in essentially every industrialized country. Faurecia is comprised of four primary business groups: interior systems, exterior systems, automotive seating, and exhaust and emissions control technology. Faurecia's US legal structure includes the top level company Faurecia USA Holdings, Inc., which owns each of the four separate operating entities, Faurecia Interior Systems, Inc., Faurecia Automotive Seating, Inc., Faurecia Exhaust Systems, Inc. and Faurecia Emissions Control Technologies, Inc.

Faurecia currently has a Michigan presence with three of their four divisions, including the headquarters for Faurecia US Holdings, Inc.

The company currently has 1,346 employees in Michigan.

PROJECT DESCRIPTION

Faurecia currently has the opportunity to expand their Interior Systems and Automotive Exteriors divisions within North America. There are two distinct locations in which the company is proposing an expansion in Michigan.

Their interiors division has been awarded new customer business to manufacture and supply interior door panels, center consoles and cockpits for upcoming new model launches. The project will occur at one of their three "mother" manufacturing plants. If this expansion occurs in Michigan it will be at the company's facility in the City of Fraser.

Faurecia will also expand its technical and customer support staff within their interiors and automotive exteriors division. Currently these employees are housed at the headquarters facility for Faurecia USA

Holdings, Inc. in the City of Auburn Hills. The building is at capacity and the company has chosen a second building in the City of Auburn Hills to expand its footprint.

In total, the company plans to invest approximately \$19.3 million and create 428 jobs over the next five years, with 311 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$691. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 1,546 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$35,032,775 (current dollars) due to the presence of this facility.

BUSINESS CASE

Faurecia Interiors has another “mother” manufacturing facility in Puebla, Mexico. Although there is some offset in increased shipping costs to the US, the company would recognize a large cost disadvantage in higher wages and benefits by placing new manufacturing work in Fraser, Michigan versus Puebla, Mexico. Second, for the technical jobs, the company has available space to house the projected job growth at their Toledo Customer Center which is currently leased through 2022. The Michigan project requires that the company expand its footprint and enter into a new facility lease.

OTHER STATE AND LOCAL ASSISTANCE

The City of Fraser and the City of Auburn Hills support this project and each community plans to approve a PA 198 property tax abatement to the personal property investment related to the project.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 90 percent standard employment tax credit for 7 years for up to 428 net new employees in excess of the company’s established base of 1,346. This offer is contingent upon the following:

- The company agrees to set aside its four existing MEGA credits upon activation of the MEGA credit for the described project.