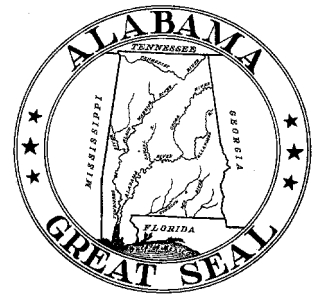


# THE AUTOMOBILE INDUSTRY IN ALABAMA

## Overview

In less than a decade, Alabama has propelled itself to the top rung of automobile manufacturing states in the South.<sup>76</sup> For a state that did not produce its first vehicle until 1996, Alabama's record in attracting such prestigious automakers as Mercedes, Honda and Hyundai to establish major manufacturing operations remains noteworthy. Alabama currently ranks as the sixth-largest producer of automobiles in the South, but is expected to vault to the third spot by 2005, with a production level of 760,000 vehicles annually, an impressive achievement indeed.



According to a survey released in May 2003 by the Alabama Automotive Manufacturers Association, the state's rapidly expanding automobile industry already accounts for 30,180 direct jobs and a \$1.4 billion annual payroll. In surveying Alabama's automobile industry, the study collated information from 162 companies "that produced raw materials, or manufactured or assembled parts, sub-assemblies, components or modules that end up in or on motor vehicles, as well as the assembly of the vehicles themselves."<sup>77</sup> In addition, the report included operations in Alabama "that manufactured floor equipment, tooling and fixturing and customized packaging used in automotive manufacturing."<sup>78</sup> Of the 162 companies that responded to the survey, there were six vehicle assembly plants in 2002 (compared to five in 2001), with remaining companies supplying parts and components to the assembly plants. While many of these supply companies are new to the state (60 of the 162 companies began their Alabama operations after 1995), a majority of them employ 100 or fewer employees (95 companies).

## State Facts

Percent of Total Workforce	5
Direct Employment	19,500
Auto-Related Employment	33,800
Auto-Dependent Employment	96,200
Wages	\$3 Billion
New Vehicle Dealerships	355
Dealership Annual Sales	\$8.9 Billion
Production Facilities	3
Vehicles Produced	79,946
New Registrations	227,020
Registered Vehicles	3,960,149
Publicly-Owned Vehicles	48,755
Licensed Drivers	3,522,000
Total Miles Driven	56.6 Billion

Source: 2002 Ward's Motor Vehicle Facts & Figures

## Automotive Operations in Alabama's Four Major Regions

Region of State	Floor Space (in Millions of Sq. Ft.)			Employment		
	2001	2002	Growth	2001	2002	Growth
Region 1 (Huntsville, etc.)	13.8	16.4	18.8%	12,613	13,805	9.5%
Region 2 (Birmingham, etc.)	8.0	9.7	21.3%	8,861	10,396	17.3%
Region 3 (Montgomery, etc.)	3.1	5.5	77.4%	2,916	3,290	12.8%
Region 4 (Mobile, etc.)	2.4	3.7	54.2%	2,533	2,676	5.6%
Total	27.3	35.4	29.3%	26,924	30,180	12.1%

Source: Alabama Automotive Manufacturers Association, May 2003

Note: Floor space includes plants under construction.

The growth pattern of Alabama's automobile industry in the last two years is clearly apparent in table 15, which demonstrates this trend in terms of number of employees and in terms of floor space.

As presented in table 15, there has been significant growth between 2001 and 2002 in both floor space occupied by the industry and the number of employees. Specifically, total floor space occupied by the industry expanded by more than 29 percent (from 27.3 million square feet to 35.4 million square feet), while there was a 12.1 percent growth in the number of employees working in Alabama's automobile industry. The increase from 26,924 to 30,180 employees is a notable achievement given that the nation was recovering (as it still is) from the throes of the recession that swept across the land in 2001. In terms of the specific regions of the state, Region 2 experienced a 17.3 percent expansion in employment numbers between the two review periods, a direct impact of the expansion efforts underway at the Mercedes-Benz and Honda plants in the vicinity. Similarly, Region 3's floor space expansion was related to the announcement of the new Hyundai plant and supplier plants in the Montgomery area. Interestingly, Region 4, the state's southernmost portion, has experienced some positive ripple effects of the Hyundai plant with the establishment of a number of supply operations.

### **Capital Investments by Major Assembly Plants**

According to the Alabama Development Office (ADO), three major automobile manufacturers have significant capital investments directed at assembly operations (Mercedes-Benz, Honda, and Hyundai) in the state. In addition, three other manufacturers (Toyota, International Truck and Engine Corp., and DaimlerChrysler Corp.) have made substantial capital investments toward non-vehicle assembly operations in the state. A crucial point in assessing these sizable capital investments is that as a result of their investment decisions, a number of automotive parts suppliers have invested in the state. These twin capital investment categories have resulted in boosting the state's economic output and potential significantly. The direct, indirect and induced economic benefits flowing from the activities of the manufacturers and suppliers remain an important reason for the state's economic performance. The information provided on the following pages provides a breakdown of the capital investment by automobile manufacturer.

#### **Hyundai Motor Manufacturing of Alabama, LLC.**

<i>Company Name:</i>	<b>Amount</b>
<b>Hyundai (in Montgomery)</b>	<b>(Millions)</b>
» Announced New in 2002	\$1,000.0
<b>Total Capital Investment - Automobile Manufacturer</b>	<b>\$1,000.0</b>
<b>Suppliers (New and Expansion Announcement)</b>	
» Mobis Alabama (Chassis and dashboard instrument panels; new in 2002)	\$30.0
» Shin Young Metal Industries (Frames and stamped parts; new 2003)	\$110.0
» Halla Climate Control (Front-end module systems', HVAC assemblies; new in 2003)	N/A
» HS R & A Co., Ltd. (Weather stripping, tubing, hoses; new in 2003)	\$20.0
<b>Total Capital Investment - Automobile Suppliers</b>	<b>\$160.0</b>

Source: Alabama Development Office, March 2003

**Mercedes-Benz US International Inc.**

<i>Company Name:</i>	<b>Amount</b>
<b>Mercedes (in Vance)</b>	<b>(Millions)</b>
» Announced New in 1993	\$520.0
» Announced Expansion in 1998	\$40.0
» Announced Expansion in 2000	\$600.0
<b>Total Capital Investment - Automobile Manufacturer</b>	<b>\$1,160.0</b>

**Suppliers (New and Expansion Announcements)**

» AP Technologies (Windshields; new in 2000)	\$10.0
» ARKAY Plastics (Plastic injection refuse systems; auto panels; new in 1995)	\$12.9
» Benteler Automotive Corp. (Chassis systems; new in 2002)	\$20.0
» Borgers USA (Rear compartment interior trim; new in 2002)	\$5.0
» Carlisle Engineered Products (Injection molded auto parts; expansion in 2002)	\$4.1
» Delphi Packard Automotive (Wiring assemblies; instrument panels; consoles; new in 1994)	\$6.0
» Goodyear Dunlop Tires (Tires; new in 1969; expansion in 1993)	\$8.0
» Hopkins Assembly and Packaging (Sub-assembly and packaging; new in 2000)	\$2.4
» ISE Innomotive Systems (Bumpers and crash boxes; new in 2002)	\$17.7
» Johnson Controls (Seat assembly; new in 1995)	\$42.5
» Marubeni Metal Blanking (Stampings; new in 2002)	\$11.5
» Ogihara Alabama (Body stamping; new in 1995)	\$132.0
» Oris Automotive Parts (Parts and accessories; new in 1996)	\$11.0
» Oxford Automotive (Stampings; new in 2002)	\$200.0
» Recticel (Material for auto interiors; new in 2002)	\$24.0
» Rehau (Exterior moldings; parts and accessories; new in 1994)	\$66.6
» Tire and Wheel Assembly (Tire and wheel assembly; new in 2001)	\$10.0
» ZF Industries (Axle systems; new in 1994)	\$40.5
<b>Total Capital Investment - Automobile Suppliers</b>	<b>\$624.2</b>

Source: Alabama Development Office, March 2003

**Manufacturers Not Assembling Vehicles**

<i>Company Name:</i>	<b>Amount</b>
<b>Toyota (in Huntsville)</b>	<b>(Millions)</b>
» Engines for Toyota Trucks; new in 2001	\$220.0
<b>International Truck and Engine Corp.</b> (formerly NaviStar International)	
» Manufactures diesel truck engines; new in 1999	\$350.0
<b>DaimlerChrysler Corp.</b>	
» Electronic instruments for DaimlerChrysler vehicles	
» New in 1986	N/A
» Expansion in 1997	\$31.4
» Expansion in 1999	\$2.3
<b>Total Capital Investment - Major Automobile Suppliers</b>	<b>\$603.7</b>

Source: Alabama Development Office, March 2003

## Honda Manufacturing of Alabama LLC

<i>Company Name:</i> <i>Honda (in Lincoln)</i>	<b>Amount (Millions)</b>
» Announced New in 1999	\$400.0
» Announced Expansion 2000	\$40.0
» Announced Expansion 2001	\$140.0
» Announced Expansion 2002	\$425.0
<b>Total Capital Investment - Automobile Manufacturer</b>	<b>\$1,005.0</b>

### ***Suppliers (New and Expansion Announcement)***

» TS Tech (Seats; new in 2000)	\$9.0
» Rainsille Technology (Injected plastic parts; new in 2000)	\$10.0
» KTH Parts Industries (Metal frame components; new in 2000)	\$106.0
» Kumi Manufacturing (Injected plastic trim parts; new in 2000)	\$10.0
» Yachiyo Manufacturing (Welded and sub-assembled parts; new in 2000)	\$6.4
» AIT (Parts and accessories; expansion in 2002)	\$0.9
» AP Technoglass (Windshields; new in 2000)	\$10.0
» Tire and Wheel Assembly (Tire and wheel assembly; new to Birmingham in 2001)	\$10.0
» Assurance Packaging (Window glass; new in 2001)	\$2.2
» Precision Strip (Primary metals products; new in 2001)	\$12.0
» HiSan Inc. (Fluid handling systems products)	\$2.3
» Hunjan Moulded Products (Plastic injection molding; new in 2001)	\$2.0
» Topre America (Metal stamping; new in 2002)	\$100.0
<b>Total Capital Investment - Automobile Suppliers</b>	<b>\$280.7</b>

Source: Alabama Development Office, March 2003

### **Economic Incentives Offered by Alabama**

Like practically every other state, Alabama competes vigorously to retain and attract new businesses. Toward this end, the state offers a range of incentives that run the gamut from infrastructure improvements (water and sewer improvements; road improvements; electrical; natural gas; telecommunications) to work force training to site purchase and development, to tax abatements (sales, corporate and property), and to corporate tax credits. The specific incentive package is most often a combination of state, local and private funds coalescing to retain/attract the business concerned and generate economic activity to enhance the potential of the region and the state at large. Given the tremendous, positive economic effects of automobile manufacturers setting up operations in the state, the public-financed incentive packages, often extending into the tens of millions and reported extensively in the media, are generally associated with these automakers.

In Alabama, the auto manufacturers Hyundai, Mercedes-Benz, Honda and Toyota have garnered the most attention in terms of state-directed incentive packages. (For a description of the major statutes dealing with economic incentives offered to companies operating in the state, as enumerated by the Alabama Development Office, see Appendix A.) According to the Alabama Development Office, the extent of the incentive packages offered to these four major auto manufacturers by the state of Alabama during the last decade are listed in table 16. As detailed in table 16, Hyundai's incentive package totaled \$252.8 million; Mercedes-Benz's incentive package totaled \$253.3 million initially and increased by \$119.3 million for the expansion; Honda's incentive package totaled \$158.4 million; and Toyota's incentive package (not an assembly plant) totaled \$29.9 million. While these incentive packages comprised a range of funding sources (federal, state, local and private), they often involved multi-year commitments and were disbursed over a period

of several years. It should also be noted that the state has extended some incentives to automobile parts suppliers as well; the rationale for assisting these suppliers was to maximize the benefits to the state economy from the backward and forward linkages generated from the investment decisions of the automobile manufacturer.<sup>79</sup>

<b>Extent of Incentive Packages Provided by Alabama</b>		
<b>Automaker</b>	<b>Type of Incentive</b>	<b>Amount</b>
» Hyundai (2002)*	Total Public Incentives	\$234.6 million
	Total Private Incentives	\$18.2 million
	<b>Total</b>	<b>\$252.8 million</b>
» Mercedes-Benz (Initial-1993)	Infrastructure Incentives	\$77.5 million
	Site Development	\$92.1 million
	Education and Personnel Training	\$60.0 million
	Statutory Incentives	\$8.7 million
	Private Sector Commitment	\$15 million
	<b>Total</b>	<b>\$253.3 million</b>
» Mercedes-Benz (Expansion-2000)	Site Development	\$14.4 million
	Environmental Permitting	\$230,000
	Access Roads	\$10 million
	Training Facility/Equipment	\$2.5 million
	Training Program	\$37.5 million
	Foreign Trade Zone	\$250,000
	Statutory Incentives (2000 dollars-Net Present Value-through 2019)	\$54.4 million
	<b>Total</b>	<b>\$119.3 million</b>
» Honda (2000)	Economic Improvements (including training, site development, access roads, site purchase etc.)	\$102.7 million
	Tax abatements (including ad valorem, corporate, sales and use taxes)	\$55.6 million
	<b>Total</b>	<b>\$158.4 million</b>
» Toyota (2001)	Economic Improvements (including job training, site preparation, water/sewer service etc.)	\$14.9 million
	Tax abatements (including ad valorem, corporate, sales and use taxes)	\$15.0 million
	<b>Total</b>	<b>\$29.9 million</b>

Source: Alabama Development Office, March 2003

\* As indicated, \$234.6 million of the \$252.8 million 2002 Hyundai package comprised public funds. Of this \$234.6 million, \$157.9 million involved economic incentives, and the remaining \$76.7 million involved tax incentives.

### **Economic Impact of Alabama's Automobile Industry**

The decision by the state of Alabama to pursue and then convince Mercedes-Benz to establish an assembly plant in Vance (near Tuscaloosa) a decade ago was the pivotal factor in the state's progression to one of the nation's top automobile centers. As a result of the Mercedes-Benz plant, a number of other automobile manufacturers set up operations in Alabama, a fact that has resulted in significant economic benefits to the state. In terms of intangible benefits, the prestige of Mercedes-Benz selecting Alabama to locate its manufacturing facility for the M-Class vehicles was a tremendous boost in attracting both other automakers and businesses. At a macro level, the contribution of the automobile industry to the economic vitality of the state has been monumental. For instance, during the past four years, almost one half of the announced investment in the state and almost one third of the announced jobs were automotive-related, according to the Alabama Development Office.<sup>80</sup>

As the ADO notes, in 1998, automotive investment in the state totaled \$118 million, only 5.8 percent of the total investment in the state.<sup>81</sup> By 1999, the industry's investment leapt to 31.7 percent and by 2002, the percentage increased to 60.9 percent of the state's total investment, with a total of \$2.134 billion. Even in terms of employment levels, the expansion level has been staggering. From 884 jobs in 1998 (4.8 percent of total jobs) to 7,824 in 2002 (43.7 percent of total jobs), the industry's economic impact remains extensive. It is important to note that the 1998 through 2002 statistics cited do not include the original 1993 Mercedes-Benz announcement figures and the numerous automotive suppliers that began operations in the state between 1993 and 1998. Furthermore, in 2003, a number of suppliers decided on setting up operations in Alabama and the investment and employee statistics are not included in the figures cited here. For instance, five major suppliers to the Hyundai and Honda plants, representing a \$241 million investment and 1,550 jobs, announced their plans to begin operations in Alabama, a development that would further boost the industry's impact in the state.

» *Mercedes-Benz*

Mercedes-Benz USA locating an assembly in Vance, Alabama, was the catalyst for a number of additional automakers and auto parts suppliers setting up operations in the state, a trend that has resulted in a series of very positive economic benefits. In fact, the Mercedes decision in 1993 not only "represents one of the largest international economic development projects in Alabama's history,"<sup>82</sup> the \$253 million incentive package used to lure Mercedes to the state ". . . still has not been matched by anyone, not even us [Alabama]."<sup>83</sup> Yet, the decisions that led to the Mercedes plant in Vance have been hailed variously as "helping put Alabama on the map," "the project that opened the door for the auto industry in the state," and "a model for other foreign automakers flirting with locating new plants in the Deep South."<sup>84</sup>

In 1999, Auburn University completed an economic impact study of the Mercedes plant on the state. According to this report:

- » Total value-added at the Mercedes facility and at Tier 1 suppliers to the Mercedes facility is estimated at \$363.5 million (\$244 million + \$119.5 million).
- » The economic impact of that value-added amount is estimated to be \$803 million.
- » In addition to the \$244 million, it is estimated that Mercedes spends \$1.09 billion to purchase parts, supplies and other services from Alabama companies. Hence, this yields a total production value of approximately \$1.3 billion.
- » In terms of jobs created by the plant, the study estimates that 3,693 project-specific jobs and an additional 6,080 indirect jobs will be created in the state. Thus, the total jobs produced in the state is estimated to be 9,773.
- » Total employee earnings at the Mercedes plant and Tier 1 supply facilities is estimated to be \$354.5 million (\$174.1 million direct and \$180.4 million indirect).
- » Housing demand in the state (in units) is estimated to be 2,073, while retail sales and business activity generated in the state is estimated at \$111.9 million.
- » State government revenue is estimated at \$9.6 million in individual income taxes, \$4.5 million in sales taxes and \$66,723 in residential property taxes.
- » Finally, local educational property and sales taxes were estimated to bring in \$1 million.

More recent reports amplify these initial assessments, particularly in the context of the \$600 million expansion—that would add 2,000 new workers—announced in August 2000.<sup>85</sup> Since 1997—the year it started building cars in Vance—Mercedes has only added jobs. According to original estimates, the plant was supposed to have 1,500 employees and produce 60,000 to 65,000 cars a year; today, however, the plant produces 80,000 M-Class vehicles a year and employs nearly 2,000 workers. In fact, production has risen with demand for the vehicle and inched up last year when the company consolidated all M-Class production from Germany to Vance. The previously mentioned \$600 million expansion of the facility, under way now and expected to be completed by early 2004, will add another 2,000 jobs. The expansion will involve a new assembly line for the Mercedes Grand Sport Tourer, a station wagon/SUV, debuting in 2005. In terms of worker benefits, employees start at \$18 per hour; last year, they received bonuses, and between 700 and 800 employees take advantage of the very attractive auto-leasing program offered by the company. This positive scenario has resulted in 26,000 applications on file for the 2,000 new jobs being created at the plant with the expansion.

» *Honda*

Honda's performance in the North American market has been stellar for decades, and its 1999 decision to locate a manufacturing plant in Lincoln, Alabama, has been a boon for both the auto manufacturer and the state.<sup>86</sup> The plant, which manufactures the Honda Odyssey minivan, has proven to be extremely successful, a development confirmed by Honda's decision to invest an additional \$425 million to expand its Lincoln facility. The record demand for this best selling minivan enabled the facility to launch second and third shift operations in April 2002, and also produce its 100,000<sup>th</sup> Odyssey minivan in late 2002. The technological and infrastructure capabilities of the plant are so advanced that the Lincoln facility has the ability to produce both engines and vehicles under one roof, the only Honda plant in North America with this capacity. Currently, the facility concentrates on the production of the Odyssey minivans and 3.5 liter V-6 engines.

In April 1999, Auburn University's Center for Government and Public Affairs released a report entitled "Economic Impact Study: Lincoln Motor Vehicle Assembly Plant." According to this report, the following economic impacts are expected from the Lincoln plant:

- » Direct jobs at the plant were expected to total 2,000 with an additional 4,876 indirect jobs generated across the state. The total employment impact of the facility was estimated to reach 6,876. A majority of these jobs were located in Calhoun and Talladega counties. (It should be noted that subsequent to publication of the 1999 study, the number of direct jobs at the facility increased by 300 to 2,300.)
- » In terms of payroll earnings, total employee earnings at the plant were estimated to reach \$86.2 million with an additional \$176.6 million being generated across the state as a result of indirect jobs. Average earnings—statewide—were estimated to be \$43,109, a ratio that was 159 percent of average earnings in the state.
- » Total value-added production at the facility was estimated to number \$396.4 million, while the statewide output impact, i.e., total market value of all goods and services—direct and indirect—produced at the facility, was estimated to be \$865.3 million. In terms of housing demand as a result of the project, the statewide demand was estimated to stand at 1,025 units, a value of \$213.1 million.
- » Business activity generated as a result of the project was deemed to yield \$68.3 million in additional retail sales across the state.

- » Additional tax revenue generated as a result of the project remained substantial, with \$4.5 million in individual income taxes, \$2.7 million in sales taxes and \$35,342 in residential property taxes estimated per year.

As noted at the outset of this Honda section, strong sales of the Odyssey minivan line in the past few years led to the automaker's decision to invest another \$425 million in its Lincoln plant, a move designed to add another 2,000 direct jobs. While this would boost total employment at the facility to 4,300 jobs, the construction of the second assembly line will double production capacity to 300,000. Based on this additional investment, a chain reaction of positive indirect economic impacts safely can be factored into the state's economy alongside the numerous direct impacts.

» *Hyundai*

When Hyundai Motor Corporation selected Alabama to locate its first North American manufacturing facility, it became the fourth foreign automaker to set up a major facility in the state. Hyundai's April 2002 decision eliminated Kentucky, Ohio, Michigan and Mississippi from consideration, further boosting the state's record as a luminary in the U.S. automobile manufacturing industry arena.<sup>87</sup> Ten years ago, Hyundai did not have a reputation for producing quality autos, but the company has changed this perception by reducing defects and offering 10-year warranties, a scenario that enabled Hyundai to achieve three consecutive years of record growth in the United States. Consequently, Hyundai surpassed both Mitsubishi Motor Corp. and Mazda Motor Corp. to rank eighth in U.S. sales in 2001.

Hyundai has also made a concerted effort to enhance its U.S. market presence and chose the strategy of a U.S. assembly plant as integral to this goal. Based on this strategy, in April 2002, Hyundai broke ground on its \$1 billion assembly plant near Montgomery, Alabama, and expects to commence operations in 2005. While the plant is scheduled to employ as many as 2,000 people, it will have the capacity to build 300,000 vehicles a year. The plant will build the Sonata sedan and Santa Fe SUVs.

In terms of total incentives, Hyundai will receive a bounty of \$252.8 million in a mixture of incentives, tax breaks and other perks to construct its assembly plant.<sup>88</sup> State and local governments will pick up the tab on about 92 percent of this bill (\$234.6 million to be exact), while the private sector will pay the remaining 8 percent (about \$18.2 million). Government costs will include training the expected workforce of 2,000 and preparing the 1,600 acre site for the assembly plant. The incentives work out to \$117,317 per direct job compared to \$168,666 per job for the Mercedes plant in 1993. However, it should be noted that this breakdown does not include the myriad indirect jobs created as a result of the Hyundai plant. Some of the major components of the incentive package offered by Alabama include the following:

<b>Incentive Type</b>	<b>Amount</b>
• Training (State)	\$54.8 million
• Site Purchase and Development (State and Local)	\$34.0 million
• Corporate Income Tax Credit (State)	\$29.0 million
• Road Improvements (State and Local)	\$29.0 million
• Property Tax Abatement (State and Local)	\$26.9 million
• Water and Sewer Improvement (Local)	\$21.0 million
• Sales Tax Abatement (State and Local)	\$18.6 million
• Advertising (Retirement System of Alabama)	\$10.0 million
• Rail Expansion (Private)	\$8.0 million
• Training Facility (State)	\$7.0 million
• Electrical Improvements (Private)	\$6.0 million
• Other (mostly State and Local)	\$8.5 million
<b>Total Incentives (Public and Private)</b>	<b>\$252.8 million</b>

Source: *www.al.com*, April 2003 and Alabama Development Office survey response

» *Toyota*

In October 2000, Toyota Motor Corporation visited a site in Huntsville to determine its suitability for the construction of V-8 engines for its acclaimed Tundra Trucks. Two other localities (Clarksville, Tennessee, and Buffalo, West Virginia) also were in the running for this project which was eventually awarded to Alabama. In particular, Toyota selected 200 acres in North Huntsville Industrial Park (with an additional 229 acres under option), with the announcement being made in February 2001. In order to secure this project, state and local government officials pulled together an incentive package totaling \$29.9 million that included \$14.9 million in economic improvements and \$15 million in tax abatements. In turn, Toyota's capital investment was estimated to be approximately \$220 million.<sup>102</sup> Even though the Toyota operation in Alabama is not a complete assembly operation (unlike the Mercedes, Honda and Hyundai operations), the fact that one of the premier automobile manufacturing operations in the world decided to locate an engine production facility plant in the state remains noteworthy.

According to an Auburn University study released at the time of the project's announcement, Alabama should recoup its \$29 million investment by 2005.<sup>90</sup> The aforementioned \$220 million plant with 350 employees will maintain a payroll of \$29.8 million, averaging \$85,000 per employee in salaries and benefits, and is expected to be operational by 2003. While indirect jobs are expected to total 997, wages from indirect employment are expected to bring in about \$30 million. In addition, workers in supporting industries are expected to earn an average of \$45,000 a year. Also, 51 percent of the total employment associated with Toyota is estimated to be in manufacturing, a further indication that a majority of the jobs would be in the highly skilled category. Furthermore, the study estimates that by 2025, the project will generate more than 1,300 jobs and \$197 million in state tax revenues.

Further evidence of the positive impact of this plant on the Alabama economy involved the July 2003 expansion announcement by Toyota.<sup>91</sup> Specifically, Toyota announced a \$20 million expansion of its Huntsville engine plant, a mere two months after the first engine rolled off the production line, that would add 150 employees, bringing the plant's total employment to 500. While the first Toyota V-8 engine produced outside Japan was completed at this Huntsville plant in May 2003, the expansion will hike production levels to 130,000 V-6 engines annually for the automaker's Tacoma and Tundra pickups, along with 120,000 V-8 engines for a total of 250,000 engines per year.

» *Parts Suppliers*

Alongside the significant economic impacts of the automobile assembly plants, considerable economic impacts flow from the myriad auto parts suppliers that flock to the state. As noted earlier, the state often provides a range of incentives to these suppliers in order that they may be enticed to either locate or expand their activities in Alabama. The economic activities of these auto suppliers provide a significant boost to the local and state economies.

In response to the proposed Hyundai plant south of Montgomery, by April 2003, nine suppliers had announced their intentions to locate near the plant. Towns in such counties as Butler, Crenshaw and Lowndes have been successful in this sphere, already attracting Shin Young Metal Industrial to make stamped metal parts and employ 400 persons; Hwashin Company Ltd. to build chassis and body parts and employ another 400 persons; Sejong Industrial to make mufflers and exhaust systems and employ 100 persons; Daehan Solution Company to make sound insulation parts and employ 180 persons; and Hella Climate Control to build heating and air conditioning units and employ about 200 persons.<sup>92</sup>

News reports in April 2003 also noted that two South Korean automotive suppliers had plans for factories in Alabama with investments totaling \$68 million and creating almost 680 jobs. Samlip Industrial Company will build a \$53 million plant in Alexander City, Alabama, and hire up to 400 individuals to produce lighting systems for the Hyundai plant. Daehan Solution Company will build a \$15 million plant in Tyson and hire 100-180 workers to make sound and engineering parts.

Finally, officials were enthusiastic when a Tier 1 parts supplier decided to establish a \$10 million to \$15 million plant on a 20-acre property less than a mile from the Hyundai plant. While this plant would create 300 new jobs, it would produce interior car parts. Another Tier 1 parts supplier, Mobis Alabama, is building a \$30 million plant near the Hyundai plant that will create 430 new jobs.<sup>93</sup>

In October 2003, the Alabama Development Office forwarded the following list of auto parts companies that had come forward as suppliers to the Hyundai plant.

**Alabama's Hyundai Suppliers (as of October 31, 2003)**

<b>Company Name</b>	<b>Product</b>	<b>Number of Jobs</b>	<b>Capital Investment</b>
AP Technoglass Alabama Assembly Inc.	Automotive glass	51-75*	N/A
Daehan Solution Company	Tire and wheel assembly	36	\$11 million
Delphi Saginaw	Sun visors, interiors, sound proofing equipment	180-220	\$15 million
Dongwon Metal Industrial	Steering components	2001-2500*	N/A
Engelhard Corporation	Door frames, side impact safety beams	100	\$12 – \$15 million
Hella Climate Control Inc.	Catalysts	551-650*	N/A
HiSan Inc.	Heating and cooling systems, bumpers, headlights	150	\$28 million
HS R & A Ltd.	Fluid handling systems	76-100*	N/A
Hwashin Co. Ltd.	Weather stripping, tubing and rubber hoses	350	\$20 million
Hyundai Hysco	Chassis, drive train and body parts	380	\$70 million
Lear/Kyung Shin	Steel sheeting	104	\$30 million
Mando Corporation	Seats, wiring harnesses	285	\$14 million
Mobis Alabama	Brakes, steering and suspension systems	135	\$30 million
PPG Inc.	Front and rear chassis assemblies, instrument panels, steel cockpits	430	\$30 million
Samlip Industrial Company	Light stamping, drop glass assembly	41-50*	N/A
Sejong Industrial Co. Ltd./ Arvin Meritor Inc.	Lighting parts and systems	180	\$23 million
Shin Young Metal Industrial	Mufflers, catalytic converters	100-275	\$7 million
Teksid Inc.	Tailgates, hoods, sun roofs	400	\$110 million
Tire and Wheel	Cylinder heads and blocks	251-300*	N/A
Venture Alabama	Tires	N/A	N/A
	Interior, exterior plastics	500	\$80 million
		<b>3,330-3,545 jobs</b>	<b>\$480-483 million</b>

Source: Alabama Development Office

\* These numbers represent jobs already existing. These plants received new Hyundai contracts.