

# THE AUTOMOBILE INDUSTRY IN LOUISIANA

## Overview

Louisiana is another Southern state that maintains an automobile manufacturing plant along, or very near, the famed *Auto Alley*, the corridor along I-20 that has attracted seven assembly plants.<sup>127</sup> The Louisiana plant in Shreveport joins the ones in Arlington, Texas; Vance and Lincoln, Alabama; Doraville and Hapeville, Georgia; and Canton, Mississippi. Louisiana's initial foray into the automobile assembly business began in 1978 when General Motors established a plant in Shreveport in Caddo Parish. Even though the state has devoted some efforts to secure additional automobile manufacturing plants in subsequent years, these efforts have not proved fruitful. Nevertheless, the motor vehicle industry continues to play an important role in the state's overall economic calculations with the automotive parts industry being particularly active.

## Louisiana's Major Automotive Operators

### » General Motors

By far, General Motors is the most important automotive player in Louisiana. The company's 2.1 million square foot plant in Shreveport, established in 1978, retains 1,927 hourly and 188 salaried employees. In calendar year 2001, the plant manufactured 120,633 Chevrolet S-10 and 33,415 GMC Sonoma pickup trucks; in 2002, the plant produced 138,386 Chevrolet S-10 pickup trucks.<sup>128</sup> While this plant will only produce these two vehicles through October 2003, in the final quarter of 2003, the plant will begin production of two new vehicles for model year 2004, the Chevrolet Colorado and the GMC Canyon, both mid-sized pickup trucks. The latter move, announced early in 2002, was coupled with the announcement that General Motors intended to retool its Shreveport facility to accommodate the new models with an investment that will total \$880 million. This expansion effort, financed largely with General Motors funds, was one of the top five auto-related construction projects in the country in 2002. Not only would this expansion and retooling effort retain the almost 2,500 employees at the plant, it will create more than 1,000 new jobs as a result of the relocation of a number of automotive suppliers to cater to the enhanced opportunities given the expansion.

In terms of General Motors' initial investment in this Shreveport plant in 1978, it was about \$400 million. The aforementioned expansion effort, resulting in enlarging the current plant size by an additional 1.8 million square feet, will result in close to \$880 million. To secure this expansion, the state, parish and city cumulatively offered General Motors an \$11.9 million incentive package in 2002.

While the state has not carried out a formal economic impact study of this plant, several related pieces of information remain useful. For instance, as a result of the recent expansion effort, 16 new automobile suppliers will relocate to the Shreveport community. This will generate



## State Facts

Percent of Total Workforce	3.8
Direct Employment	15,500
Auto-Related Employment	19,100
Auto-Dependent Employment	67,900
Wages	\$2.2 Billion
New Vehicle Dealerships	338
Dealership Annual Sales	\$9.6 Billion
Production Facilities	1
Vehicles Produced	154,048
New Registrations	257,443
Registered Vehicles	3,556,982
Publicly-Owned Vehicles	68,920
Licensed Drivers	2,736,000
Total Miles Driven	40.8 Billion

Source: 2002 *Ward's Motor Vehicle Facts & Figures*



General Motors 1.2 million square foot plant in Shreveport, Louisiana

in excess of 1,300 new jobs, more than \$40 million in annual payroll, over \$84 million in initial capital investment, about 615,000 square feet of new construction and the use of 700,000 square feet of existing commercial property for supply operations. These new developments have to be evaluated in the context of The Center for Automotive Research's (CAR) assertion "that for each automotive job created, an additional 5.5 spin-off jobs are created."

In addition to the proposed expansion at the plant and the manufacture of the new Chevrolet Colorado and GMC Canyon lines later on this year, a September 2003 report announced that General Motors is considering the addition of a new truck line to its Shreveport facility.<sup>129</sup> This new truck line will create at least an additional 500 jobs in addition to bringing in a raft of new suppliers. According to reports, the state is negotiating tax incentives with the automaker while General Motors is currently conducting a feasibility study for the new truck line.

### **Parts Suppliers**

A number of auto parts suppliers continue to locate their operations in Louisiana, contributing significantly to the economic well-being of the state. One of the earliest to locate in the state was Delphi Interior and Lighting Systems in 1975, in the city of Monroe. In March 1998 (when the source document was authored), the company was producing 30,000 headlamp units and supplying 98 percent of the new vehicle headlamps for General Motors, as well as headlamps for over 80 foreign and other domestic automakers. In 1994, the plant produced the first reflector optic headlamp in addition to supplying the high-density lights for the Cadillac Seville.

In 1981, Johnson Controls Inc., one of the world's leading auto seating suppliers, began its Louisiana operations. The company supplied seats for the pickup trucks assembled at the nearby General Motors plant in Shreveport. Another company, Tifton Aluminum Company, has been in continuous production in Delhi, Louisiana, since 1983. About a quarter of its production is devoted to aluminum extrusion products such as bumpers, door and windshield frames, seat tracks, brackets, air conditioning fittings, and safety components for air bags. This plant produces all extrusions for the frame of the Plymouth Prowler and the bumpers for the Chrysler minivan; it also supplies parts to the General Motors, Ford and Toyota assembly facilities.

In more recent times, there has been a spate of automotive suppliers locating their operations in the state, particularly in the aftermath of the 2002 General Motors expansion program. These companies include the following:

- » Continental Structural Plastics invested \$15 million to establish a facility in Sarepta, Louisiana, in northern Webster Parish. The plant, a 65,000 square foot facility (with the capacity to expand to 200,000 square feet), employs 125 workers and will manufacture composite bumper beams, underbody shields and engine oil sumps to supply the General Motors facility in Shreveport and other automakers across the South. With a \$207,000 injection from the state's Opportunity Fund, the company will take on 89 new workers.
- » Intier Automotive, with assistance from the state's Opportunity Fund to the tune of \$135,680, decided to locate its newest facility in Shreveport. Intier Automotive will supply the new Chevrolet Colorado with instrument panels and will employ 200 people (at full production), with an estimated payroll of \$6 million. The plant, a \$15 million facility, will consist of 200,000 square feet with an estimated 100,000 square foot expansion in 2005.
- » A-1 Shreveport is another supplier that has set up operations in the Shreveport area to meet the demands of the new models to be

manufactured at the General Motors facility. This plant will provide new engine, powertrain and chassis support for the new Chevrolet Colorado and GMC Canyon pickup trucks. The \$15 million, 200,000 square foot warehouse and assembly center is currently under construction. With \$882,677 allocated as an incentive from the state's Opportunity Fund, 219 new jobs will be created at this facility.

- » NYX, headquartered in Livonia, Michigan, is another company setting up operations in southwest Shreveport to support the General Motors expansion. NYX will produce door panels and other plastic parts and create 350 new jobs. The plant will have an initial investment of \$16 million and an annual payroll in excess of \$11 million for its 350 new employees.

### **Louisiana's Advantages in the Automobile Industry**

Louisiana offers a number of incentives for automotive-related companies contemplating locating their operations within the state. A sampling of these advantages includes excellent transportation linkages; an abundant supply of labor at competitive wage rates; a vocational/technical school in almost every parish of the state; fully-funded industrial training programs; attractive tax incentives including ad valorem tax exemptions for the first 10 years of operation; and a legislative climate conducive to industrial investment.

Further expansion on some of these features is helpful here. A state transportation trust fund provides \$540 million each year for the improvement and maintenance of the state's transportation network. Six individual interstate highways form the basis of the state's highway system; 14 railroads operate either main or branch line routes in the state; and the state's location at the mouth of the Mississippi River provides exceptional deep-water transportation to the world, and the state's ports are among the busiest in the world.

In the sphere of tax policy, the state offers a 10-year exemption from local property taxes on manufacturing facilities and equipment, inventory tax credits, jobs tax credits, Enterprise Zone benefits, sales tax rebates on building materials and equipment, and tax exemption for goods in transit. There is also no state property or inventory tax.

On the education and training front, the state offers three cost-free training programs through its Workforce Development and Training Program, its Quick-Start Training Program and the federally-funded Job Training Partnership Act. The state's higher education system includes 26 public and private four-year degree colleges and universities, including two engineering programs that are particularly relevant to the automotive industry: the Robotics Research Laboratory at Louisiana State University in Baton Rouge and The Center for Plastics, Composites and Polymers at the University of Southwestern Louisiana in Lafayette. Another advantage touted by the state's economic development professionals is the lower labor costs in the state compared to locations in the Midwest and certain other parts of the South.