



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
CONTACT CENTER
517 373 9808

WWW.MICHIGAN.ORG

DATE: August 9, 2006
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development *[Signature]*
SUBJECT: Briefing Memo – Ford Motor Company
Retention Credit

COMPANY NAME AND ADDRESS:

Ford Motor Company
One American Way
Dearborn, Michigan 48126

HISTORY OF COMPANY:

Ford Motor Company was incorporated in Delaware in 1919. Ford acquired the business of a Michigan company, also known as Ford Motor Company that was incorporated in 1903 to produce and sell automobiles designed and engineered by Henry Ford. Ford Motor Company is the world's second-largest producer of cars and trucks combined. Ford sells vehicles in more than 200 countries and territories around the world, and has manufacturing facilities on six continents. In 2005, the company sold 6.8 million vehicles, and employed 300,000 people worldwide.

Currently, Ford is at a critical junction, facing some of its toughest challenges. Global competition, increased operating costs, and other factors have led Ford to the conclusion that drastic change in the way that it conducts business is necessary for survival.

PROJECT DESCRIPTION:

Ford is considering significant investment as part of its Way Forward revitalization plan, which would source additional product programs and technology in Michigan. Under consideration are investments in machinery and equipment to revitalize numerous Ford Michigan powertrain, stamping, and research facilities and to enable the production of new products in Michigan, including a new front-wheel drive transmission and heavy-duty engine. If the project is undertaken, the company will invest approximately \$1 billion to upgrade operations at nine Michigan facilities, resulting in the retention of up to 13,740 jobs, paying an average weekly wage of \$960. The company will also invest an additional \$400 million in several other company and company related facilities to further secure their future in Michigan.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, it is estimated that retention of the company's manufacturing facilities will retain a total of 56,200 jobs in the state by the year 2027. We also estimate that the project would maintain total state government revenues through the year 2027, net of MEGA cost and adjusted for inflation, of \$4.2 billion (2006 dollars) due to the retention of this facility.

BUSINESS CASE:

The company must achieve cost savings and efficiencies in every facet of its operations and is looking at every facility to identify and pursue operational efficiencies and savings. Ford has excess manufacturing capacity in the United States and has already announced the idling of several manufacturing facilities. Plants that receive sizable investment and secure successful product programs are less likely to be idled in the near future, thereby helping to secure Ford's operations in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The company has met with local officials in the majority of project site jurisdictions. These communities have expressed full support for the project. Ford will file property tax abatement applications as investment details are finalized.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 30 percent employment credit for twenty years for the retention of up to 13,740 jobs at the company's Dearborn Stamping, Livonia Transmission, Michigan Proving Grounds, Michigan Truck, Romeo Engine, Sterling Axle, Sustained Mobility Laboratory, Van Dyke Transmission and Woodhaven Stamping sites.

The credit will be contingent upon the company maintaining at least 6,000 full time jobs at these sites. As required by the MEGA statute, this credit is subject to a clawback should the company not meet certain contractual requirements.