



MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.THEMEDC.ORG

Date: July 21, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Joshua Hundt, Project Specialist
Packaging Team

Subject: Briefing Memo – Continental Automotive Systems Holding US, Inc.
Standard & Retention MEGA Credit

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COMPANY NAME

Continental Automotive Systems Holding US, Inc.
2400 Executive Hills Drive
Auburn Hills, MI 48326

HISTORY OF COMPANY

Continental Automotive Systems Holding US, Inc. (Continental Automotive Systems) is a part of Continental AG's automotive group and is one of the leading global auto suppliers with sales of approximately 15 billion euro in 2008. Continental Automotive Systems was formerly known as Siemens VDO Automotive Group and was acquired by Continental AG in 2007.

The Continental Group provides automotive electronics and mechatronics with products and systems that focus on driving safety, environmental responsibility, and cost-efficiency. Continental Automotive Systems is the powertrain division of the Continental Group and focuses on developing innovative and efficient solutions for reducing emissions, optimizing fuel consumption, and delivering outstanding handling characteristics.

Continental Automotive Systems and its affiliates currently have 1,357 employees in Michigan.

PROJECT DESCRIPTION

Continental Automotive Systems is planning to consolidate its powertrain engineering workforce which is currently spread over four separate locations throughout the United States and Mexico. The company plans to consolidate this work to its facility in the City of Auburn Hills, Oakland County and also plans to retain engineering employees in both Auburn Hills and the City of Dearborn.

Continental Automotive Systems will invest approximately \$26.9 million and create 230 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,692. The company will also retain 225 jobs in the State of Michigan as a result of this project. The average weekly wage of the retained jobs is \$1,692. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 501 jobs and retain a total of 493 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, would be increased by \$41.8 million (current dollars) due to the presence of these facilities.

BUSINESS CASE

Continental Automotive Systems also considered Deer Park, Illinois and Guadalajara, Mexico for this project. The Illinois Department of Community and Economic Opportunity offered a competitive incentive package for this project. Guadalajara was the major competing location for this project due to the significantly lower wages when compared to the Michigan location.

OTHER STATE AND LOCAL ASSISTANCE

The City of Auburn Hills 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 up to a 100 percent retention employment tax credit for 10 years for the 225 retained employees in Auburn Hills and Dearborn facilities and a 100 percent standard employment tax credit for up to 230 net new employees in excess of the company's established statewide employment threshold of 1,227.