

MEMORANDUM

Date: July 20, 2010
To: Michigan Economic Growth Authority
From: Stacy Bowerman, Project Specialist
Packaging Team
Subject: Briefing Memo – Meritor Heavy Vehicle Systems, LLC
Standard MEGA Credit

COMPANY NAME

Meritor Heavy Vehicle Systems, LLC
2135 West Maple Road
Troy, Michigan 48084

HISTORY OF COMPANY

ArvinMeritor, Inc. is a premier global supplier of a broad range of integrated systems, modules and components to the motor vehicle industry. The company serves light vehicle, commercial truck, trailer and specialty original equipment manufacturers and certain aftermarkets. Headquartered in Troy, Michigan, ArvinMeritor employs approximately 18,000 people in 25 countries.

The Commercial Vehicle Systems (CVS) group offers the most complete drive train system in North America. Well-positioned to capitalize on industry trends toward consolidation and globalization, CVS is rapidly moving toward becoming the one-stop source for technology advanced drive train systems to manage vehicle performance in medium and heavy-duty trucks, trailers, off-highway equipment, bus and coach, and specialty vehicles.

The company currently has 769 employees in Michigan.

PROJECT DESCRIPTION

As ArvinMeritor transforms into a company focused exclusively on commercial vehicle systems, there is a strong need for increased emphasis on technology and new product development. The company proposes to substantially expand its human resource base and to bolster and update its Engineering Laboratory facilities. The company's five year plan for key technology development is focused in four main areas: 1) off-highway commercial vehicle market; 2) specialty business, which includes military vehicles; 3) electronics and controls capability; and 4) traditional axle and brake product lines offering improved performance, lower weight and lowest cost of ownership.

The company plans to invest approximately 23.4 million to upgrade the technical center and refurbish and upgrade the headquarter building in Troy. To undertake the proposed initiatives, the company plans to expand its technical staff by a total of 125 persons over the next five years, paying an average weekly

wage of \$1,185. The company also offers healthcare benefits, and plans to pay a portion of the benefit costs.

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 247 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$5.6 million (current dollars) due to the presence of this facility.

BUSINESS CASE

The company also considered Ohio and North Carolina for this investment, where the company also has facilities. ArvinMeritor has an engineering team in Ohio that could easily be expanded and used in the development of the new products and technologies. The State of Ohio has supported the company's revitalization of its Newark facility and has expressed a commitment to becoming a leader in research and development for the trucking industry. The Ohio site also offers a partnering opportunity with Ohio State University Center for Automotive Research (CAR) in the testing of hybrid-equipped heavy vehicles.

OTHER STATE AND LOCAL ASSISTANCE

The City of Troy is supportive of this project and has indicated support for a 12 year Personal Property Tax Abatement (P.A. 198) and a Plant Rehabilitation tax exemption for up to 12 years. The approvals are expected to take place at Troy's next available council meeting following the company's submission of the applications. An estimated value for the Troy commitment is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 7 years for up to 125 net new employees in excess of the company's established base of 744.