



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 15, 2008
TO: Michigan Economic Growth Authority
FROM: Amy Deprez, Packaging Manager
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SUBJECT: Briefing Memo – Kongsberg Automotive
High-Technology MEGA Credit

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COMPANY NAME:

Kongsberg Automotive
23065 Commerce Drive
Farmington Hills, MI 48335

HISTORY OF COMPANY:

Kongsberg is a global leader in the design, validation and manufacture of motion control and seat comfort systems, seat heating systems, seat ventilation systems, as well as arm rest and head restraints for the global automotive industry. In the heavy vehicle segment, Kongsberg is a global leader in the design and development of hydraulic and electric gear shifters, cable systems, servos and master cylinders for heavy duty trucks, buses and off-road vehicles. Fluid systems, pedals and couplings round out Kongsberg's portfolio of products. Kongsberg Automotive is headquartered in Kongsberg Norway, with North America headquarters in Farmington Hills, Michigan.

Kongsberg Automotive currently has 94 employees in Michigan.

PROJECT DESCRIPTION:

Kongsberg Automotive currently has a decentralized global Technical Center footprint. The company has Technical Centers in Geelong, Australia; Willis, Texas; Limerick, Pennsylvania; Troy and Farmington Hills, Michigan. This project combines the Technical Centers into one location, which will bring competitive advantage to Kongsberg Automotive allowing Kongsberg to have their Automotive Systems R&D activities centralized in an efficient center of excellence.

The expanded Technical Center will consolidate the product development and research and development activities, product validation laboratories, new program management functions, sales and administration activities.

Total investment for Kongsberg over five years will be approximately \$4.4 million. This project will create 58 new jobs with an average weekly wage of \$1,086. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS 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 113 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$2.1 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company is considering their Willis, Texas location which has room to accommodate the new project. They will not have to pay for a lease or leasehold improvements because the facility is already equipped for their needs. In order to locate at a new facility in Michigan, the owner of the building they propose to lease is willing to make major renovations to accommodate this company.

OTHER STATE AND LOCAL ASSISTANCE:

No local commitment is in place at this time. Oakland County has indicated support for the project and that the project may be eligible for employee training funds through the local Michigan Works program.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is Product Research and Development.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent personal income tax withholding credit for seven years, for up to 58 net new employees, above the company's current statewide employment base of 94.