



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**Date:** April 6, 2009  
**To:** Michigan Economic Growth Authority Board Members  
**From:** Martin Dober, Vice President  
New Markets

Valerie Hoag, Director  
Packaging Team

**Subject:** Briefing Memo - Johnson Controls-Saft Advanced Power Solutions, LLC  
Standard MEGA Credit, Battery Cell Manufacturing MBT Credit and  
Anchor Jobs MBT Credit

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**APPLICANT**

Johnson Controls-Saft Advanced Power Solutions, LLC  
5757 N. Greenbay Avenue  
Milwaukee, Wisconsin 53209

**COMPANY BACKGROUND**

Johnson Controls-Saft Advanced Power Solutions, LLC (JCS) is a joint venture between Johnson Controls and Saft formed in January 2006. Johnson Controls-Saft is one of the leading independent suppliers of lithium-ion batteries for hybrid and plug-in hybrid electric vehicles. In 2008 the company was selected to supply the lithium-ion batteries used in plug-in Ford Escape hybrid SUVs that are being tested by Southern California Edison, an electric utility. Revenues for the company were \$5.9 billion with 12,000 employees worldwide.

**PROJECT DESCRIPTION**

The project involves the construction of an advanced battery manufacturing facility to produce lithium ion cells for automotive applications. These cells will be assembled into packs, including integration of thermal management systems and controlling software. The capacity of the plant will be at least 15 million cells per year, or enough cells to power 150,000 hybrid electric and plug-in traction vehicles per year.

Johnson Controls-Saft anticipates it will invest approximately \$220 million and create up to 1,096 jobs over the next five years paying an average weekly wage of \$626. The company will also offer healthcare benefits and pay a portion of benefit costs.

**STANDARD MEGA 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 create a total of 3,143 jobs in the state by the year 2029. We also estimate that the project would create total state government revenues through the year 2029, net of MEGA cost, of \$240,678,847 (current dollars) due to the creation of these new jobs.

**BUSINESS CASE:**

JCS has conducted detailed modeling of costs of doing business in metropolitan areas across the country, including labor, electricity and freight costs. Based on that modeling, the company is considering Kentucky, West Virginia and Louisiana as alternatives for this project. The Michigan incentives including the MEGA tax credit will assist in closing the cost gaps with the other locations.

**OTHER STATE AND LOCAL ASSISTANCE:**

Currently, there is currently no local support for this project; however, the company will pursue the maximum local assistance available in the form of a P.A. 198, P.A. 328 or an MSF designated renaissance zone. JCS understands that they must select a community that allows them the maximum local commitment for this project.

JCS is new to Michigan and brings a wealth of battery experience and influence that will attract significant interest from supply chain partners in bringing their business in proximity to this new facility. The Michigan Economic Development Corporation plans to recommend approval of an Anchor Jobs MBT Credit related to this project at a future date.

**BATTERY CELL MANUFACTURING MBT CREDIT**

As mentioned previously, JCS is proposing the construction of an advanced battery manufacturing facility to produce lithium ion cells for automotive applications. House Bill 6611 of 2008 P.A. 580 (aka - Michigan's Advanced Battery Credits) Subsection (5) offers a tax credit equal to 50% of the capital investment of expenses for construction of an integrated cell manufacturing facility that includes anode and cathode manufacturing and cell assembly. The credit shall not exceed \$25 million per year for no more than 4 years. The maximum value of the credit is limited to \$100 million.

The JCS project was competitively reviewed by a panel consisting of the following individuals:

- Paul Skalny, Director; National Automotive Center US Army Tank Automotive Research Development & Engineering
- Dr. Ray Boeman, Director; Transportation Program, Oakridge National Laboratory
- Doug Parks, Michigan Economic Development Corporation; Senior Vice President of New Markets

The panel reviewed the JCS proposal utilizing the grading criteria that was approved by the MEGA Board March 17, 2009 (see attached).

JCS utilizes a proven lithium-ion cylindrical cell design which incorporates several novel safety and control features that allow for competitive performance characteristics when compared to more prevalent prismatic designs. Johnson Controls brings significant automotive manufacturing expertise to the joint venture, and Saft Batteries has been a global leader in advanced energy storage technology serving multiple markets globally.

JCS has secured significant OE contracts for its full battery system solutions – including cell manufacturing, pack and system development, and integration capability – the most prevalent being with the Ford Motor Company. In addition, they have demonstrated expertise in battery reclamation, reuse and recycling which will be a significant competitive advantage as lithium-ion technology assumes its leadership role in transportation applications.

## **RECOMMENDATIONS**

### **STANDARD MEGA MBT CREDIT**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment credit for 15 years for up to 1,096 net new jobs in excess of the company's established employment base of 0.

### **CELL MANUFACTURING MBT CREDIT**

The review panel highly recommends the JCS project based on the factors described above when compared with the six other applications reviewed. It is recommended that Johnson Controls-Saft receive a Battery Cell Manufacturing Credit in an amount of \$100 million not to exceed \$25 million per year for 4 years subject to the following:

- The credit shall not be claimed prior to a tax year beginning 2012.