

MEMORANDUM

Date: November 17, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Subject: Briefing Memo – Steering Solutions Services Corporation
Retention MEGA Credit

COMPANY NAME

Steering Solutions Services Corporation
3900 Holland road
Saginaw, Michigan 48601

HISTORY OF COMPANY

In October 2005 Delphi Corporation filed for bankruptcy protection and almost one year later announced its intent to divest its steering division as a stand alone business. In March of this year, Delphi announced its intention to sell the steering division to General Motors (GM). That transaction occurred on October 6, 2009, officially forming the Steering Solutions Services Corporation entity which will operate under the Nexteer brand name.

Nexteer is the only global Tier One automotive supplier exclusively focused on advanced steering and driveline systems technology. Although Nexteer will, at least in the near term, be wholly owned by GM, a diverse and global customer base is essential to their long term viability. Steering Solutions will aggressively pursue new business opportunities and will retain its independent engineering capability.

Steering Solutions Services Corporation currently has approximately 2,850 full time employees in Michigan.

PROJECT DESCRIPTION

Steering Solutions Services Corporation is requesting a Retention tax credit on 2,400 full time employees at the Saginaw (Buena Vista) facility in Saginaw County. The credit will aid Steering Solutions Services Corporation in achieving the necessary cost structure as it transitions from a larger corporation to a stand alone entity and retaining the employment in Michigan.

The company has made significant investment into furthering the success of the automotive business environment; however, many of the components and assemblies that are currently produced in Michigan could be produced more competitively elsewhere. The requested credit will allow the company to be more competitive in bidding work and keeping employment in Michigan.

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

Overall, the company will invest approximately \$413 million, retaining 2,400 jobs, paying an average weekly wage of \$965. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 retain a total of 8,711 jobs in the state by the year 2019. It is also estimated that the project would maintain total state government revenues through the year 2019, net of MEGA costs, of \$330 million (current dollars) due to the retention of this facility.

BUSINESS CASE

Steering Solutions Services Corporation (Nexteer) has made significant investment into furthering the success of the automotive business environment in Michigan and plans to further invest to allow for product line expansions, site development, installation of new production equipment and required retooling. Long term viability plans include focusing on future technology driver, increasing markets in Europe and Asia-Pacific and significant emphasis on cost reduction initiatives.

OTHER STATE AND LOCAL ASSISTANCE

Buena Vista Charter Township is supportive of this retention project and anticipates approval of transferring all available local tax abatements to the new company. The estimated value of this incentive is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 100 percent retention employment tax credit for 10 years for the 2,400 retained employees at the Saginaw (Buena Vista) facility, provided that:

- The company maintains a statewide employment threshold of 1,000. Failure to maintain a minimum statewide employment of 1,000 will void the remaining years of the credit.