

ERNST & YOUNG LLP U.S. INVESTMENT MONITOR SHOWS CAPITAL INVESTMENT SHAPED BY EMERGING ENERGY SECTOR TECHNOLOGIES AND GROWTH IN TRADITIONAL MANUFACTURING

More information available through:

Information page on the Gallen.Neilly website
<http://www.gallen.com/clients/ey.htm>

Andrew Neilly
andrew@gallen.com

www.gallen.com

NEW YORK, August 15 -- Manufacturing projects created the vast majority of total capital investment announced in 2005 and were the source of the greatest number of announced jobs, according to the latest U.S. Investment Monitor (USIM).

The report, released today and prepared by the Quantitative Economics and Statistics (QUEST) practice and the State and Local Tax group of Ernst & Young LLP, analyzed 3,000 major U.S. business investment projects announced during 2005, which totaled \$67 billion in domestic and foreign capital investment and more than 370,800 jobs

Relative to 2004, manufacturing projects accounted for a larger share of announced investment and jobs in 2005 – growing from 62 percent to 76 percent of investment and from 42 percent to 55 percent of jobs. Despite its increased share, manufacturers announced investments that balanced increased worker productivity and cautious facility expansions.

“The Midwestern and southern states saw the greatest expansion of major investment projects in 2005, with growth in manufacturing, non-traditional energy and basic material industry jobs, with the support of investments by foreign-headquartered companies,” said Tom Neubig, Director of QUEST. “Several major coal and agriculture-based energy projects stimulated new investments in the Midwest.”

More than \$13 billion dollars expanded U.S. steel, cement, wood products and related basic material industries’ manufacturing capacity. Automakers reduced investment in expansion projects relative to 2004.

“A state’s economic growth often depends on investment decisions made outside their borders,” said Paul Naumoff, Director in the Ernst & Young Incentives practice. “Alabama, Illinois, and Virginia each attracted over \$3 billion of investment in 2005 from outside their state borders.”

The report shows increasingly diverse investment in facilities in terms of geographic location. Only one-third of announced investments in major projects come from in-state investments. Forty five percent came from U.S.-based but out-of-state headquartered companies, and another 20 percent from foreign headquartered companies.

Traditional cost considerations, including labor rates, energy costs and state and local taxes continue to influence investment locations, but proximity to developed supply chains and workers with specific skills is a key factor in the site locations decision for many industries.

“While the largest state economies generally attract the greatest amount of total capital investment, absolute investment reveals little about a state’s relative attractiveness to companies or economic development,” said Neubig. “Measuring

capital investment relative to the stock of existing business facilities provides an alternate measure of relative economic development. The top 5 states by this measure in 2005 were Alabama, Mississippi, Rhode Island, Iowa, and Arizona.

State-by-State Analysis

Illinois attracted the most dollars of capital investment announced in 2005. Investments include three energy projects that represent nearly half of the 2005 total.

In sharp contrast to the mega-energy projects announced in Texas during 2004, a greater number of smaller and more diverse projects were announced in Texas during 2005, placing it at a far second to Illinois. The largest Texas investment announced in 2005 was a semiconductor manufacturing facility.

Relative to the size of their economies, domestic investments into Indiana, Missouri, and North Carolina were more than twice the 50-state average.

Michigan attracted the fifth highest level of total announced investment in 2005, the fifth highest level of foreign investment, but only the 19th highest level of in-bound domestic investment.

“In addition to revealing the significant state-by-state flows of investment and jobs, the report confirms that the U.S. continues to offer attractive investment opportunities for foreign companies,” said Neubig. “Unlike the more typical approach to reviewing aggregate business investment trends, USIM focuses on mobile capital investments. That is, projects that are not tied to a specific geographic location by market or other issues, but rather are driven by more competitive features such as tax structures, incentives and input costs—factors that influence economic decisions of multistate and multinational businesses.”

For a copy of the U.S. Investment Monitor, please visit www.ey.com/us or www.gallen.com.

About Ernst & Young

Ernst & Young, a global leader in professional services, is committed to restoring the public's trust in professional services firms and in the quality of financial reporting. Its 107,000 people in 140 countries pursue the highest levels of integrity, quality, and professionalism in providing a range of sophisticated services centered on our core competencies of auditing, accounting, tax, and transactions. Further information about Ernst & Young and its approach to a variety of business issues can be found at www.ey.com/perspectives. Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited does not provide services to clients.