



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: April 18, 2006
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – General Motors Corporation – Willow Run Retention Credit

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COMPANY NAME AND ADDRESS:

General Motors Corporation
Willow Run Power Train Operations
Ecorse and Wiard Roads
Ypsilanti, Michigan 48198-6198

HISTORY OF COMPANY:

General Motors Corporation was founded in 1908 and manufactures and markets automobiles, automotive systems, heavy-duty automatic transmissions, component parts and locomotives worldwide.

The General Motors Willow Run Transmission operation currently employs 3,114 workers and produces 4-speed and 6-speed transmissions for cars and trucks and also makes components for transmissions that are built at other company facilities.

The facility was approved for a 20-year Retention MEGA Tax Credit in November, 2002 in order to stimulate production of a new 6-speed transmission and retain 850 employees.

PROJECT DESCRIPTION:

General Motors Corporation is assessing its overall portfolio of new products and is evaluating the addition of a new module for the rear-wheel-drive 6-speed transmission and the GM Ypsilanti Willow Run Transmission facility.

The project would add additional 6-speed rear wheel drive transmission modules to the facility, necessitating an investment of up to \$125 million and the retention of up to 2,000 additional employees. The retained jobs would pay an average weekly wage of \$1,066 and provide a benefit package worth up to 30% of wages.



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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate that this facility will retain a total of 13,490 jobs in the state by the year 2027. We also estimate that the project would maintain total state government revenues through the year 2027, net of MEGA cost and adjusted for inflation, of \$1.22 billion (2006 dollars) due to the retention of this facility.

BUSINESS CASE:

General Motors Corporation is assessing production plans for all of its manufacturing operations and must pay particular attention to putting production where it can get the lowest costs. While the company would like to see the Willow Run operation continue to gain investments, it is making decisions based on a number of variables, including available capacity, a successful labor agreement and an incentives plan from the State and local government that will enhance the business case and strengthen the company's ability to achieve General Motors board approval for the project.

The most cost effective location for the company to add this new production would be at a facility in another North American location. Due to higher labor and utility costs, the cost at the Willow Run plant is \$11 million higher each year than the other locations under consideration.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$1.9 million.

Ypsilanti Township approved a 12-year PA 198 property tax abatement for all new real and personal property related to this project on February 7, 2006. The estimated value of the PA 198 abatement is \$6.9 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a twenty-year Retention employment credit consisting of 100 percent for the first year and 25 percent for years two through twenty, for the retention of up to 2,000 jobs. GM will also be required to make an investment of at least \$100 million at the Ypsilanti Willow Run Transmission facility and an investment of at least \$265 million at the Warren Transmission facility to qualify for this credit.