

**MEMORANDUM**

**DATE:** July 9, 2002

**TO:** Michigan Economic Growth Authority

**FROM:** James Donaldson, Vice President *JD/lat*  
Michigan Business Development

**SUBJECT:** Briefing Memo – Axle Tech LLC-High Tech Credit

**COMPANY NAME AND ADDRESS:**

Axle Tech LLC  
2135 W. Maple Road  
Troy, Michigan 48084

**HISTORY OF COMPANY:**

Axle Tech LLC is a new company consisting of the divested assets of an unrelated corporation. The LLC is a wholly owned subsidiary of Axle Tech International, Inc. and researches and designs axles for use in large, heavy-duty off-road vehicles. After the acquisition, Axle Tech LLC will have 34 existing employees in Michigan.

**PROJECT DESCRIPTION:**

The project consists of an expansion of the company's research and development capabilities in Troy. Capital expenditures are expected to reach \$5 million over a five-year period, which includes \$2.3 million in lease costs and \$2.7 million in new equipment purchases.

Average weekly wages would be \$1,538 (\$80,000 annually) with benefits totaling roughly 25% of wages. Axle Tech LLC would lease an existing facility in Troy. Operations are expected to start by the end of December 2002. The company anticipates creating up to 50 net new jobs at the facility within five years.

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**BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 137 jobs in the state by the year 2008. Total state government revenues through the year 2008, net of MEGA costs and adjusted for inflation, would be increased by \$2.36 million (2002 dollars) due to the presence of this facility.

**BUT FOR:**

Locating in Michigan would present a significant logistical hurdle for the company. The owner's major US-based facility is located in Wisconsin. Consolidating the proposed facility with the Wisconsin facility would result in numerous business advantages including a reduction in administrative personnel and costs and a decrease in administrative travel time and costs. Also, because the company manufactures axles for heavy-duty off-road equipment, the entire customer base for this company is outside of Michigan. A Michigan location will present a disadvantage to the company in terms of customer relations and cost of sales.

The company, however, is purchasing the existing business of an entity that has been in Michigan for a number of years. The 34 people coming to Axle Tech from this former facility are all skilled engineers who possess the types of talents required by the new company and would be difficult to replace. Axle Tech, therefore, has indicated that if the MEGA can offset some of the above-mentioned cost differentials, they would prefer to stay in Michigan.

**OTHER STATE AND LOCAL ASSISTANCE:**

The Michigan Economic Development Corporation will provide an Economic Development Job Training grant of \$300 for each of up to 50 new employees, and 34 existing employees, for a total of \$25,200.

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The City of Troy Downtown Development Authority, at its June 19, 2002 meeting, passed a resolution granting the company \$50,000 in grant monies to be used towards needed improvements to the facility the company will occupy.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for six years and a business activity credit of 100 percent for six years for up to 50 net new jobs.