

**The Economic Effects on Michigan of the  
Vastera Solution Services Office Expansion**

Prepared by the Michigan Economic Development Corporation utilizing Regional  
Economic Models, Incorporated (REMI) software.

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### Abstract

*Vastera Solution Services Corporation is considering expanding their office in Southfield, Michigan. The expanded facility would employ up to 150 people by the end of 2003. We estimate that by 2005, this location will have generated a total of 233 jobs in the state. Total state government revenues through 2005, net of MEGA costs and adjusted for inflation, would increase by \$3.2 million (2000 dollars) due to the location of the Vastera Solution Services Office Expansion.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Vastera Solution Services Corporation expanding their operation in Southfield. Investment activity would take place between 2001 and 2003, with an investment of \$8.5 million. The facility would employ an additional 150 people and would be at full production by 2003.

The estimates of the benefits attributable to the project include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2001 to 2005, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 90 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2001 to 2005.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are created from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2003, the first year of full operations, an additional 272 jobs are generated in the state. The total number of jobs (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 1.43 over the period 2001 to 2005. Sectoral detail on the employment is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Vastera Solution Services Corporation were to expand in Michigan under the incentive program, state personal income in 2003 would be higher by \$14.6 million (in current dollars) than it would be without the facility, and in 2005, it would be \$15.7 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$13.6 million in first year of full operation and \$14.0 million in 2005.

The gain in economic activity results in higher government revenues. We estimate that in 2004, the first year of full operations without investment activity, the facility would generate \$1.2 million in additional gross state revenue, and that the MEGA package

would provide a \$349,000 incentive to Vastera Solution Services Corporation. Thus, the new Vastera Solution Services Corporation facility would increase state revenues in 2004 by \$874,000, net of MEGA costs.

Over the period 2001 to 2005, state government revenue is projected to increase by \$4.9 million (in current dollars) due to the new Vastera Solution Services Corporation facility. The MEGA incentive package for Vastera Solution Services Corporation is forecast to cost \$1.4 million over the period, resulting in a net increase in state government revenue of \$3.5 million. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2005 would be \$3.2 million in 2000 dollars. These calculations do not include any revenue losses due to the property tax abatement or the investment tax credit. If the costs of the abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of the estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Vastera Solution Services Corporation Office Expansion  
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	Total
<b>Total Employment</b>	127	193	272	250	233	
Manufacturing	3	1	-1	-6	-9	
Non-Manufacturing	124	192	273	256	242	
Retail Trade	14	21	28	25	22	
Services	83	143	209	201	195	
Other	27	28	36	30	25	
<b>In Current Dollars (Thousands):</b>						
Personal Income	\$5,585	\$9,613	\$14,620	\$15,290	\$15,690	\$60,798
Gross State Revenue	447	769	1,170	1,223	1,255	4,864
Mega Cost	123	227	344	349	363	1,406
State Revenue Net of MEGA Cost*	\$324	\$542	\$826	\$874	\$892	\$3,458
<b>Adjusted for Inflation (Thousands of 2000 Dollars):</b>						
Personal Income	\$5,455	\$9,172	\$13,627	\$13,926	\$13,968	\$56,148
Gross State Revenue	437	734	1,091	1,114	1,117	4,493
Mega Cost	120	216	321	318	323	1,298
State Revenue Net of MEGA Cost*	\$317	\$518	\$770	\$796	\$794	\$3,195

\* These estimates do not include any state government revenue losses due to the Investment Tax Credit, the Renaissance Zone Credit or the property tax abatement.