



MEMORANDUM

Date: April 20, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Tenneco Automotive Operating Company Inc.
Standard MEGA Credit

COMPANY NAME

Tenneco Automotive Operating Company Inc.
500 North Field Drive
Lake Forest, Illinois 60045

HISTORY OF COMPANY

Tenneco Automotive Operating Company Inc. (“Tenneco”) is a 100% subsidiary of Tenneco, Inc., a publicly traded manufacturer of emission control and ride control products for the automotive OEM market and aftermarket. Tenneco’s customer base includes several transportation equipment manufacturers, including General Motors, Ford, Chrysler, Daimler, Toyota, Tata Motors, and several other firms. In 2009, Tenneco had over \$4.6 billion in annual revenue. Headquartered in Illinois, Tenneco has locations throughout the world, including several facilities in Michigan, Ohio, Indiana and Nebraska.

Tenneco has over 21,000 employees worldwide and currently employs 1,461 individuals in Michigan.

PROJECT DESCRIPTION

In October 2009, Tenneco was awarded a \$24 million conditional loan through the U.S. Department of Energy’s Advanced Technology Vehicles Manufacturing (ATVM) Loan Program. The ATVM loan was awarded to Tenneco for the design, engineering and production of emission control components for gas, hybrid and diesel-powered vehicles at facilities in Michigan, Indiana and Nebraska. Tenneco was the first supplier awarded a loan through this program.

Tenneco’s potential plans in Michigan relate to the award of this loan and include a consolidation of facilities to the United States and investment in the design, engineering and manufacturing of diesel emission products at their facilities in the City of Litchfield, the City of Marshall, the Village of Grass Lake and the City of Monroe.

Tenneco plans to invest up to \$15.6 million and create up to 185 jobs over the next year as a result of this project. The average weekly wage for the newly created jobs will be \$722. 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 generate a total of 684 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$18 million (current dollars) due to the presence of this facility.

BUSINESS CASE

According to their application, Tenneco evaluated the proposed investment relative to Smithville, Tennessee, where they identified a cost gap with a Michigan location. Some factors included higher wage rates in Michigan, lower electricity costs in Smithville and the use of incentives to offset their tax liability in Tennessee. In addition, Tenneco considered expanding in Nebraska, where they have existing facilities and could receive a tax incentive package for their planned investment.

OTHER STATE AND LOCAL ASSISTANCE

The City of Litchfield is supportive of the project and has proposed a three-year personal property tax abatement through P.A. 328 of 1998. The City of Litchfield is also supportive of an abatement on real property investment made at that facility. The estimated value of this incentive is up to \$554,000. In addition, the City of Marshall and the Village of Grass Lake may consider a property tax abatement through P.A. 198 of 1974 for investment at those locations. The MEDC staff is also supportive of a Community Development Block Grant for machinery and equipment reimbursement at the Litchfield facility for up to \$984,000. This recommendation will be considered by the Michigan Strategic Fund Board at a later time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for 7 years for up to 185 net new employees in excess of the company's established base of 1,461.