

MEMORANDUM

Date: June 15, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Joe Quick, Project Specialist
Packaging Team

Subject: Briefing Memo – National Logistics Management Co.
Standard & Retention MEGA Tax Credits

COMPANY NAME

National Logistics Management Co.
14320 Joy Road
Detroit, Michigan 48228
www.nlmi.com

HISTORY OF COMPANY

National Logistics Management Co. (“NLM”) is a full-service provider of supply chain logistics and support that began operating in 1984, primarily supporting the automotive industry. In 2009, NLM and a majority share of A3i were acquired by Landstar Supply Chain Solutions, Inc., a member of the Landstar family of companies. Landstar, under parent company Landstar System, Inc., is a publicly-traded transportation and logistics services company that provides services to shippers throughout the United States and Canada.

NLM is a high technology logistics provider of supply chain management, including intermodal transportation logistics, inventory control, subassembly and sequencing, process compliance and procurement, and supply chain data management. A3i provides software solutions on an Oracle platform to help customers integrate their existing material order management systems with NLM’s services.

NLM, A3i and its affiliates currently have 128 full-time employees in Michigan.

PROJECT DESCRIPTION

This project will both retain existing operations and jobs at NLM and its affiliated business, A3i, and allow for expansion at both of these businesses. As a result of Landstar’s acquisition of NLM and A3i, the companies must position their location relative to their parent company’s business model and the expected growth. The company has the opportunity to retain and expand this work in Michigan, or to locate these jobs, and their growth, outside of the state. In the projects initial phase, NLM’s Detroit and Southfield locations will be consolidated and retained at a single Southfield location. A3i’s operations will remain at the Ann Arbor location. 115 NLM jobs and 7 A3i jobs will be

retained, for a total of 122 Retained Jobs. The average weekly wage of the Retained Jobs will be \$1,150.

Due to their enhanced ability to provide their services to Landstar's customer base and diversify the industries to which they will lend their services, NLM and A3i plan to grow their operations over the next five years. With a planned investment of up to \$12.5 million, NLM and its affiliated business A3i could create up to 163 new jobs over the next five years as a result of this project, with an average weekly wage of \$1,025. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 304 jobs and retain 232 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by \$6.5 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Landstar currently owns an under-utilized facility in Rockford, Illinois, which could undertake the work currently conducted by NLM and A3i. The company has the ability to move the current Michigan operations into the Rockford facility without creating redundant facility and equipment costs, management inefficiencies, and costs and maintenance of an additional corporate location. The Rockford location currently has enough space to absorb the current NLM and A3i employees, as well as support the growth plans of both companies. In addition, Landstar Supply Chain Solutions is considering consolidation of the existing Michigan jobs to its headquarters in Jacksonville, Florida.

OTHER STATE AND LOCAL ASSISTANCE

The City of Southfield supports this project and will consider a three-year personal property tax abatement through PA 328 of 1998. The value of this abatement is currently unknown.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for 5 years for up to 163 net new employees in excess of the company's established base of 128 for the Southfield and Ann Arbor locations. In addition, the MEDC recommends a retention credit up to 75 percent for 5 years for the 122 retained employees at the Southfield facility, provided that the company maintains a statewide employment threshold of 90 full-time jobs in Michigan.