

MEMORANDUM

Date: November 17, 2009

To: Michigan Economic Growth Authority Board

From: Amy Deprez, Manager
Packaging Team

Joshua Hundt, Project Specialist
Packaging Team

Subject: Briefing Memo – Global Engine Manufacturing Alliance LLC
High-Technology MEGA Credit

COMPANY NAME

Global Engine Manufacturing Alliance LLC
1000 Chrysler Drive
CIMS: 485-12-30
Auburn Hills, Michigan 48326-2766

HISTORY OF COMPANY

Global Engine Manufacturing Alliance LLC (GEMA) was formed on March 31, 2003, through a joint venture between Chrysler, Mitsubishi, and Hyundai. In August of 2009, the joint venture interests held by Mitsubishi and Hyundai were conveyed to Chrysler Group LLC (Chrysler), making GEMA a wholly-owned subsidiary of Chrysler.

GEMA has a campus of two manufacturing plants in the Village of Dundee, Monroe County. The plants, known as GEMA North and GEMA South, are both located at 5800 North Ann Arbor Road, Dundee, Michigan. The GEMA North plant has been in operation since 2005 producing a family of fuel efficient, four cylinder engines ranging in size from 1.8 to 2.4 liters. To this point the GEMA South plant was only able to sustain operations for a period of approximately eight months in 2007.

The company has been awarded two MEGA Tax Credits in the past. The company continues to collect the credit approved December 16, 2003, and will forgo the credit approved on February 17, 2004.

GEMA currently has 207 employees in Michigan.

PROJECT DESCRIPTION

The proposed project is for the launch of the new 1.4 liter, 16 valve Fully Integrated Robotised Engine (FIRE) family that will enhance Chrysler's vehicle product mix. The engine program is a collaboration between Chrysler and Fiat's powertrain expert resources and introduces Fiat's innovative advanced technologies to reduce engine emissions and improve fuel economy in Chrysler's products.

The manufacturing plan for these engines includes the production of block, head, and crank components, as well full-scale assembly of engines. The plan will require the company to have the capacity to produce approximately 250,000 engines annually.

GEMA will invest approximately \$179 million over the next five years as a result of this project. In addition, GEMA will create 155 jobs and continue to maintain the 200 jobs associated with the MEGA tax credit approved in 2003 (GEMA I). The average weekly wage for the newly created jobs will be \$916. 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 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 573 jobs in the state by the year 2020. Total state government revenues through the year 2020, net of MEGA costs, would be increased by \$24.8 million (current dollars) due to the presence of this facility.

BUSINESS CASE

The company also considered Saltillo, Mexico for this project. GEMA would pay lower taxes and wages if they located this project in Saltillo, Mexico. The alternative site is also in close proximity to Chrysler's existing operations in Toluca, Mexico which offers a low cost assembly option for future automobiles utilizing the FIRE components.

OTHER STATE AND LOCAL ASSISTANCE

The Village of Dundee is supportive of this project and plans to approve a property tax abatement under PA 198 of 1974.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years for up to 155 net new employees in excess of the company's established base of 200 subject to the following:

1. The company must continue to maximize the credits (200 jobs) available under the project approved in 2003 (aka GEMA I) prior to activating (collecting) this credit;
2. The company must forgo the MEGA tax credit approved on February 17, 2004 (aka GEMA II);
3. The company must maintain a base level of employment of 200 full-time jobs located at 5800 North Ann Arbor Road, Dundee, Michigan 48131;
4. The qualified new jobs for the 2009 credit must be full-time employees (working 35 hours or more) of the applicant company or associated business Chrysler Group LLC and must be physically located at 5800 North Ann Arbor Road, Dundee, Michigan 48131;
5. The jobs transferred from any other site in the State of Michigan owned by Chrysler Group LLC are not considered qualified new jobs; and
6. The qualified new jobs for the 2009 credit must be hired after the MEGA Credit Agreement has been executed.

Global Engine Manufacturing Alliance LLC
Summary Estimates

(All monetary estimates in current dollars)

TOTAL JOBS CREATED (as of 2020)	573
Direct	155
Spin-off (includes Indirect Jobs)	418
NET POSITIVE STATE REVENUE IMPACT	\$24,836,773
Revenue foregone	\$4,620,227
Revenue gain	\$29,457,000
Personal income generated over life of MEGA agreement	\$382,580,000
Statewide employment multiplier (average, 2013–20)	3.54
Average Weekly Wage of Direct Jobs (as reported by the company at time of application)	\$916