



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.  
LANSING, MI 48913

CUSTOMER  
CONTACT CENTER  
517 373 9808

WWW.MICHIGAN.ORG

DATE: July 13, 2004  
TO: Michigan Economic Growth Authority  
FROM: James Donaldson, Vice President  
Michigan Business Development  
SUBJECT: Briefing Memo – INCAT Systems, Inc.  
High Technology Credit

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COMPANY NAME AND ADDRESS:

INCAT Systems, Inc.  
41370 Bridge Street  
Novi, Michigan 48375

HISTORY OF COMPANY:

INCAT Systems Inc. is the North American subsidiary of INCAT International Ltd., a privately held English company headquartered in London. INCAT is a professional services organization focused on product and information lifecycle management. In North America, INCAT's primary business consists of consulting and product information content services for aerospace, automotive and other durable goods manufacturers. Additionally, INCAT develops software for product designers and performs various other research and development activities.

The company's workforce consists primarily of highly trained and skilled individuals specialized in engineering, software applications, and business processes. INCAT Systems has 313 employees in Michigan.

PROJECT DESCRIPTION:

INCAT has experienced a shift in the company's business focus to higher end professional services that has caused significant growth in headcount and opportunities for expansion. The company will create approximately 25 jobs in the first year of operations, and up to 300 by the tenth year. To support this growth, INCAT anticipates investments in computing and office equipment of approximately \$7 million in the next five years. The jobs created would pay an average weekly wage of \$1,725.

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**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate that this facility will create a total of 535 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$13.8 million (2004 dollars) due to the location of this facility.

**BUSINESS CASE:**

The company has considered numerous options for their future, including expansion in another U.S. state, Canada, Mexico and India. They have also considered reducing the size of their Michigan operations as part of an expansion elsewhere. The company compared the costs of expanding in Michigan or close to a major customer in the greater Seattle, Washington area, and determined that annual payroll costs would be ten percent lower in Washington State. Depending on the size of the expansion, this cost could be as much as \$7.7 million per year.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Novi approved a package of local incentives on June 7, 2004. This package includes assistance up to \$50,000, including \$20,000 in cash for expansion expenses, with the remainder to be provided though reduced or waived fees for permits and other city services.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for 10 years, for up to 300 net new employees.