

MEMORANDUM

WASHINGTON SQ.  
ANSING, MI 48913

STOMER  
CONTACT CENTER  
7 373 9808

WWW.MICHIGAN.ORG

DATE: March 13, 2007  
TO: Michigan Economic Growth Authority  
FROM: James Donaldson, Vice President  
Michigan Business Development  
SUBJECT: Briefing Memo – General Motors Corporation  
Retention Credit

COMPANY NAME AND ADDRESS:

General Motors Corporation  
200 Renaissance Center  
Detroit, Michigan 48265

HISTORY OF COMPANY:

General Motors Corporation was founded in 1908, and manufactures and markets automobiles, automotive systems, engines, heavy duty automatic transmissions, component parts and locomotives worldwide. Orion Assembly opened in 1983 for the production of Cadillac and Oldsmobile vehicles. The plant currently builds the Pontiac G6. Saginaw Metal Casting Operations Central Foundry was built in 1918. In 1927, plant became Chevrolet Saginaw Grey Iron. In 1991, plant was transferred to GM Powertrain and renamed Saginaw Metal Casting Operations. In 1995 the facility began to produce aluminum cylinder heads. The last iron casting was poured in 2005. Currently, the plant produces engine blocks and heads.

PROJECT DESCRIPTION:

Orion is being considered for a new vehicle product. The Saginaw location is being considered for the potential production of a new casting program. If approved, both investments will be new to the state of Michigan. The proposed investments include: facility renovation, new machinery, equipment and tooling

A total of 880 jobs are associated with these investments. The average hourly wage of the retained jobs at both locations, including hourly and salaried positions, is approximately \$30.90 per hour plus benefits.

Total investment at the 2 locations is estimated to be approximately \$ 225.5 million. Additionally, to support the projects, GM will also spend an additional \$274.5 million in other projects in the State over the next 2 to 3 years.

EXECUTIVE COMMITTEE

MATTHEW P. CULLEN  
Chair  
General Motors

WILLIAM H. POWER  
Vice-Chair  
HCN, Inc.

MES C. EPOLITO  
President & CEO

CHARLES E. BLOUSE JR., CCE  
Detroit Regional Chamber

JOHN W. BROWN  
Stryker Corporation

DAVID E. COLE  
Center for  
Strategic Research

JOHN J. MURPHY  
Saginaw Future Inc.

HAIFA FAKHOURI  
Arab American and  
Chaldean Council

STEVEN K. HAMP  
Ann Arbor

DAYDEN H. HARRIS  
EDF Ventures

PAUL HILLEGONDS  
DTE Energy Company

GEORGE JACKSON JR.  
Detroit Economic Growth  
Corporation

MICHAEL J. JANDERNOA  
Bridge Street Capital  
Partners, LLC.

ROBERT B. JONES  
City of Kalamazoo

IRVING M. KLOHS  
The Right Place, Inc.

THOMAS LEWAND  
Bodman LLP

R. IRVIN D. REID  
Wayne State University

MICHAEL B. STAEBLER  
Pepper Hamilton LLP

ROBERT W. SWANSON  
Michigan Department of Labor  
& Economic Growth

ENNIS R. TOFFOLO  
Oakland County

PETER S. WALTERS  
Michigan Industries Corp.

General Motors Corporation  
Briefing Memo  
March 13, 2007  
Page Two

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, it is estimated that retention of the company's manufacturing facilities will retain a total of 6711 jobs in the state by the year 2017. We also estimate that the project would maintain total state government revenues through the year 2017, net of MEGA cost and adjusted for inflation, of \$257 million (2007 dollars) due to the retention of this facility.

**BUSINESS CASE:**

The company must achieve cost savings and efficiencies in every facet of its operations and is looking at every facility to identify and pursue operational efficiencies and savings. General Motors has excess manufacturing capacity in the United States and has already announced the idling of several manufacturing facilities. Plants that receive sizable investment and secure successful product programs are less likely to be idled in the near future, thereby helping to secure General Motor's operations in Michigan.

**OTHER STATE AND LOCAL ASSISTANCE:**

The company has met with local officials at both project site jurisdictions. Orion Township has expressed full support for the project and has approved a 50% personal property tax abatement. The City of Saginaw had previously approved 100 percent abatement of personal property taxes to encourage future investment in this facility. The local Workforce Development Board has offered assistance to the company for incumbent worker training.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a ten year employment credit with a 100 percent credit for the first year and a 25 percent credit for years two through ten for the retention of up to 880 jobs at the company's Orion Assembly and Saginaw Metal Casting facilities.

The credit will be contingent upon the company making total investment of at least \$500 million at Michigan facilities by December 31, 2010. As required by the MEGA statute, this credit is subject to a clawback should the company not meet certain contractual requirements.