



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: August 19, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging
Amy Deprez, Project Manager
Portfolio Management & Packaging
SUBJECT: Briefing Memo - Ricardo, Inc.
High-Technology MEGA Credit

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COMPANY NAME:

Ricardo, Inc.
40000 Ricardo Drive
Van Buren Twp., Michigan 48111

HISTORY OF COMPANY:

Ricardo, Inc., located in Van Buren Township, is a leading provider of technology, product innovation, engineering solutions and strategic consulting to the world's automotive, transport and energy industries. With a network of advanced and well-equipped technical centers in the UK, North America, Germany and the Czech Republic, Ricardo serves a wide and balanced customer base represented by the leading global automakers, vehicle component and system manufacturers, and automotive regulatory agencies. The company also serves motorcycle, heavy duty truck, off-highway, military vehicle, marine and locomotive propulsion system manufacturers. Ricardo's principle business is in the provision of engineering services ranging from initial concept development through production part validation.

The company currently employs 239 associates in Michigan.

PROJECT DESCRIPTION:

Ricardo is planning on establishing a rolling chassis dynamometer facility and is considering its existing Van Buren Township operation for this expansion. The facility will be capable of performing all currently regulated and anticipated test cycles for all of the major emissions markets - US, European and Japanese for both gasoline and diesel fuels with the exception of altitude. Additionally, the facility will be capable of running hybrid and alternative-fuel vehicles with a focus on biofuels with FTIR analysis of additional emissions species.

Ricardo received a MEGA in April 2008 for its Battery Test Center in Van Buren Township. This project had a base of 262 and the maximum job creation credit on 32 jobs. With this second MEGA project, we are capturing the base of 294 from the first MEGA before the company can collect on the second MEGA.

The company anticipates the total investment for this expansion to be approximately \$12.3 million over the next five years with the majority of the investment happening in 2008 and 2009. The company will create approximately 45 new jobs by the year 2014, paying an average weekly wage of \$1,621. The company will also offer health care benefits and pay a portion of the benefit costs.

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 106 jobs in the state by the year 2021. Total state government revenues through the year 2021, net of MEGA costs and adjusted for inflation, would be increased by \$5 million (2008 dollars) due to the presence of this facility.

BUSINESS CASE:

Strong competition is being offered by the German division of Ricardo plc, which has demonstrated the ability to implement a facility at an almost identical price (€9 Million). We are trying to make a business case for the US, but the German division is able to bring forward premium (high margin) customers such as Audi, BMW, Porsche, VW and Daimler-Benz.

Ricardo's parent company, Ricardo plc, is also considering a facility in Schwabish-Gmund, Germany, as an alternative site. The high level of interest in this location is driven by the high-quality customer base this facility would service, such as Mercedes, BMW, Audi, Porsche, and VW. It is believed that Ricardo will realize higher margins on this work because the clientele is less likely to commoditize the high-value engineering content that the company delivers.

The capital investment required to purchase, develop and staff a rolling dynamometer chassis facility is essentially the same independent of location.

OTHER STATE AND LOCAL ASSISTANCE:

Van Buren Township supports this expansion and anticipates approval of a property tax abatement under PA198 of 1974. Approval of the tax abatement is expected to take place within 90 days of the MEGA Board meeting.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is advanced vehicles technology, as defined in the Act.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 13 years, for up to 45 net new employees.