



ORIGINAL

MEMORANDUM

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DATE: April 17, 2007
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Seissenschmidt Corporation
Rural Credit

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COMPANY NAME AND ADDRESS:

Seissenschmidt Corporation
659 South US-23
Harrisville, Michigan 48740

HISTORY OF COMPANY:

The Seissenschmidt-Group is a recognized partner of the international automotive industry. The company's forged precision components are used in powertrain and driveline technology by almost all automotive manufacturers as well as leading system suppliers around the world.

Internationally, the Seissenschmidt-Group has a presence in the North American market with Seissenschmidt Corporation and in Hungary with Seissenschmidt Precision Components Kft. In 2006, the company had approximately 400 employees and sales of \$181 million. Seissenschmidt Corporation was formed in 2001 as a sales organization for the North American market. Sales here have continuously increased and were over \$22.6 million in 2006.

PROJECT DESCRIPTION:

In 2001, Seissenschmidt AG began exporting forging products to North America. Presently, finished forgings are shipped to a contractor in Canada where they are re-packaged according to the customer specifications and shipped to the customer.

The proposed operation in North America will serve as the North American headquarters and also perform shot peening operations, inspection, packaging and shipping to customers. If Seissenschmidt is successful in obtaining orders for finished machined parts it would install high tech machining equipment at our facility in North America.

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Initially the company will hire up to 15 to handle the current level of work. After two years, 30-40 employees will be at the facility. If additional work is procured, the employee count will be significantly higher. Expected wages are approximately \$11 per hour for unskilled labor, up to \$18 per hour for skilled labor. The average hourly wage at the end of 2007 will be \$14.90 with fringe benefits including paid vacation, health insurance and pension plan.

The company is considering Wurtsmith Air Force Base in Oscoda Township or the Charlotte, North Carolina area. Initial capital investment in machinery and equipment is approximately \$1.3 million.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 152 jobs in the state by the year 2014. We also estimate that the project would increase total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$2.1 million (2007 dollars) due to the location of this facility.

BUT FOR:

Because of the number of southern automotive assembly plants, Seissenschmidt has also considered a location in North Carolina. Because of this state's proximity to the Atlantic coast, shipping costs are considerably lower. In addition, job creation tax credits and grants to purchase machinery have been offered by state and local units of government.

OTHER STATE AND LOCAL ASSISTANCE:

The facility is currently in a Renaissance Zone in Oscoda Township. In addition to the Renaissance Zone benefits, the community is offering a low cost lease for the facility that will save the company at least \$12,000 annually. The state is offering a Community Development Block Grant to assist the community with building improvements. The local workforce development board is offering recruitment, screening, and on-the-job training benefits to the company.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 7 years, for up to 85 net new jobs.