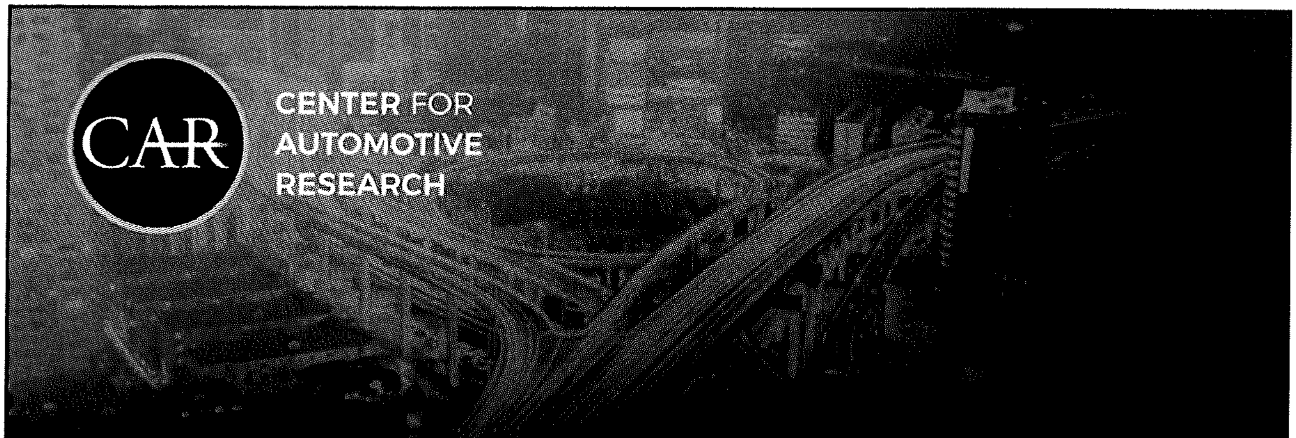


Michigan Automotive Industry Update

Kristin Dziczek – Vice President, Industry, Labor, & Economics (ILE) Group

Consensus Revenue Estimating Conference

17 May 2019

THE CENTER FOR AUTOMOTIVE RESEARCH (CAR)

Automotive industry contract research and service organization (non-profit) with more than 30 years experience forecasting industry trends, advising on public policy, and sponsoring multi-stakeholder communication forums.

RESEARCH

Independent research and analysis on critical issues facing the industry.

EVENTS

Industry-driven events and conferences that deliver content, context, and connections.

CONNECT

Consortia that bring together industry stakeholders to participate in working groups, networking opportunities, and access to CAR staff.

AGENDA

- Sales & Production
- Employment
- Automaker Investments
- GM Announcements
- Trade Update

Sales & Production Overview

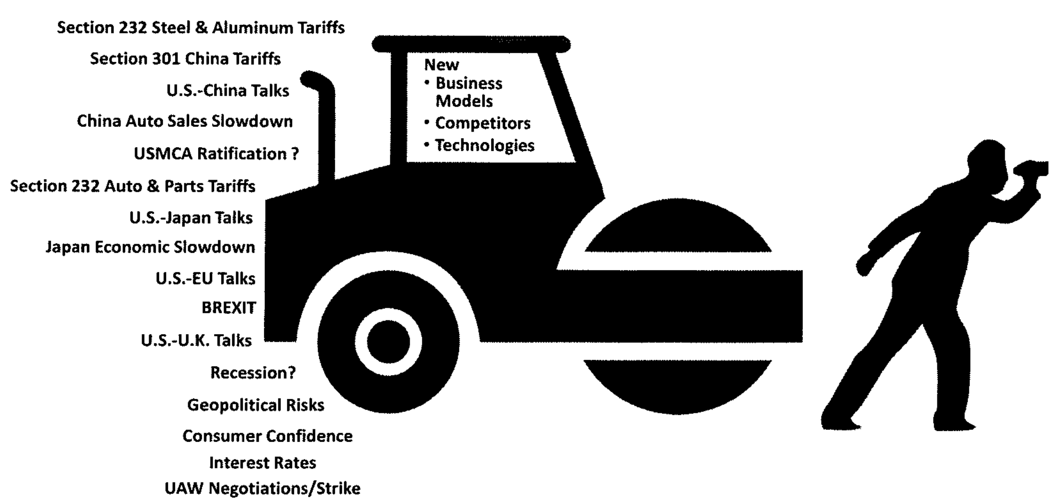
Areas to Watch

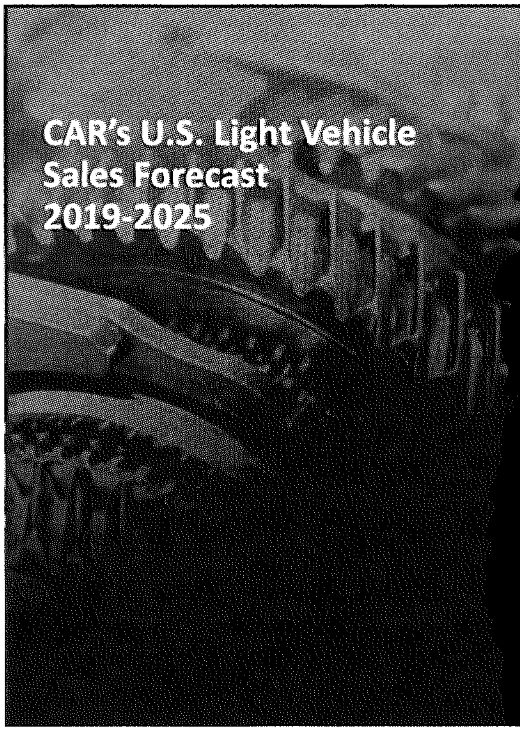
- Michigan's share of U.S. vehicle production increased to 18.8%
- Michigan's engine production will decrease and transmission production will increase over the next few years
- Electrified vehicle market share increased to 4.4%, the highest level ever recorded

Positive Factors in the CAR Forecast

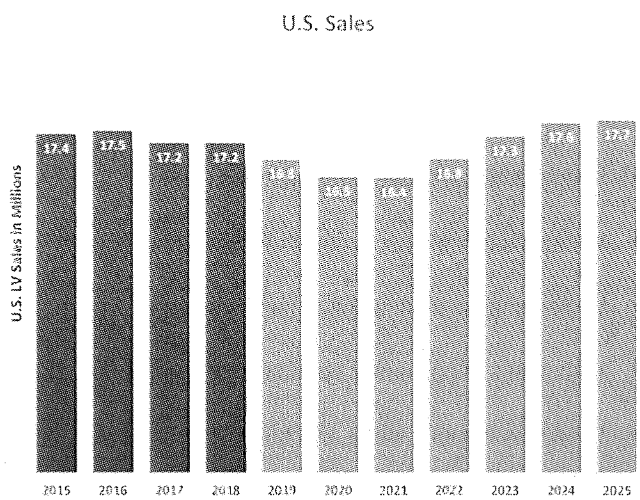
- Projected moderate U.S. economic output growth in 2019
- Historically low U.S. unemployment rates
- Relatively low oil prices continue through 2020
- Underlying nominal wage growth continues
- High levels of consumer confidence were reached in Q4 2018, and
- Solid new housing starts and home prices rebounding to pre-recession levels

Risks to the Forecast





CAR's U.S. Light Vehicle Sales Forecast 2019-2025



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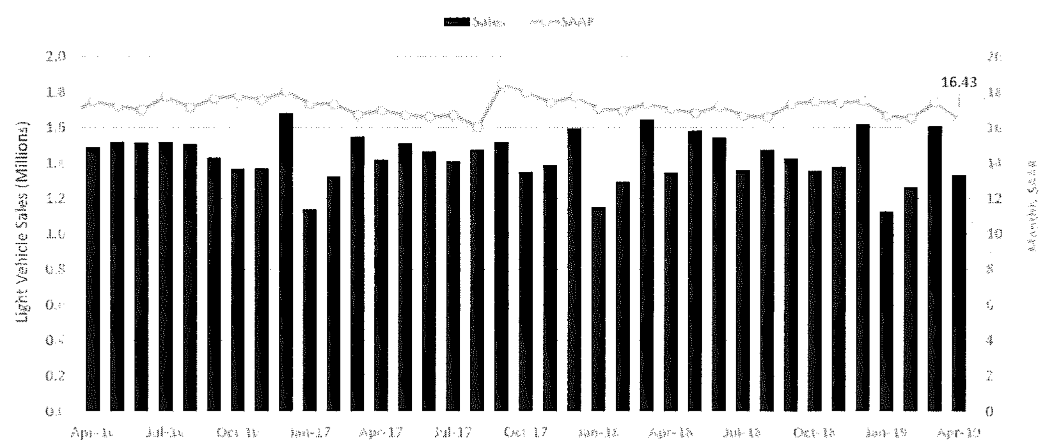
U.S. Light Vehicle Monthly Sales and SAAR:

April 2016 to April 2019



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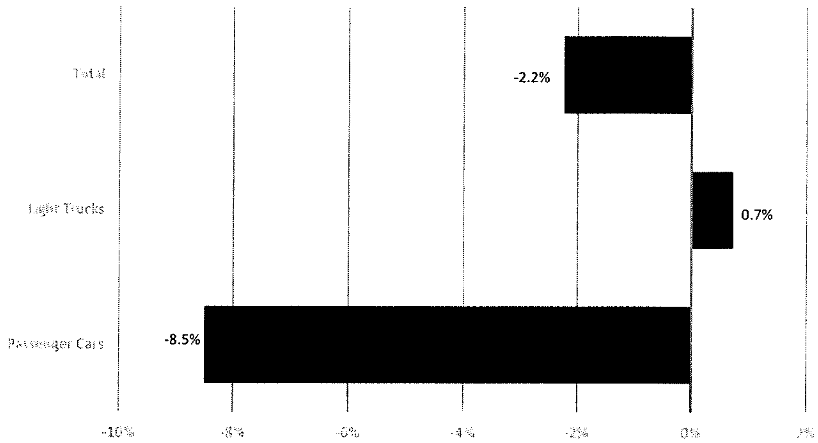
U.S. Light Vehicle Sales

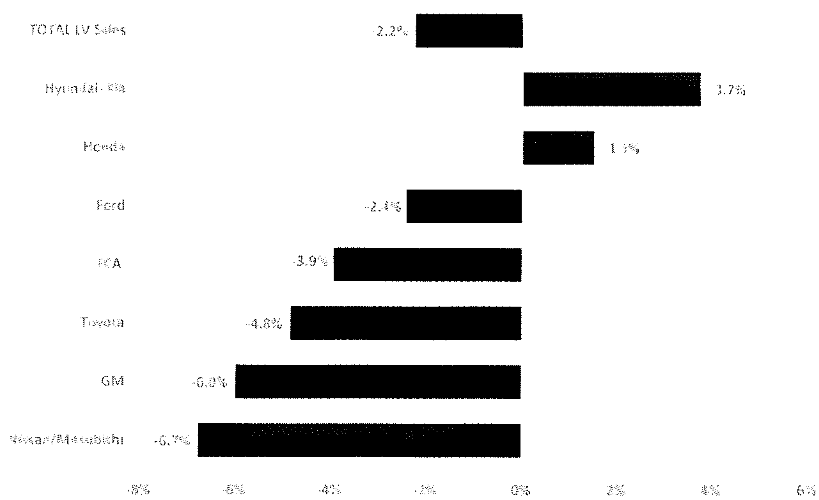
Percent Change (YTD) Through April: 2019 vs. 2018



5,323,276 -122,134 100%	Total
3,719,088 +26,807 69.9%	Truck
1,604,188 -148,941 30.1%	Cars

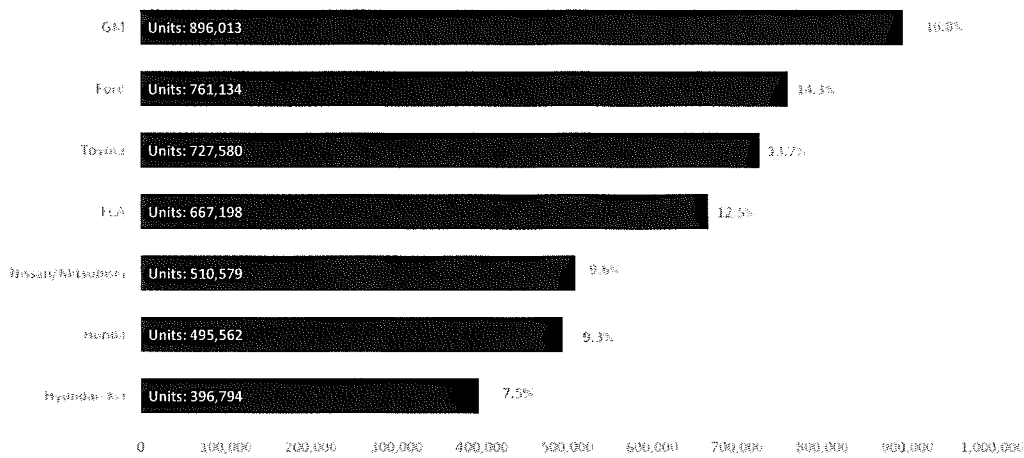
Percent Change in Sales of Light Vehicles Per OEM:

YTD Through April: 2019 vs. 2018



5,322,611 -121,614 100%	TOTAL LV Sales
396,794 14,324 7.5%	Hyundai- Kia
495,562 7,370 9.3%	Honda
761,134 -18,820 14.3%	Ford
667,198 -27,247 12.5%	FCA
727,580 -36,809 13.7%	Toyota
896,013 -56,803 16.8%	GM
510,579 -36,950 9.6%	Nissan/Mitsubishi

U.S. Market Share: YTD April 2019



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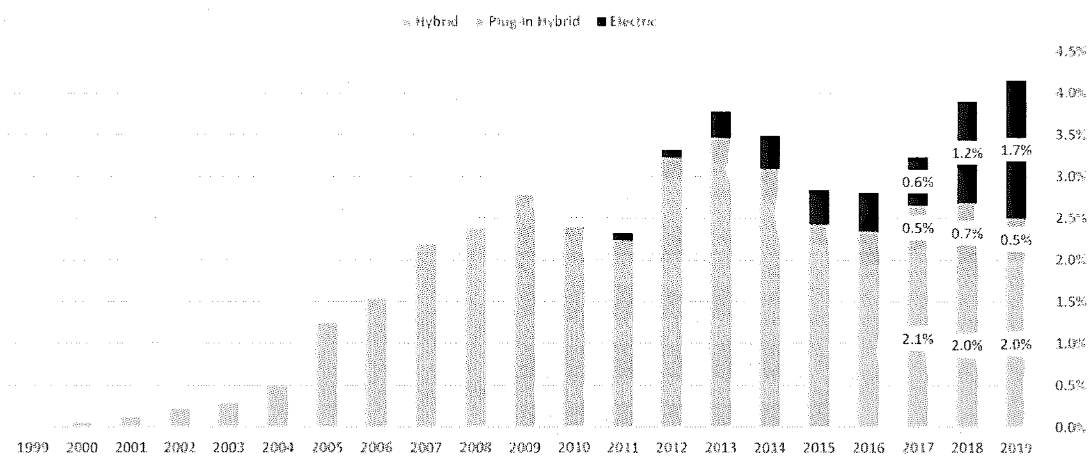
U.S. Electrified Light Vehicle Sales by Propulsion Technologies

1999 – 2019 YTD Through April



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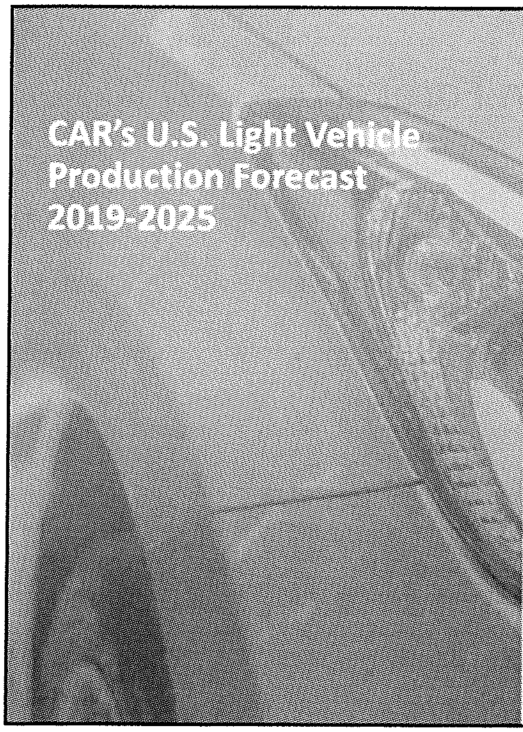
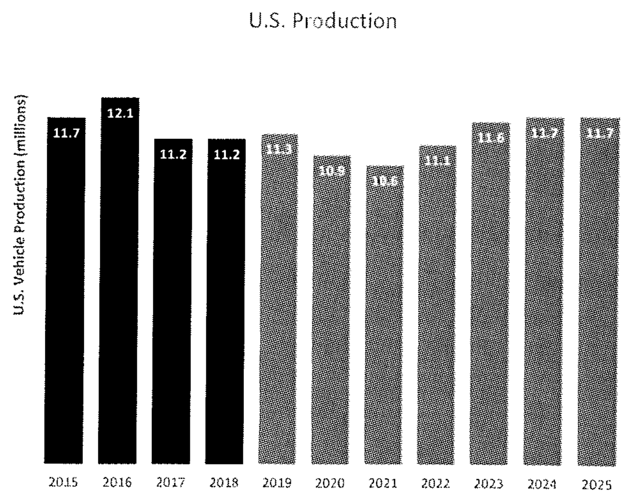
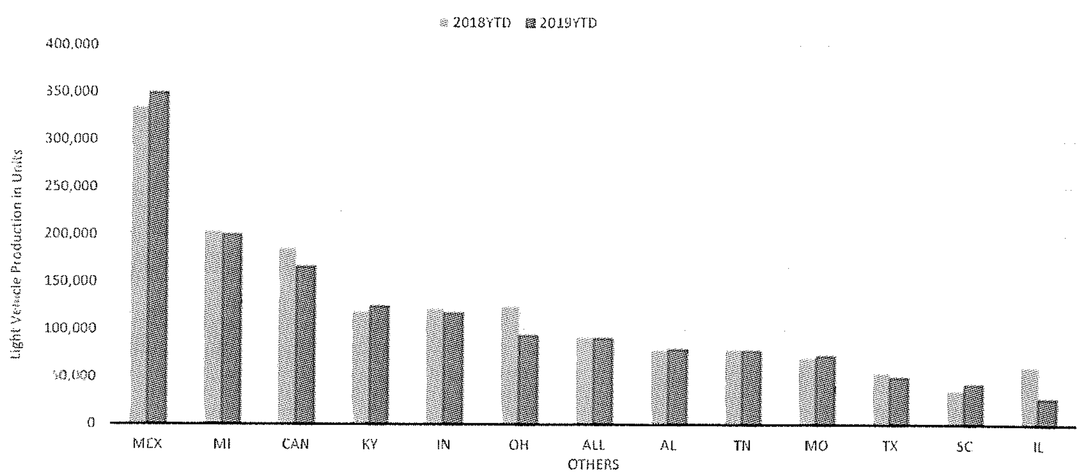




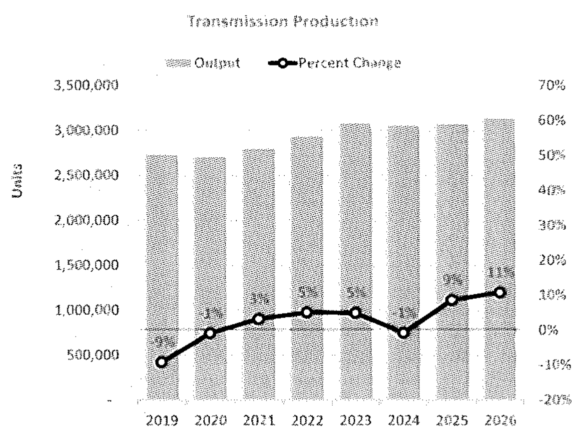
2019 Light Vehicle Production:

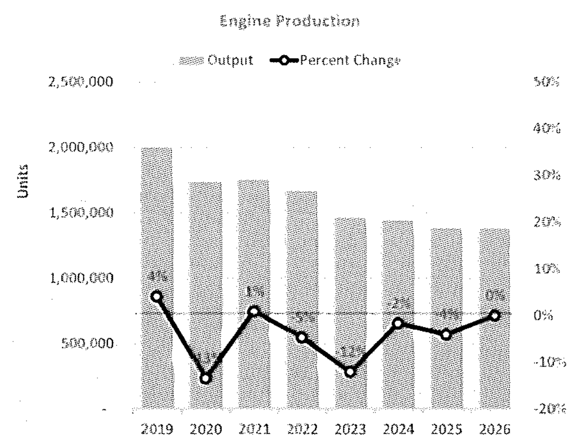
Michigan Ranks 1st in the U.S.; 2nd in NAFTA Region

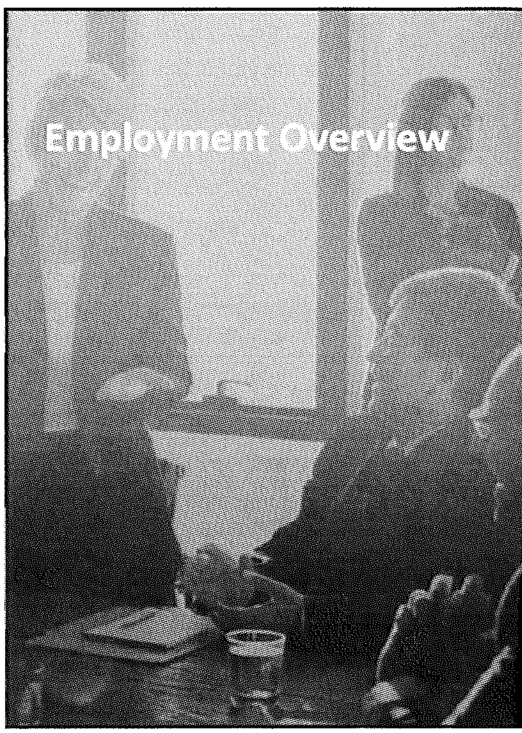


Michigan Powertrain Production Forecasts:

2019 to 2026



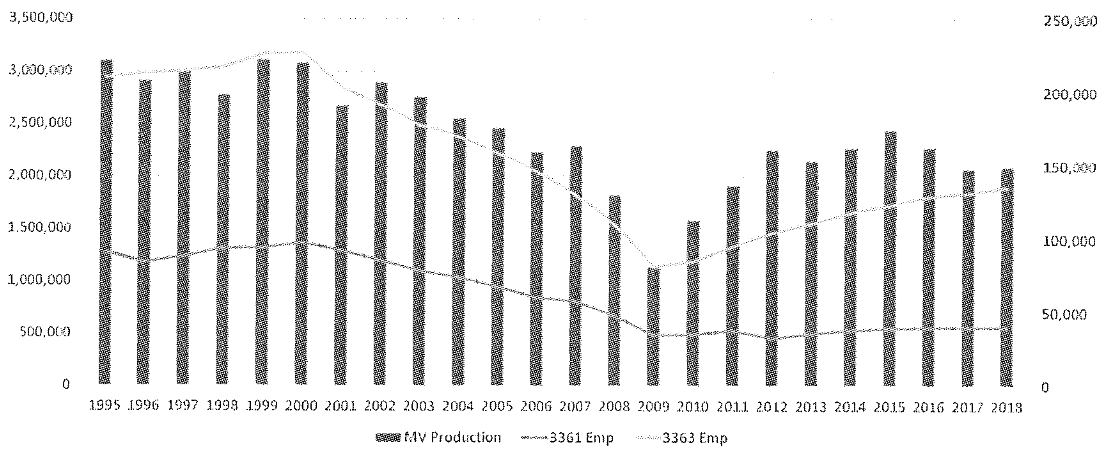




Areas to Watch:

- At the end of Q1 2019, Michigan motor vehicle & parts manufacturing employment increased by 2.2% YOY
- Michigan holds the highest share (21.4%) of U.S. automotive employment, down 0.5 percentage point from the fourth quarter last year

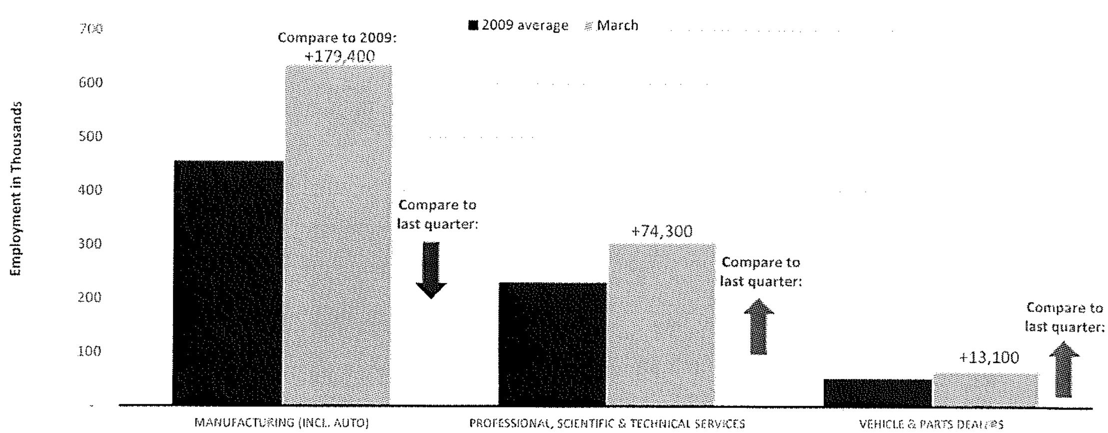
Michigan Motor Vehicle Production and Motor Vehicle Employment 1995 – 2018



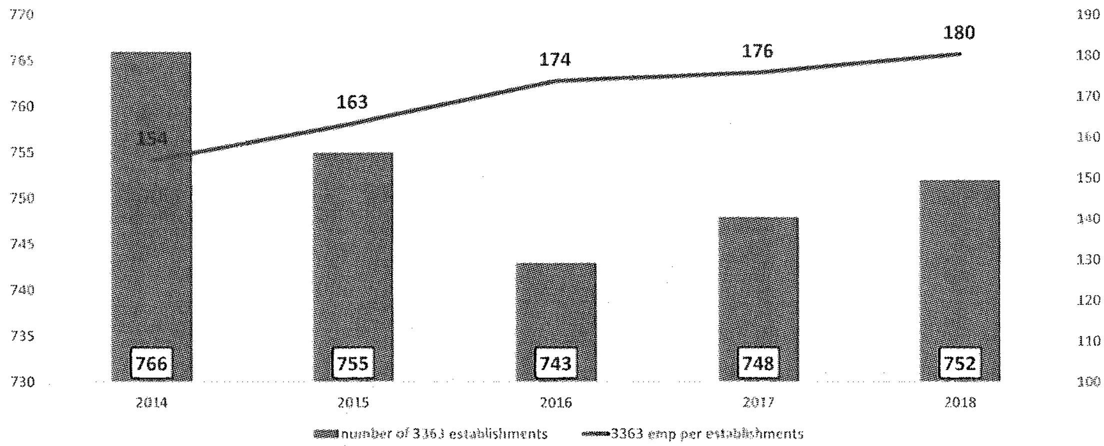
Source: Current Employment Statistics, Bureau of Labor Statistics

Michigan Employment by Automotive-Related Industries

Professionals And Engineering, Vehicles & Parts Dealer Employment Increased March 2019



Michigan Automotive Supplier Establishments and Employment Per Establishment 2014 – 2018



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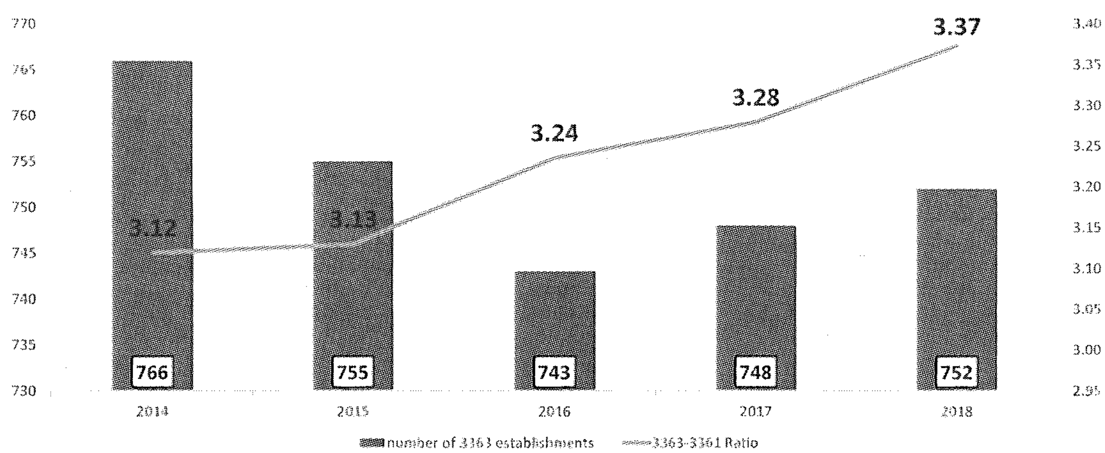
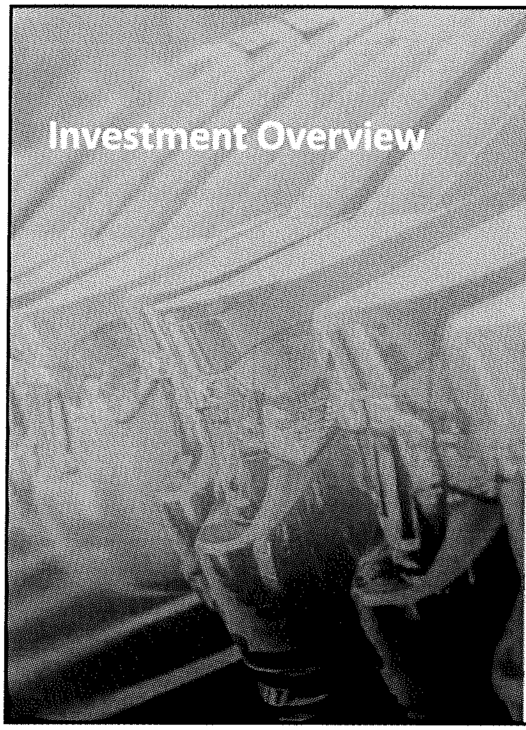
Source: Quarterly Census of Employment and Wage; Current Employment Statistics, Bureau of Labor Statistics

Michigan Automotive Supplier Establishments and Supplier Employment Per Motor Vehicle Manufacturing Employment 2014 – 2018



CENTER FOR AUTOMOTIVE RESEARCH

Source: Quarterly Census of Employment and Wage; Current Employment Statistics, Bureau of Labor Statistics



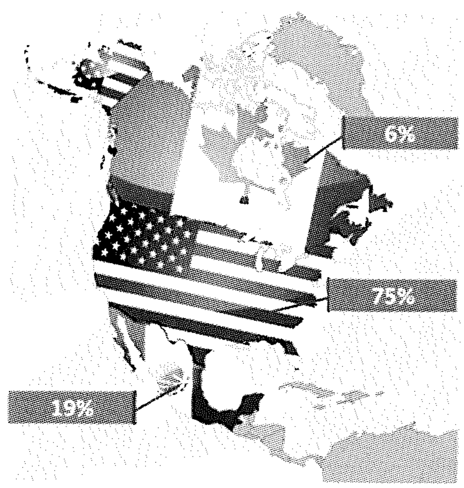
Areas to Watch

- Since the recession, automakers have announced roughly $131.2B across North America
- In Q1 2019, Michigan received 55% of U.S. investment
- FCA has announced 2 of Michigan's largest investments – both at $1.6B each for Mack Engine and Sterling Heights

N.A. Announced Automaker Investment by Region

2009 to Q1 2019

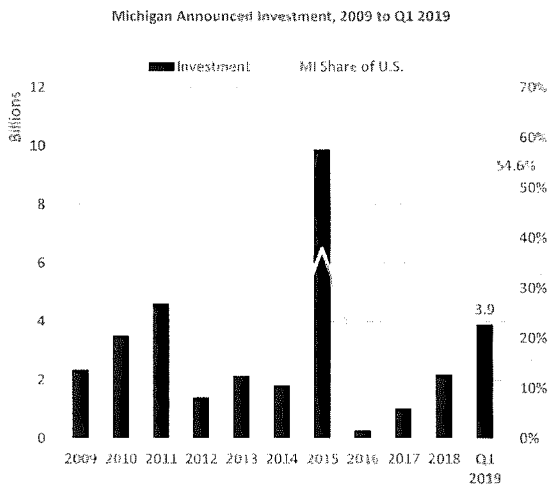
Region	Investment Amount ($USD)
Canada	$8.2B
United States	$98.2B
U.S. Great Lakes	$63.1B
Michigan	$32.8B
South	$22.3B
Mexico	$24.8B
Total	**$131.2B**

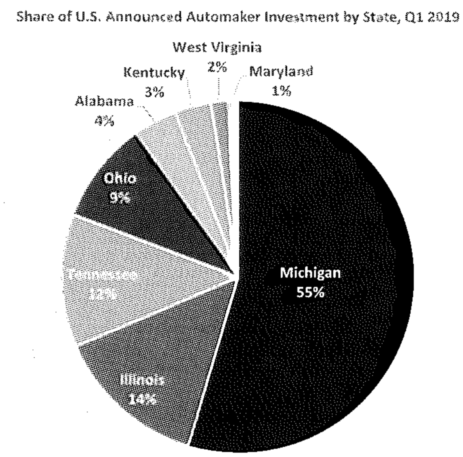


Note: U.S. Great Lakes includes: IL, IN, KY, MI, MO, and OH
South includes: AL, FL, GA, MS, SC, TN, and TX

Automaker Announced Investment: MI vs. Other States

Q1 2019





Source: CAR Book of Deals, Q1 2019

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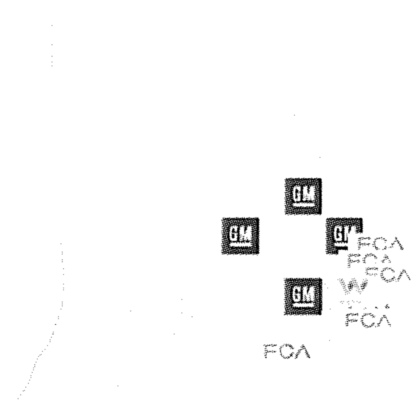
Automaker Investments in Michigan

Q1 2019

FCA: $3.5 Billion (6 announcements)
Mack Ave Engine: $1.6B
Jefferson North: $900.0M
Warren Truck: $500.0M
Sterling Heights/Warren (Stamping): $400.0M
Dundee Engine: $119.0M
Auburn Hills (Components Plants): $12.6M



GM: $356.0 Million (4 announcements)
Orion Township: $300.0M
Lansing Delta: $36.0M
Romulus Powertrain: $20.0M
Flint: Not Disclosed

Waymo: $13.6 Million (1 announcement)
Detroit (AAM's Tech Center): $13.6M

Source: CAR Book of Deals, Q1 2019

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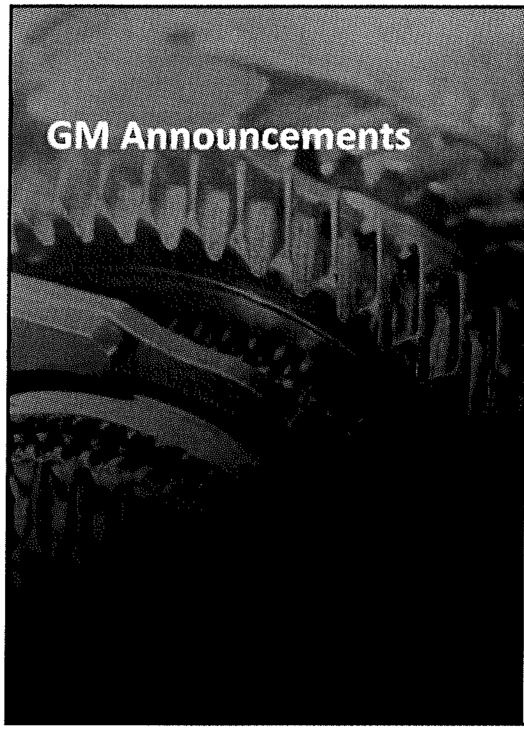
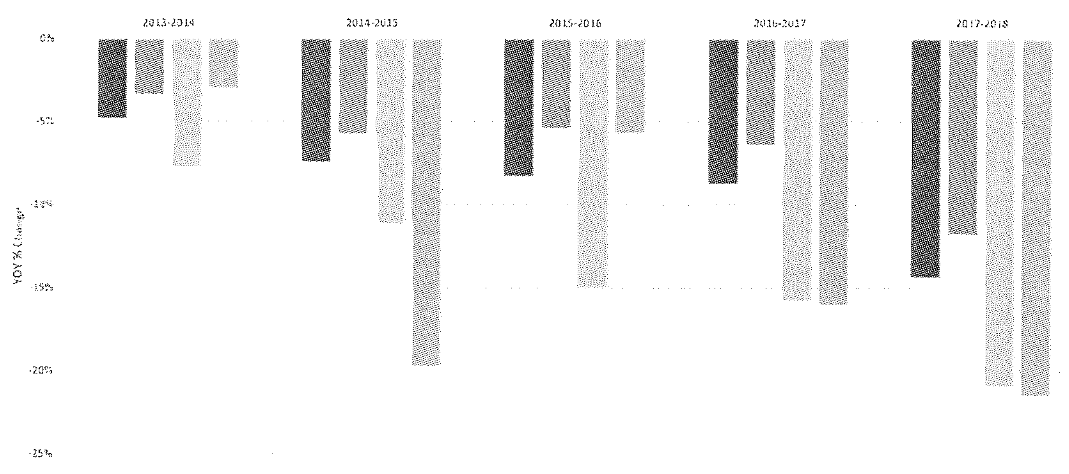


GM Announcements

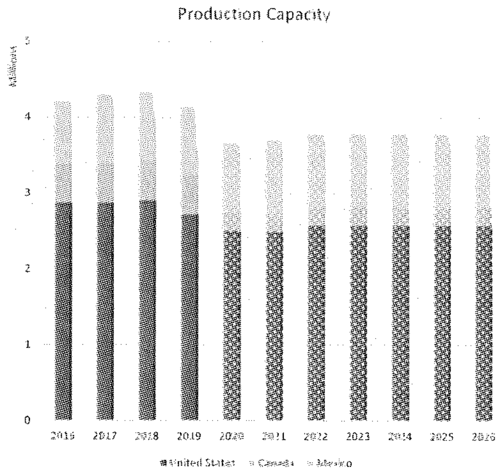
Plant	Products	End of Production	Employment	Union Local
Detroit/Hamtramck	LaCrosse, Volt, CT6, Impala	~~June 1, 2019~~ January 2020	1,542	UAW Local 22
Lordstown	Cruze	March 1, 2019	1,618	UAW Local 1112
Oshawa	Impala, XTS, Silverado, Sierra	Q4 2019	2,900	Unifor Local 222
Warren Trans.	6 Speed Trans	August 1, 2019	335	UAW Local 909
Baltimore Ops.	Pickup transmissions	April 1, 2019	310	UAW Local 239

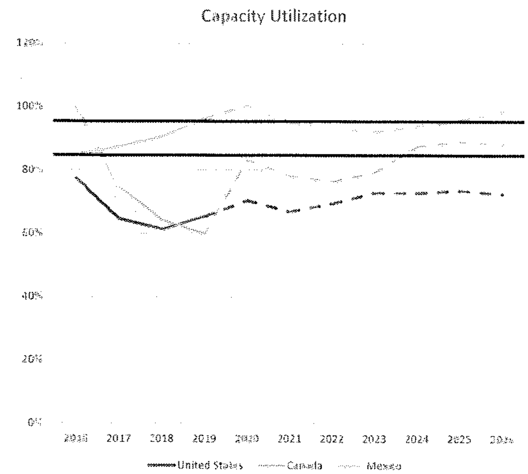
YOY Change in U.S. Passenger Car Market Shares

2013 – 2018



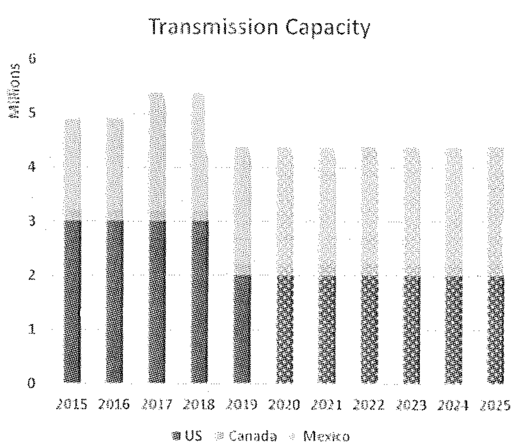
GM Vehicle Production Capacity and Capacity Utilization by Country, 2015-2018, 2019-2025(f)

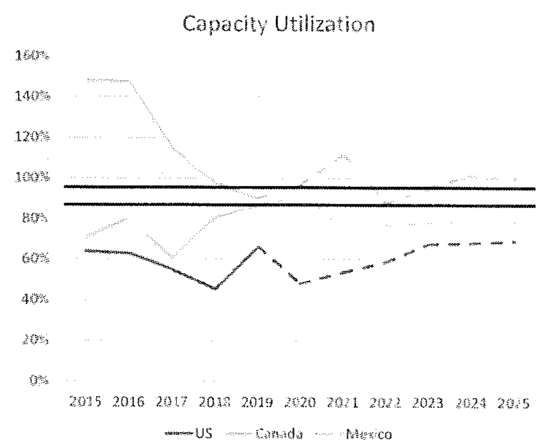




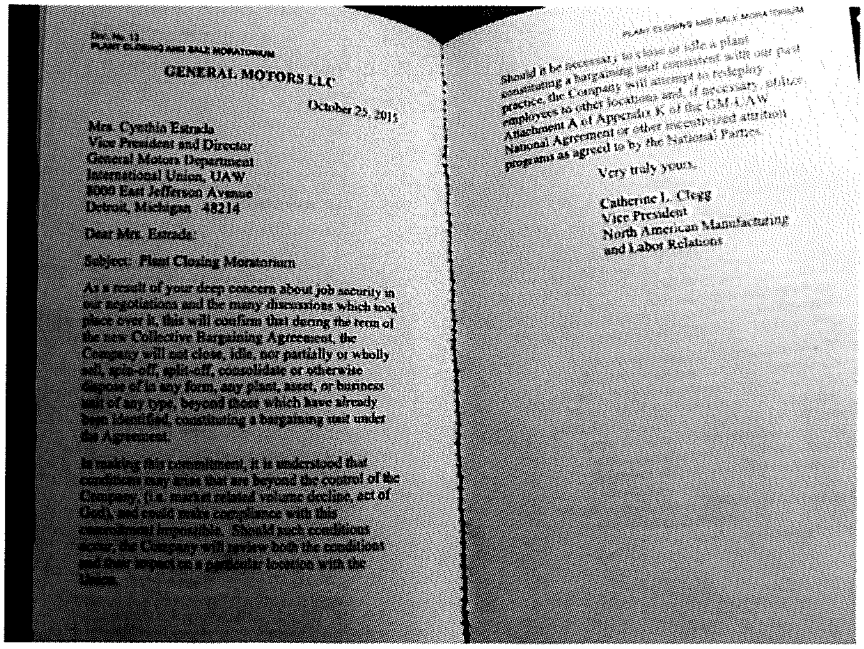
Source: CAR analysis of LMC Automotive data

GM Transmission Capacity and Capacity Utilization by Country, 2015-2018, 2019-2025(f)





Source: CAR analysis of LMC Automotive data



Doc. No. 13
PLANT CLOSING AND SALE MORATORIUM

GENERAL MOTORS LLC

October 25, 2015

Mrs. Cynthia Estrada
Vice President and Director
General Motors Department
International Union, UAW
8000 East Jefferson Avenue
Detroit, Michigan 48214

Dear Mrs. Estrada:

Subject: Plant Closing Moratorium

As a result of your deep concern about job security in our negotiations and the many discussions which took place over it, this will confirm that during the term of the new Collective Bargaining Agreement, the Company will not close, idle, nor partially or wholly sell, spin-off, split-off, consolidate or otherwise dispose of in any form, any plant, asset, or business unit of any type, beyond those which have already been identified, constituting a bargaining unit under the Agreement.

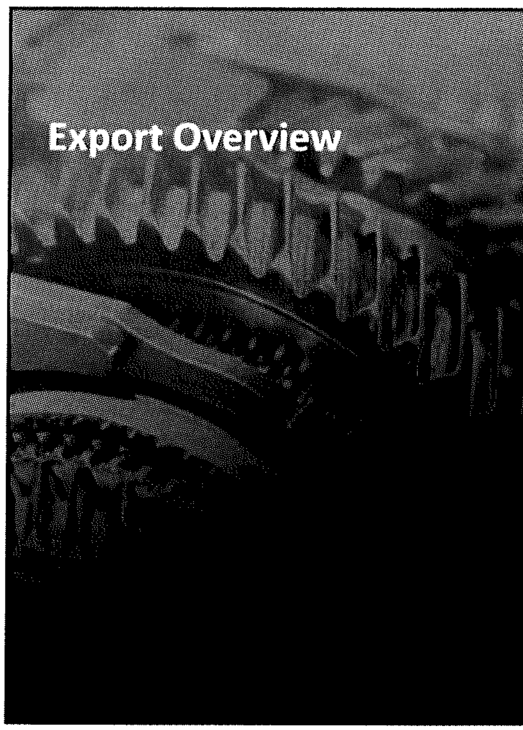
In making this commitment, it is understood that conditions may arise that are beyond the control of the Company, (i.e. market related volume decline, act of God), and could make compliance with this commitment impossible. Should such conditions occur, the Company will review both the conditions and their impact on a particular location with the Union.

PLANT CLOSING AND SALE MORATORIUM

Should it be necessary to close or idle a plant constituting a bargaining unit consistent with our past practice, the Company will attempt to redeploy employees to other locations and, if necessary, utilize Attachment A of Appendix K of the GM-UAW National Agreement or other incentivized attrition programs as agreed to by the National Parties.

Very truly yours,

Catherine L. Clegg
Vice President
North American Manufacturing
and Labor Relations



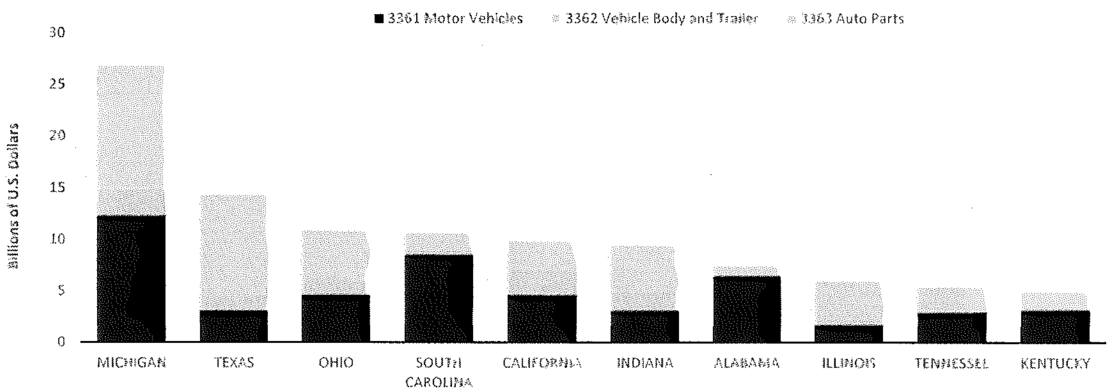
Export Overview

Areas to Watch

- Michigan automotive exports were $26.8 Billion in 2018
- 61% of Michigan vehicles exports go to Canada
- 70% of Michigan auto parts exports to NAFTA region

Top Ten U.S. States by Automotive Exports in Dollar Terms:

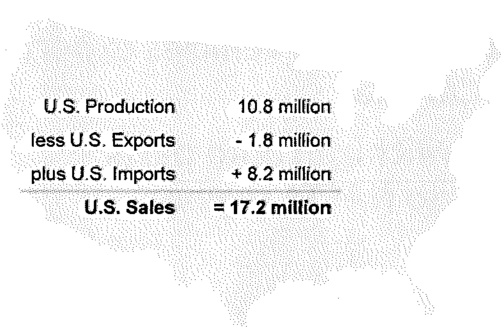
Michigan Motor Vehicle Exports decreased 1.03% in 2018 Total



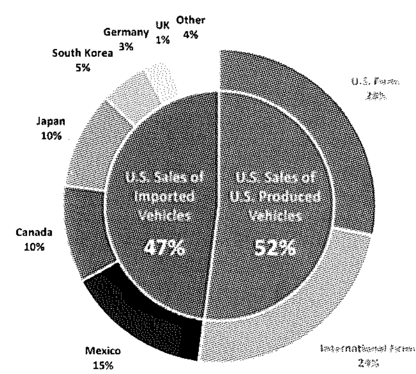
- The major destinations for Michigan exports are Mexico and Canada

The United States cannot currently self-supply the vehicles American dealers sell to U.S. consumers.

Sourcing of U.S. Light Vehicle Sales

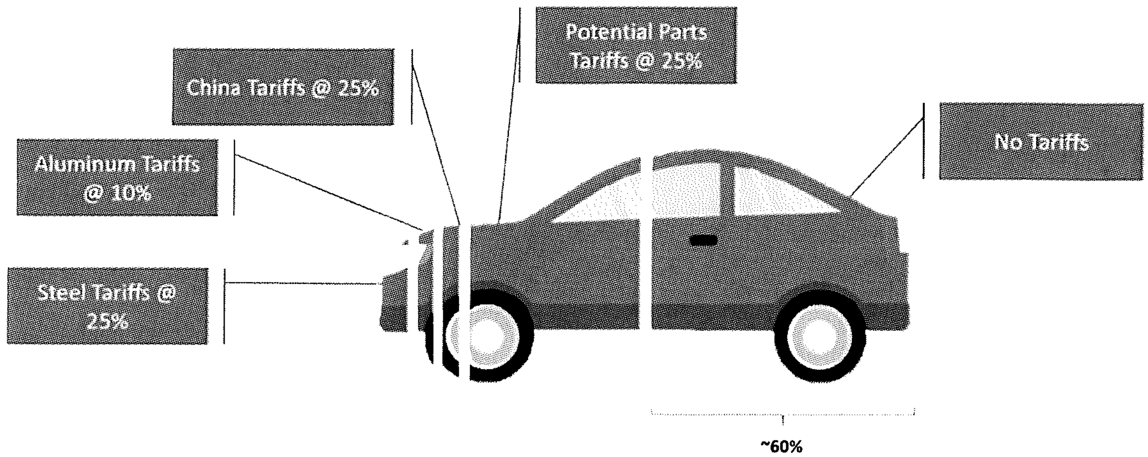


U.S. Production	10.8 million
less U.S. Exports	- 1.8 million
plus U.S. Imports	+ 8.2 million
U.S. Sales	**= 17.2 million**



FCA, Ford, & GM Represent 43% of Canada & Mexico Imports

Tariffs are piling up on light vehicles



Source: Center for Automotive Research

U.S. Consumer & Economic Impacts of U.S. Automotive Trade Policies

- Assume:
  - USMCA is ratified,
  - Section 232 tariffs on steel & aluminum remain in place on all current countries,
  - Section 301 China tariffs remain at current levels, and
  - Section 232 auto & parts tariffs are levied at 25% on all trading partners except Canada, Mexico, & South Korea

Impact of USMCA, Section 232 Steel & Aluminum Tariffs, Section 301 China Tariffs & Potential Section 232 Auto & Parts Tariffs

+$2,750 average
+$1,900 U.S.-built
+$3,700 imports

-366,900 jobs

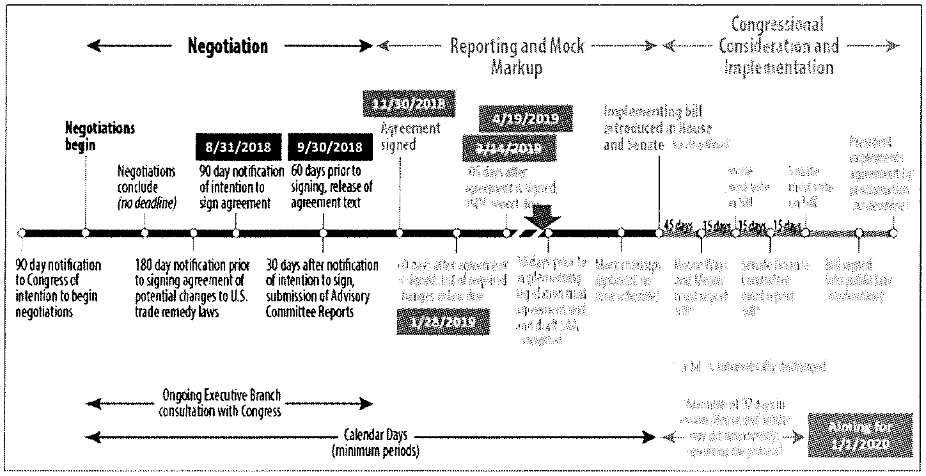
-$30.4B GDP

-1.3M fewer U.S. sales
-$43.6B dealership revenue
-77,000 dealership jobs

Source: Center for Automotive Research

NAFTA Timeline Under Trade Promotion Authority

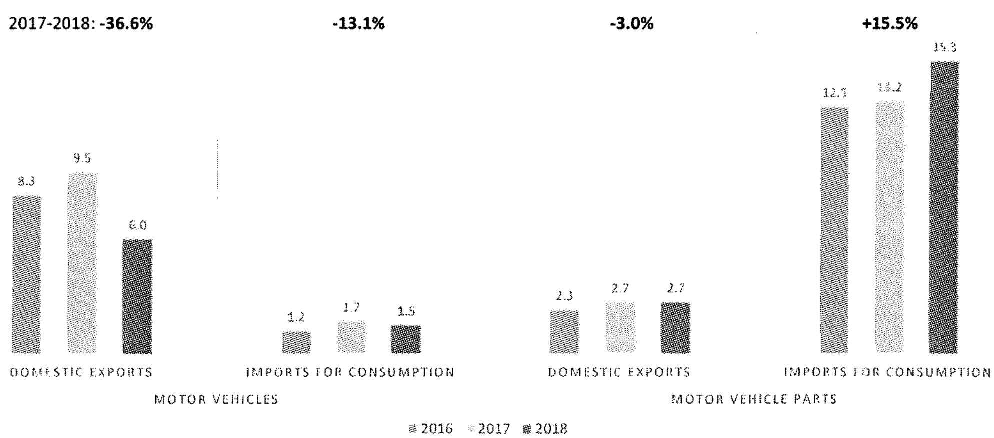
Figure 1. Congressional Timeline



Source: CRS.

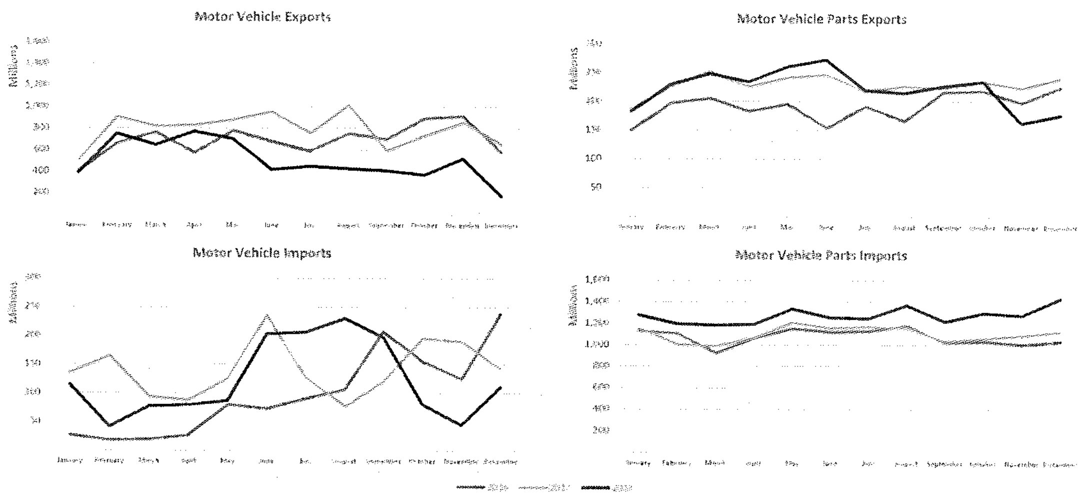
U.S.-China Light Vehicle & Parts Trade (USD Billions)

2016-2018



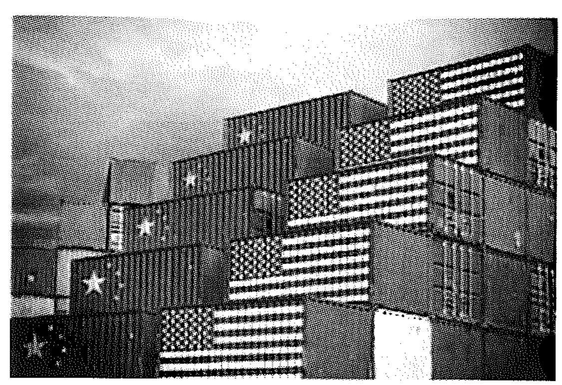
Trends in Monthly China Motor Vehicle and Parts Domestic Exports and Imports for Consumption

2016-2018



Brief China Trade Update

- U.S. raised tariffs from 10% to 25% – includes all automotive goods
- U.S. moves to impose tariffs on nearly all Chinese imports – including consumer goods
- China retaliates with tariffs on \$60B U.S. imports (rates increase from 5-10% to 20-25%)
- Average increase in cost due to tariffs/U.S.-built vehicle = \$190



Section 232 on Autos & Parts Presidential Decision due by Saturday, 18 May 2019; Executive Order Expected TODAY

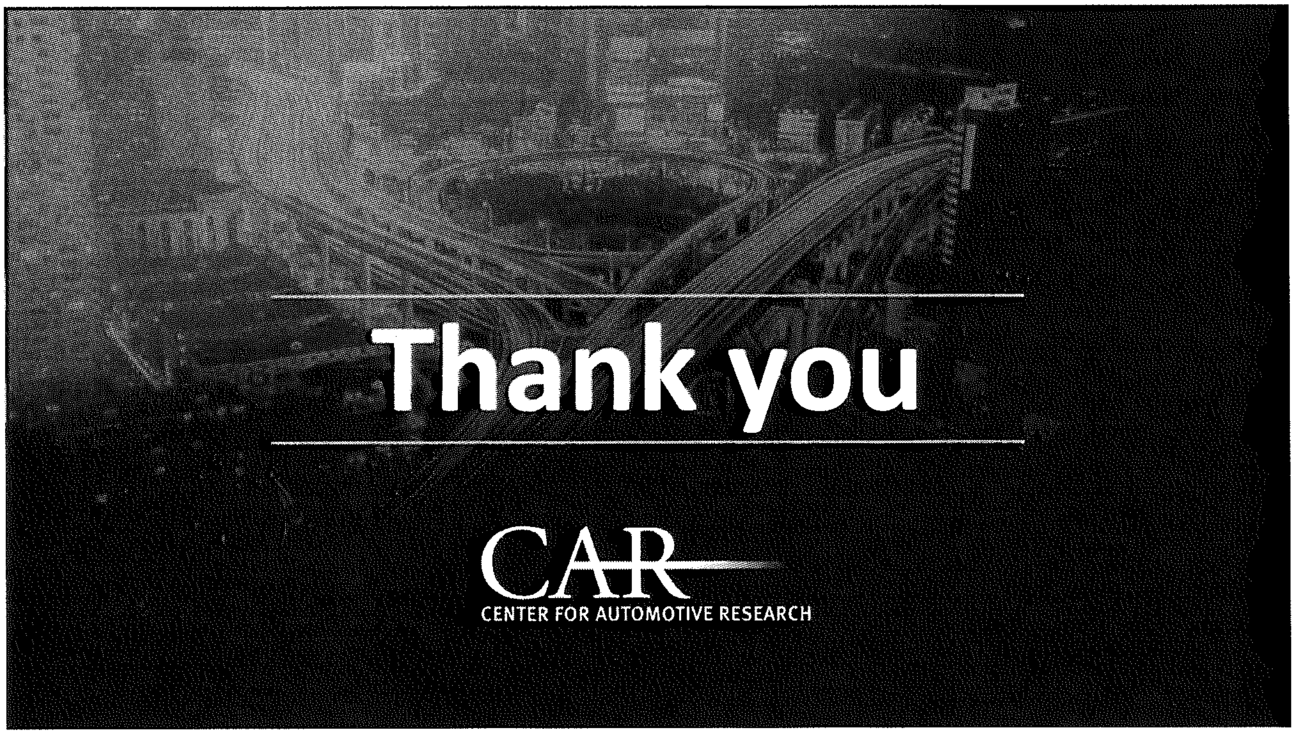
Ana Swanson
@AnaSwanson
Following

"I have no idea what's going to happen," Trump said.

11:41 AM - 9 May 2019

13 Retweets **14** Likes

3 13 14


Thank you
CAR
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