

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Joshua Hundt, Senior Project Specialist
Packaging Team

Subject: Briefing Memo – Ford Motor Company
Retention MEGA Credit

COMPANY NAME

Ford Motor Company
One American Road
Dearborn, Michigan 48126

HISTORY OF COMPANY

Ford Motor Company (Ford) was founded in Michigan in 1903 and incorporated in Delaware in 1919. Ford is based in Dearborn, Michigan and is among the world's largest producer of cars and trucks. Ford sells vehicles in more than 200 countries and territories around the world, and has 95 manufacturing facilities on six continents. Ford's core automotive brands are Ford and Lincoln and include a minority interest in Mazda. The company's automotive financing business is Ford Motor Credit Company.

The company operates as a globally integrated worldwide team with four key priorities: aggressively restructure to operate profitably at the current demand and changing mix, accelerating development of new products customers want and value, financing its plan and improving its balance sheet, and working together effectively as a global team.

The company currently has 36,720 employees in Michigan.

PROJECT DESCRIPTION

Ford is considering investments across the State of Michigan to support jobs at manufacturing, research and other core locations to secure global product platforms and operational activities in Michigan. This multi-faceted initiative will help secure Michigan as a globally competitive location by in-sourcing certain manufacturing capabilities and leveraging innovation initiatives across stamping, advanced powertrain, component and vehicle assembly operations throughout the state.

The proposed initiative will include investment and job retention throughout Michigan. The company plans to invest approximately \$850 million and retain up to 28,000 jobs over the next five years as a result of this project. The average weekly wage for the retained jobs will be \$760. 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 retain a total of 116,600 jobs in the state by the year 2026. It is also estimated that the project would maintain total state government revenues through the year 2026, net of MEGA costs, of \$7.1 billion (current dollars) due to the retention of this facility.

BUSINESS CASE

As Ford develops global vehicle platforms and seamless global operations all manufacturing and support functions are at risk of moving to locations outside of Michigan and outside of the United States. In addition to its global manufacturing locations Ford also maintains engineering centers in Europe and Asia and has significant procurement, finance, and strategic operations in India, South Africa, Eastern Europe, China, and Thailand. All of these locations are viable competitors for the investment and jobs associated with this project.

OTHER STATE AND LOCAL ASSISTANCE

Ford is seeking property tax abatements under P.A. 198 of 1974 from communities in support of this project. The estimated value of these abatements is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 100 percent retention employment tax credit for 15 years for up to 28,000 retained employees in Michigan. The company must meet the following requirement to access the credit, failure to do so will result in the credit not being available that tax year:

- The company must maintain a statewide threshold, not including the facilities associated with the Electrification MEGA Credit #538, of at least 14,400 full-time employees within the State of Michigan, including 8,900 full-time salaried employees;
- The company may not earn credit on wages greater than \$75,000 per year, plus a 4% annual inflation adjustment, for salaried employees;
- The company must set aside all existing MEGA Credits upon activation of this MEGA Tax Credit, with the exception of the Electrification MEGA Tax Credit #538;
- Except as noted below, Investment for this credit cannot occur at any location included in the electrification credit #538, which includes the following locations:
 - Michigan Assembly Plant – Michigan Truck
 - Michigan Assembly Plant – Wayne Assembly
 - Michigan Assembly Plant – Wayne Stamping
 - Van Dyke Transmission
 - Product Development Center
 - Rawsonville
- Beginning January 1, 2013 investment for this credit will be allowed at the Van Dyke Transmission facility. All other electrification MEGA credit facilities will remain exempt from eligible investment. MEGA credit #538 will be amended to reflect this change in eligible investment.