

Southern Crossroads

Southern Auto Corridor reflects a major trend by foreign and U.S. auto makers.

By Gretchen M. George, Senior Writer

For years, Michigan and the northern edges of the auto axis have dominated the automotive industry, especially in attracting big assembly plants and the many suppliers that follow. But as a new trend emerges, with southern states winning the two most recent high-profile auto plant locations, things are changing.

The big ones

In the south, Mercedes-Benz and BMW are household names — even in the households of people who could never afford one of these foreign luxury cars. But, if you can't buy one, make one. That's just what many Alabamans and South Carolinians soon will be doing.

Mercedes and BMW are textbook examples of "How to get a foreign car maker to choose you." And the details have been studied, outlined and editorialized by industry journals and daily newspapers across the country.

Major incentives Alabama offered Mercedes:

- \$90 million to build and operate an on-site worker training center. This incentive will cover all costs of training the plant's initial 1,500 workers, including paying their full wages.
- \$77.5 million for infrastructure improvements, including constructing road access to Interstates 59 and 20, along with building water, sewer, electric and gas lines. These improvements hopefully will create a Tuscaloosa-to-Birmingham corridor.
- \$42.6 million to be provided toward plant construction through tax

incremental financing bonds, under legislation passed by Alabama in response to Mercedes' needs.

South Carolina's victory in the BMW location battle was no small effort either. The state offered \$130 million in tax breaks and incentives (about \$65,000 per job). Ten years from now, BMW hopes to have invested \$1 billion and hired 2,000 employees in Spartanburg.

would create more than 10,000 jobs over five years, and 15,000 to 17,000 jobs over 10 years.

A year into the project, those jobs are starting to materialize. And most of the jobs are due to significant investment of Mercedes suppliers. Most suppliers — and smaller companies that will feed supplies to the systems suppliers — will work from existing facilities in the United States and foreign countries.

Still more suppliers will announce Alabama plants, according to Dara Longgear, executive director of the Tuscaloosa County Industrial Development Authority.

Three to five plants are looking at Alabama for expansions. Among those are Packard Electric, which will supply the complex dashboard assembly, and Johnson Controls, which has contracts for seating systems and the ceiling module. Those companies have said they will locate in the Tuscaloosa area in order to meet just-in-time requirements for the delivery of the plant near Vance.

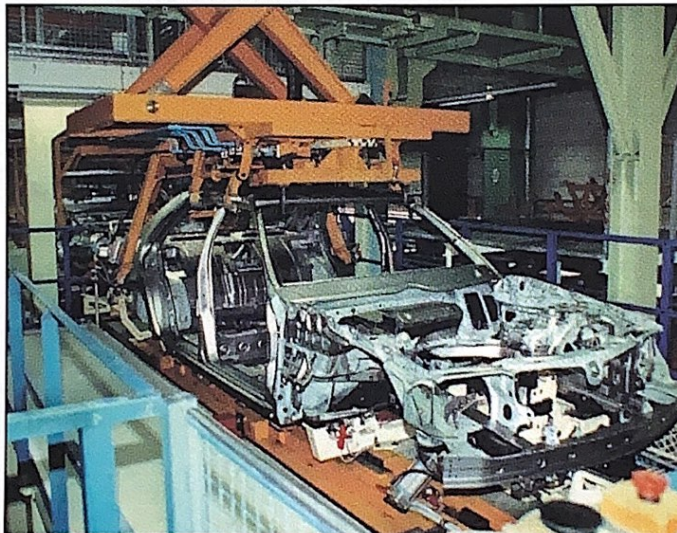
Since Mercedes will not begin producing its all-activity vehicle until 1997, other suppliers still have time to choose a site.

Many companies have already picked Alabama sites.

- ZF Industries Inc. is building a \$15 million production facility in Tuscaloosa to provide axle systems to the new Mercedes Benz plant and to support ZF's growth in automotive systems.

"We foresee increasing interest in the ZF systems approach to supplying components to the automobile industry,

PHOTO COURTESY MERCEDES-BENZ OF NORTH AMERICA



A forecast prepared by Troy University projected that Mercedes-related development would create more than 10,000 jobs in Alabama over five years.

Get to the good part

Now that the deals are done and the dust has settled, the real fun begins. Tailgating these big-name automotive expansions is a whole world of new development in supplier-related industries.

For states like Alabama and South Carolina, these auto plant and supplier locations represent a chance to make it big in the industry.

A forecast, prepared for the state by Troy University, projected that Mercedes-related development in Alabama

which could result in increased opportunities for our Alabama plant," said George Telenko, ZF project manager in the U.S.

The facility initially will employ 200 people and is expected to produce approximately 120,000 axle systems per year.

- Rehaug Inc., a German plastics company, is building a \$10 million plant in Cullman that will supply front and rear bumpers for the four-wheel drive

passenger vehicles. Rehaug, with its North American headquarters in Leesburg, Va., plans to initially employ about 40 to 50 people at the new plant.

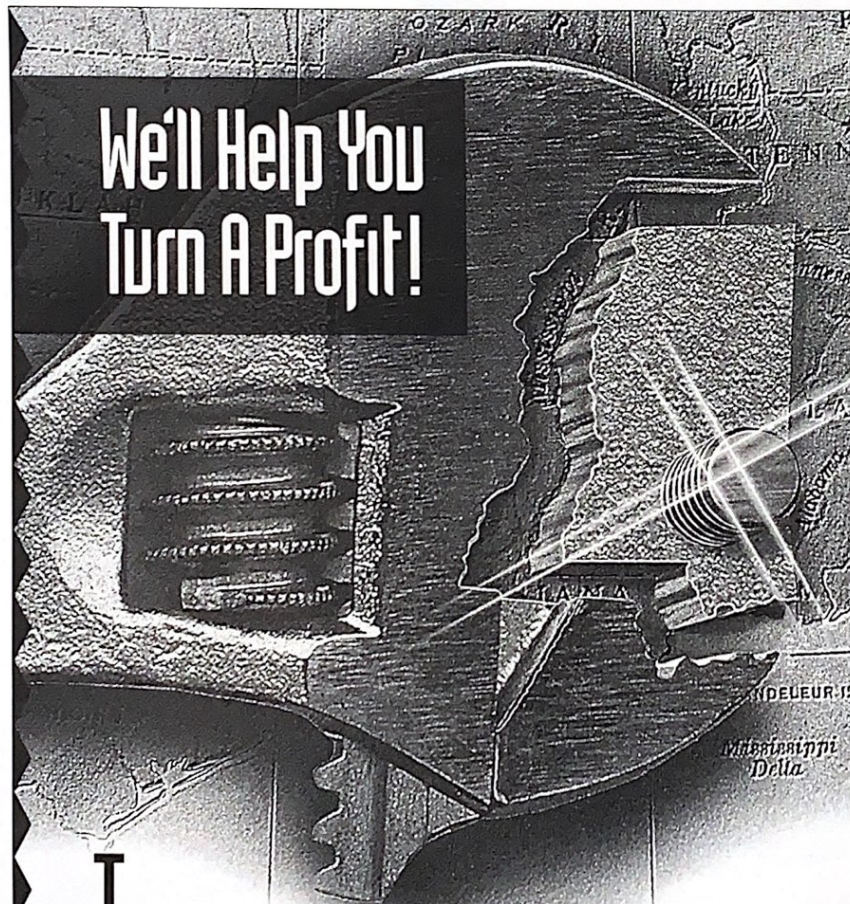
The company began building a 70,000 square foot facility on a 74-acre tract adjacent to Cullman Industrial Park No. 1, according to Rehaug Vice President David Down. He said the number of jobs will climb to 100 when the plant is at full production, sometime in 1996.

- Dunlop Tire Corp. will supply tires from its Huntsville plant. The company has not announced if the contract will require either expansion of its existing facility or additional hiring.

The Carolina connection

In South Carolina, at last count, 12 suppliers had announced new facilities, seven of which will make a combined total investment of \$153 million. Suppliers (many of them German-owned) setting up shop along I-85, connecting Spartanburg and Greenville, have nicknamed the Interstate the "autobahn."

By the year 2000, South Carolina industry experts predict around 21 new suppliers will be making parts for BMW and other foreign car manufacturers that



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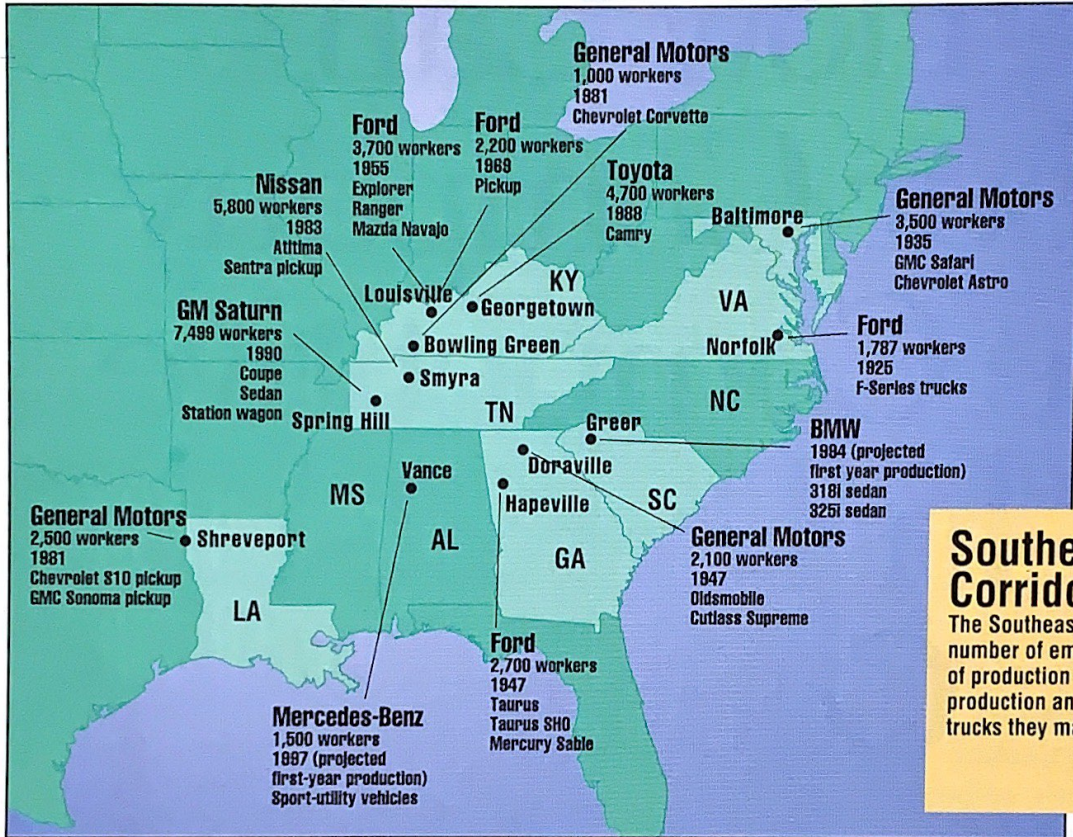
By the year 2000, South Carolina industry experts predict around 21 new suppliers will be making parts for BMW and other foreign car manufacturers that have made their way south.

have made their way south. The suppliers are estimated to invest \$500 million in South Carolina, creating 1,785 jobs.

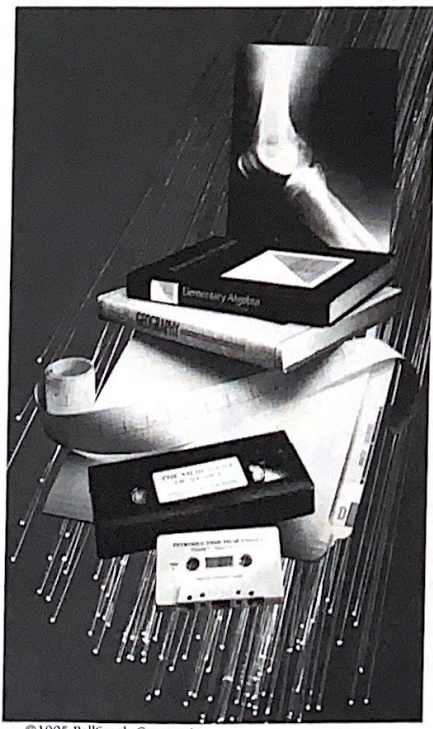
Last year BMW supplier Seuna Starker finished a 55,000 square foot exhaust system manufacturing facility in Spartanburg and began production toward the end of the year. And Ontario, Canada-based Magna International built an \$80 million facility in Greenville, from which it supplies the BMW plant with body systems.

North Carolina doesn't have its own assembly plant yet, but that's not keeping the state from going after those suppliers who are following the big plants south.

"We've always targeted automotive parts suppliers," said Bill Teague, deputy director of the business and industry division of the North Carolina Department of Commerce. "And since these big



Southern Auto Corridor
The Southeast's auto plants, number of employees, first year of production or expected production and the cars and trucks they make.



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announcements of auto plants in the south, we've seen some real activity in North Carolina."

Parts suppliers Schegal and GKN both have located in North Carolina since the BMW announcement.

But Alabama and The Carolinas aren't the only states that make up the Southern Auto Corridor. They're just the newest additions. Many auto makers and suppliers are heading south with their plants and distribution centers to Kentucky, Tennessee, Virginia and Georgia, too. Others have been there for years and continue to expand due to tremendous success.

Kentucky's kicking in

Since Toyota started making its popular Camry in Georgetown, Ky., in 1988, 92 automotive parts plants have joined Toyota, employing 17,509 and bringing the total investment to just over \$2 billion. The impact on Kentucky's economy has been incredible, and is growing steadily.

For the high dollar area of parts and

materials, Toyota went from buying \$70 million from 90 U.S. parts and materials suppliers in 1988 to buying \$1.5 billion from 174 suppliers in 1992. These totals are expected to grow. Almost 70 percent of Toyota's 174 U.S. suppliers are traditional U.S. companies and 85 percent of Toyota's

Since Toyota started making its popular Camry in Georgetown, Ky., in 1988, 92 automotive parts plants have joined Toyota, employing 17,509 and bringing the total investment to just over \$2 billion.

steel comes from U.S. steel companies.

But the suppliers aren't just flocking to Kentucky to serve Toyota. Chevrolet

Corvettes and Ford Explorers are made in Kentucky, too. And lots of companies are after a piece of those pies.

In 1993, a Canadian company that makes bumpers for Explorers and pickup trucks announced a new factory in Boone County, bringing as many as 480 new jobs to the northern Kentucky area.

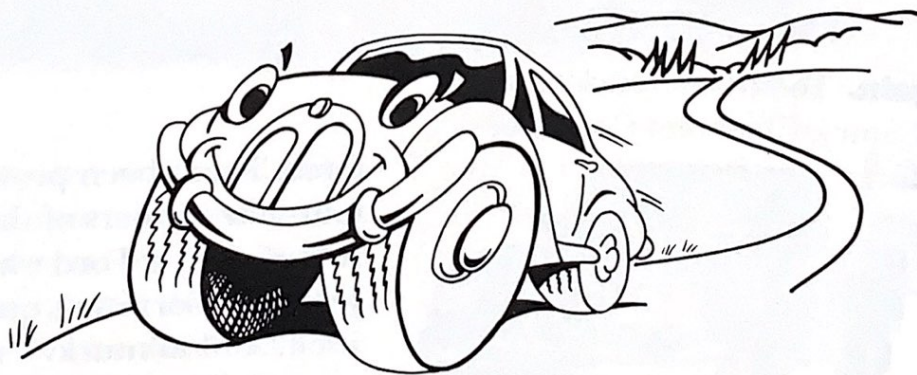
A.G. Simpson Co. Ltd., based in Scarborough, Ontario, made a \$77 million investment on a metal-stamping factory. Around half of the plant's production is car and truck bumpers for Ford's Louisville Assembly Plant.

Company officials said the expansion was part of an effort to get production centers closer to the customer. R.A. Simpson, the company's vice president, cited plans to target Toyota as a potential customer.

Talking Tennessee

Nissan Motor Corp. established itself in Smyrna, Tenn., in 1980. Its 6,000 employees manufacture Altima mid-size sedans, Sentra passenger cars, 200SX sports coupes and Nissan pickup trucks. They also assemble engines and rear

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axles; produce plastic bumper fascias and fuel tanks; and provide body panels, closures and engines for the Nissan Quest/Mercury Villager minivan. The facility's annual production capacity is 450,000 vehicles.

As of this year, engines will be assembled at Decherd, Tenn., Nissan's first expansion site outside its current facility in Smyrna. The 16-valve, four-cylinder, dual-overhead cam engines will be supplied for the 1998 model Altima, which will be built in Smyrna. Currently, Altima engines are assembled by Nissan Mexicana in Aguascalientes, Mexico.

The Decherd facility will require an investment of about \$30 million, bringing Nissan's total investment in Tennessee to more than \$1.38 billion. Total annual production capacity at the plant will be 200,000 engines, with production scheduled to begin in the spring of 1997. The plant will employ about 200 people.

"This plant should allow us to increase the localization of parts in the United States," said Jerry L. Benefield, president and CEO of Nissan. "I'm confident that the employees in Decherd

will build high-quality engines that will add value to the vehicles we build."

In 1985, Saturn's location decision brought Tennessee unprecedented publicity as a premier manufacturing and business location. Tennessee is now 3rd, after Ohio and Michigan, in automobile production, and fourteenth in truck production.

Though the Saturn location to Spring Hill occurred 10 years ago, enthusiastic company officials are still singing the praises of Tennessee to this day. Saturn officials listed

various reasons for choosing the Spring Hill site for their \$1.9 billion manufacturing and assembly complex, and for their continuing success there.

Saturn found middle Tennessee — and Maurey County, in particular — interested in expanding their industrial base. The state provided \$30 million for the Saturn Parkway, a 4.3 mile, 4-lane connector highway between I-65 and the Saturn plant. The state also provided \$22 million for training programs for Saturn team members.

The home climate of the Saturn team member is important to Saturn. The company looked for locations with good schools, good medical care and general services, such as shopping malls.

Saturn, in one of the most extensive site-selection exercises ever, even explored such aspects as weather and topography, since they would affect everything from shipment of product to Saturn employees' quality of life.

"Spring Hill offered the best balance of all those factors for the Saturn complex, but every project has different needs," said Saturn President William E. Hoglund, who was actively involved in selecting the site.

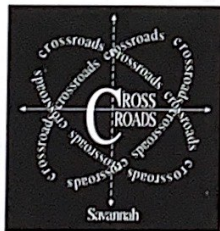
Georgia still going strong

Georgia's automotive industry has experienced substantial growth in recent years — with more than 20 new facilities announced between August 1993 and September 1994 — placing Georgia among the fastest growing automotive states in the nation. Over 2,000 Georgians will gain jobs as a direct result of these new locations. Georgia's community of automotive assembly plants, suppliers and distribution centers provides a strong magnet for other automotive firms to locate and stay in Georgia.

"Our goal is to continue capitalizing on the automotive industry's shift towards the South," said Charlie Gatlin of the Georgia Department of Industry, Trade and Tourism. "Because



The number of Big Three car and truck assembly plants and engine, transmission, stamping and component plants has increased by 8.3 percent in the Southeast and by 71.4 percent in the Southwest.



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of Georgia's existing GM and Ford plants, and the location of BMW and Mercedes-Benz to our neighboring states, we will continue to be able to attract suppliers and after-market manufacturers to our state. We also want to build on Georgia's location as an ideal place for those utilizing just-in-time manufacturing philosophies."

Situated along the southern part of the I-85/I-75 corridor, Georgia serves as an established home to many automotive-related facilities, including several major auto assembly plants. Since 1909, Ford has had a plant in Georgia, and GM's Doraville plant was built in the early years following World War II.

GM recently announced it will begin production on a new "all-purpose" vehicle at its Doraville plant in 1996. The announcement came as the result of high performance and productivity ratings at the facility. And Ford's Hapeville plant has been consistently rated as the automaker's U.S. plant with the highest worker productivity (it takes workers there about 17 hours to produce a Taurus).

Recent announcements such as those at Ford and GM demonstrate Georgia's desire to provide a strong auto-

otive base in the future. In addition to Georgia's auto assembly plants, the state is home to two Blue Bird Corp. plants producing the U.S. market leader in school buses, a Metrotrans bus assembly facility, and a major Toyota processing and distribution center.

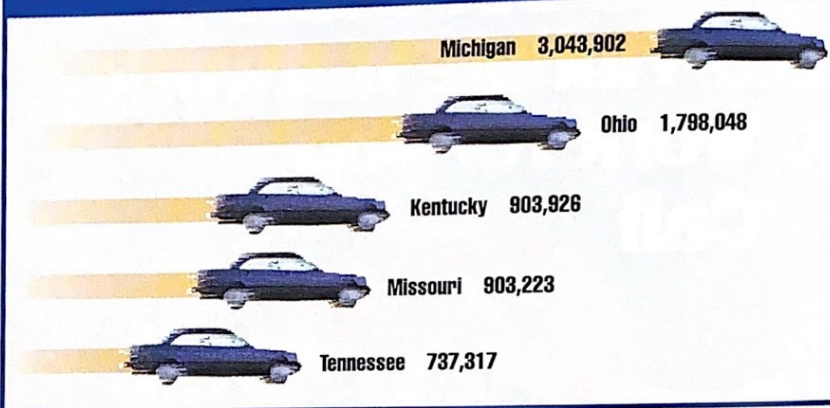
Virginia's got vavoom

The Ford Motor Co. recently made a long-term commitment to its assembly plant in Norfolk by announcing a \$290

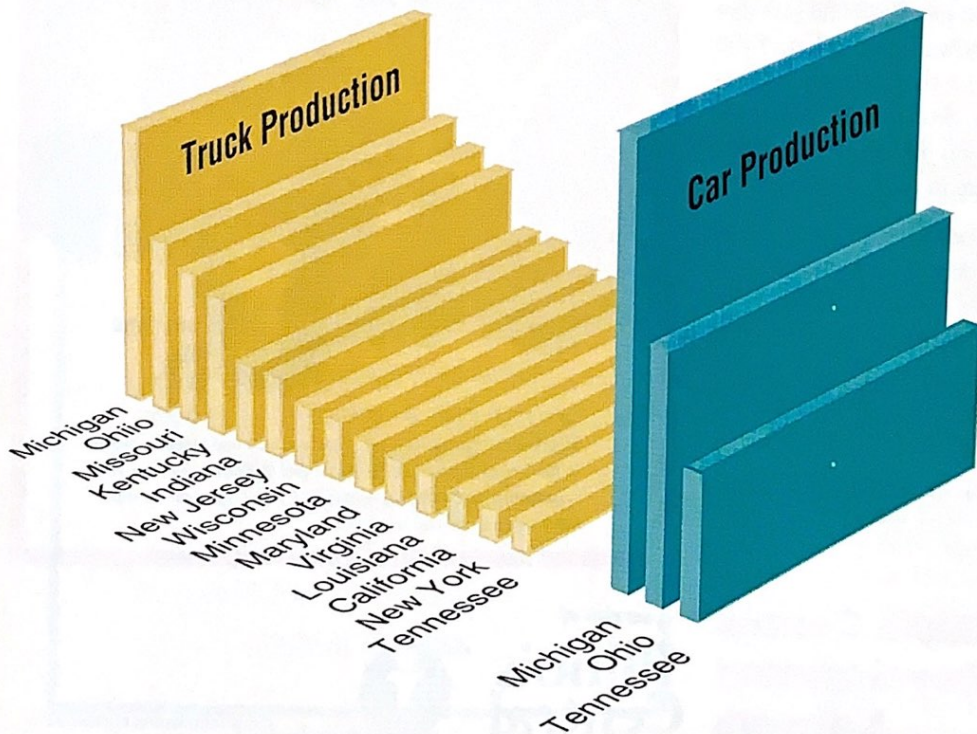
million expansion that will create 400 new jobs. The plant, which rolls out the F-Series pickups, will get a new body shop that will allow it to build a newly designed, full-sized pickup beginning with the 1996 model year, Ford officials said. And for a manufacturing plant built in 1925, getting the go-ahead to build a new series of pickups means guaranteed jobs for the near future.

"Ford doesn't build pickups just in Norfolk," said Gov. George Allen, who's

**Top 5 States for Total Car and Truck Production in the U.S.
1994 Model Year**



**Car and Truck Production in the U.S.
1994 Model Year**



CARS

1.	Michigan	1,840,127
2.	Ohio	1,045,628
3.	Tennessee	614,098

TRUCKS

1.	Michigan	1,203,775
2.	Ohio	752,420
3.	Missouri	657,672
4.	Kentucky	595,793
5.	Indiana	348,747
6.	New Jersey	342,165
7.	Wisconsin	260,398
8.	Minnesota	254,028
9.	Maryland	207,699
10.	Virginia	183,163
11.	Louisiana	177,081
12.	California	129,717
13.	New York	129,527
14.	Tennessee	123,219

HOT REGION

taken an active position on economic development. "They can build them anywhere. They could have selected many other places for this investment."

The 400 new jobs will bring the plant's workforce to around 2,300 and boost production from 635 pickups a day to 720, according to company officials.

Ford's latest investment brings to \$521 million the amount it has spent during the past three years retooling and expanding the Norfolk plant. A \$180 million paint plant was completed in 1993. The expanded Norfolk facility will be 2.2 million square feet when construction is completed.

Operators in the new 307,000 square foot body shop will assemble light truck cabs and boxes from sheet metal parts. Construction of the building is expected to be finished in time for production startup in November of this year.

Last year, Volvo announced an expansion of the facilities of the Volvo-GM Heavy Truck Corporation in Pulaski County. The new plant, which will be operational by 1997, will be an expansion of the cab assembly plant and a new high volume painting facility.

"Volvo-GM is an important employer in the New River Valley, and through a team effort and local cooperation, we have been successful in attracting significant investment by showing that Virginia has the dedicated workforce, location, training opportunities, tax and regulatory policies, and quality of life ideal to meet their needs," said Gov. Allen.

The new facilities are expected to create over 780 jobs in the Pulaski County area and up to 6,100 jobs statewide. But, again this investment didn't come cheap, though the state managed to keep the nitty gritty details somewhat under wraps.

Neither Allen nor company officials have put a price tag on the package of state and local incentives, but it included local and state tax breaks, as well as \$5 million from the governor's deal-closing fund. Virginia Tech and the New River Community College will provide training for the workers.

On the supplier side of things, Virginia added two more companies to its list this year.

DuPont Engineering Polymers is building a new Zytel Resins Plant in

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Circle information number 34

Expansion Management / July-August 1995 / 51

Chesterfield County. The company's capital investment of more than \$30 million will create 50-75 jobs and is expected to begin producing Zytel Resins by mid-1996.

The new plant will manufacture Zytel Nylon "6,6" resin, an engineering plastic used to make a variety of molded parts. A second project is planned for the DuPont site that will double the initial project's DuPont Zytel nylon resin capacity in North America in 1998.

"Demand for Zytel and other engineering plastics has increased at a phenomenal rate over the past decade, particularly in the automotive industry," said Steve Catrow, plant manager for the new Zytel manufacturing facility. "This will be the first DuPont Engineering Polymers project in Virginia and we expect this plant to make a significant contribution to this growing market, particularly in North America."

Tokai Denko Company, Ltd., a Japanese auto parts manufacturer, will open a facility in Pittsylvania County. The Gretna facility will employ more than 50 people with a total investment exceeding \$5 million.

"The southern Piedmont Region will be a profitable location for this company, and it's exciting to note that this is the first Japanese company to locate in Pittsylvania County," said Gov. Allen.

Tokai Denko is one of the world's foremost manufacturers of wire harness and electronic control for dashboard assemblies in the automobile industry.

"We selected Virginia due to the excellent business climate, well-trained workforce and ideal location," said Kazunori Matsuo, president of Tokai Denko Co. Ltd.

U.S. automakers get their share

Though the bulk of new locations and expansions seems to come from for-

Top Supplier Sales to North America, 1994

Ranked on OEM sales to North America

Rank	Company	Total North American OEM automotive sales (dollars in millions) 1994	Total worldwide OEM automotive sales (dollars in millions) 1994
1	Delphi Automotive Systems	\$21,750	\$24,418
2	Ford Automotive Components Division	\$7,743	\$8,700
3	Delco Electronics	\$4,600	\$5,200
4	Inland Steel	\$4,000	\$4,000
5	Dana Corp.	\$3,676	\$4,157
6	TRW Inc.	\$2,749	\$4,865
7	Lear Seating Corp.	\$2,575	\$3,147
8	Johnson Controls Automotive Systems Group	\$2,443	\$3,018
9	DuPont	\$2,400	\$3,200
10	ITT Automotive	\$2,300	\$4,300

eign automakers, plenty of U.S. companies are getting in on the action.

In an earlier *EM* report, Brett Smith, research associate for the University of Michigan's Office for the Study of Automotive Transportation (OSAT), said that between 1979 and 1991, the Big

"Generally, the U.S. auto industry has concentrated back into the traditional area, except that the traditional area has shifted 200 to 300 miles south of where it used to be."

— Brett Smith, OSAT

Three closed 80 facilities and reconverted or built 38 plants. During that time, the Big Three have pulled production back from the coasts to the midwest, south of Michigan.

"Generally, the U.S. auto industry has concentrated back into the tradition-

al area, except that the traditional area has shifted 200 to 300 miles south of where it used to be," Smith told *EM* Contributing Editor Robert Ebisch.

Also, the number of Big Three car and truck assembly plants and engine, transmission, stamping and component plants decreased by 66.7 percent in California, by 24.1 percent in the Northwest, and by 18.3 percent in the Midwest. At the same time, the number of those plants increased by 8.3 percent in the Southeast and by 71.4 percent in the Southwest.

And how are all these new cars going to be transported across

the country? With all the automotive action in the South, Illinois Central Railroad just reopened an auto distribution center in Jackson, Miss., that had been closed for eight years.

"Our transportation system runs parallel to the interstates from Chicago to New Orleans, as well as the Mississippi River," said Jerry McArdle, Illinois Central's assistant vice president for industrial development and real estate. "Sure, they're our competition, but I think we're really going to be working together to serve the Southern states in the future."

Bumper to bumper

What's pulling so many big-name automakers south, and keeping them there? Certainly it's more than good ole' southern hospitality, though generous incentive packages don't seem to hurt. A relatively central location and excellent infrastructure systems seem to be the overriding pluses in many recent locations.

Therefore, states like Alabama, The Carolinas, Kentucky, Tennessee, Georgia and Virginia will continue pushing the pluses of making cars at those southern crossroads. **EM**