



MEMORANDUM

Date: February 15, 2011

To: Michigan Economic Growth Authority

From: Joe Quick, Project Specialist
Packaging Team

Subject: Briefing Memo – WABCO North America LLC
High Technology MEGA Credit

COMPANY NAME

WABCO North America LLC
1 Centennial Avenue
Piscataway, New Jersey 08855

HISTORY OF COMPANY

WABCO Holdings, Inc., headquartered in Piscataway, New Jersey, is a technology leader in the commercial vehicle industry. For over 140 years, the company has produced innovative electronic, mechanical and “mechatronic” technologies for braking, stability and transmission automation systems supplied to commercial truck, trailer and bus manufacturers. The company’s key products include air compressors, anti-lock braking systems, electronic braking systems and vehicle electronic stability control devices. WABCO North America LLC is 100% owned by WABCO Group Inc. WABCO Group, Inc. is 100% owned by WABCO Holdings, Inc.

WABCO currently has 8,100 employees in 31 countries, of which 37 are employed in Michigan.

PROJECT DESCRIPTION

WABCO North America LLC will create a new division, WABCO Product Development, in order to meet the company’s goal of growing its engineering capabilities in the United States. Technologies being considered for development at this facility include stability systems, antilock brake systems, trailer systems, foundation brakes and air supply, and automated transmissions controls. The facility will focus on systems architecture, functional development and project management, as well as IT/data systems and software engineering.

WABCO North America LLC currently has capacity for this project at its new facility in Rochester Hills, which was approved for a Standard MEGA tax credit in June 2010, and houses its new WABCO Reman Services division. Operations for this Product Development division will be housed at the Reman facility; until such time that it outgrows the excess capacity, which is projected to occur within 18 to 24 months.

The company plans to invest approximately \$2.2 million and create 100 jobs over the next five years, with 18 jobs projected in year 1, as a result of this project. The average weekly wage for the newly

created jobs is anticipated to be \$1,538. 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 208 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$2,444,464 (current dollars) due to the presence of this facility.

BUSINESS CASE

WABCO North America LLC is also considering Elkhart, Indiana for this expansion. In addition to cost gaps identified in wages, lease costs and taxes, the company sites a considerable talent pool of highly-qualified and specialized engineers in Indiana. This is due, in part, to the relocation of Navistar's operations from Indiana to Chicago, Illinois, which has resulted in a large pool of available engineers that specialize in the commercial truck industry in Indiana.

OTHER STATE AND LOCAL ASSISTANCE

The City of Rochester Hills is considering a two-year abatement of personal property related to the project, with consideration of an extension of up to six additional years should the company choose to transfer its Product Development division operations to another facility in the community or remain at the 2770 Research Drive location. The value of this two-year abatement is estimated to be approximately \$5,800.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Product Research and Development, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent high-technology employment tax credit for five years for up to 100 net new employees in excess of the company's established base of 37.