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# MEMORANDUM

**Date:** June 15, 2010

**To:** Michigan Economic Growth Authority

**From:** Amy Deprez, Manager  
Packaging Team

Joe Quick, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – WABCO North America LLC  
Standard MEGA Credit

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## COMPANY NAME

WABCO North America LLC  
1 Centennial Avenue  
Piscataway, New Jersey 08855  
www.wabco-auto.com

## HISTORY OF COMPANY

WABCO North America LLC ("WABCO") is a subsidiary of WABCO Holdings Inc., a publicly-traded provider of electronic components for the transportation equipment market. Established in 1869, WABCO manufactures and sells 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 electronic braking systems, anti-lock braking systems, air compressors and electric stability control systems. WABCO's North American operations are headquartered in Piscataway, New Jersey, but WABCO employs 7,200 employees in 31 countries.

WABCO currently has 22 employees in Michigan.

## PROJECT DESCRIPTION

WABCO is creating a new division of WABCO North America LLC called WABCO Reman Services, located in the City of Rochester Hills, which will remanufacture electronic control devices for reuse in vehicles and other devices. The remanufacturing process includes the removal of a failed unit from a vehicle, disassembling, inspection, repair and upgrading, reassembly, testing and packaging. The company states that this process is more eco-friendly than recycling, as it does not require the energy consumption of returning a discarded product back to its raw material state and manufacturing a new product.

WABCO will invest approximately \$6.2 million and create up to 274 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$631. 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 929 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by \$9.5 million (current dollars) due to the presence of this facility.

**BUSINESS CASE**

WABCO is also considering a site in Elkhart, Indiana and Windsor, Canada. It has identified a competitive disadvantage of approximately \$5 million between Michigan and the Indiana site, including an \$873,000 cost gap in leasing costs and a \$2.4 million cost gap in labor for the proposed new jobs.

**OTHER STATE AND LOCAL ASSISTANCE**

WABCO North America LLC has received support of its WABCO Reman Services project from the City of Rochester Hills in the form of a proposed personal property tax abatement for five years, the length of WABCO Reman Service's lease. The value of this abatement is currently unknown.

**RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for 5 years for up to 274 net new employees in excess of the company's established base of 22.