



THE AUTOMOBILE INDUSTRY IN MARYLAND

Overview

According to the Maryland Department of Business and Economic Development, the state has a significant number of automobile and related operations within its borders.¹³⁰ As far back as 1935, General Motors established a truck assembly plant in Baltimore, and this facility continues to be a vital cog in the economic wheel of the city and state. On a cumulative level, based on 2001 third quarter estimates, the department notes that there were an estimated 4,900 employees in 69 motor vehicle manufacturing establishments with total estimated wages of \$218,400,000 in 2001. Maryland

holds a unique position along the U.S. East Coast, halfway between Boston and Atlanta. Straddling several U.S. regional groupings, Maryland often is the northernmost state within the Southern region or the southernmost jurisdiction within a northeastern grouping. This mid-point location gives the state strategic advantages in many sectors, particularly the manufacturing, transportation and distribution arenas. Furthermore, the state retains a number of other advantages, such as training opportunities; reasonable wage rates; the Port of Baltimore's location, capabilities and service; and automotive research and development capacity, that make it attractive to automakers.

State Facts

Percent of Total Workforce	3.5
Direct Employment	19,400
Auto-Related Employment	26,900
Auto-Dependent Employment	85,900
Wages	\$3 Billion
New Vehicle Dealerships	371
Dealership Annual Sales	\$13.9 Billion
Production Facilities	1
Vehicles Produced	82,264
New Registrations	424,356
Registered Vehicles	3,847,538
Publicly-Owned Vehicles	41,602
Licensed Drivers	3,383,000
Total Miles Driven	50.1 Billion

Source: 2002 Ward's Motor Vehicle Facts & Figures

Economic Impact of the Automobile Industry in Maryland

Maryland's workforce includes thousands that are involved in different aspects of the automotive industry. The fundamentals of the industry—vehicle and power train assembly, sheet metal stamping, interiors,

air conditioning, electrical systems, research and development—all have some presence in the state. As noted by the department, this prowess in the automobile industry flows from the state's rich manufacturing tradition. Despite a shrinking manufacturing base both in the United States and among the states, Maryland has continued to promote and nurture its production sector. According to a report released in December 2002 by the Maryland's Advisory Commission on Manufacturing Competitiveness:

“Manufacturing has 168,000 jobs in Maryland. This represents 7.2 percent of all private sector workers in Maryland (2001 data), far below the national average of 13.4 percent. However, the impact of manufacturing is far greater than those numbers may imply. In Maryland, every \$2 million in sales of manufactured product supports 10 manufacturing jobs and 13 additional jobs in other sectors such as service, construction and agriculture. Each manufacturing job supports an additional 1.3 wage earning positions, creating approximately 400,000 Maryland jobs.

Manufacturing jobs also pay well; manufacturing jobs, on average paid an annual salary of \$47,136, 30 percent higher than the \$36,097 average salary paid by the remaining private sectors in the state. Manufacturing [of which the automotive industry is a key component] generated \$8 billion in wages. Directly and indirectly, the industry contributed \$536 million in state and local taxes.”

To hone in on the state's automotive industry, Maryland has developed a solid truck manufacturing base. Some of the individual entities of this base include the previously-mentioned General Motors van assembly plant in Baltimore, Allison Transmission in White Marsh, Mack Trucks' engine and transmission plant in Hagerstown, Wartsila Diesel's engine manufacture, repair and technician training facility in Annapolis, Mobile Tool International's truck body and vehicle add-ons production in Frederick, and Electric Transit's bus body fabrication in Cockeysville. In addition, the state is home to Johnson Controls (automotive seats); Marada (bumpers); Bowles Fluidics (heating and cooling systems); and Rayloc and Converter Source (rebuilt parts).

Undoubtedly, the most important aspect of Maryland's automobile industry is the General Motors van assembly plant in Baltimore. Since 1935, this plant has been important in the Baltimore corporate community and a significant employer, too. In calendar year 2001, the 3 million square foot plant manufactured 59,585 Chevrolet Astro minivans and 22,679 GMC Safari mid-size vans; the plant employed 1,220 hourly and 146 salaried employees.¹³¹ When General Motors was considering the option of closing this plant due to the declining consumer demand for minivans in the late 1990s, state and local officials worked closely with the company to retain this productive operation and workforce. As a result of these discussions, General Motors decided in early 2002 to continue production, at least through 2005. According to the department, this facility alone has a \$1 billion annual impact in the Baltimore region, generating state and local tax revenues in excess of \$20 million.

In late September 2003, however, some ominous news regarding the plant emerged when speculation was a rife that the Baltimore plant on Broening Highway in southeast Baltimore might be shuttered even before the 2005 closure date indicated previously.¹³² Despite the verbal commitment to keep the plant operational through November 2005, the tentative four-year contract clinched between General Motors and the United Auto Workers suggests that the plant's closure might arrive sooner. During the 2003 summer, GM cut production by one-third and extended by three weeks its regular two-week summer shutdown because of weak van sales.

The ensuing agreement between Maryland and General Motors also served to retain the numerous automotive suppliers that cater to the plant alongside spawning new investment in neighboring Baltimore County. Important in this connection is the \$200 million Allison Transmission facility built, equipped, staffed and made operationally ready in just 15 months. The Allison Transmission plant in White Marsh is reputedly the definitive, state-of-the-art facility in the industry. It is designed to produce 140,000 automatic 5-speed transmissions along with providing approximately 400 skilled workers well-paid manufacturing jobs in the region. This facility is located on a 65-acre site in the northeastern part of Baltimore County and spans 425,000 square feet.

Another important addition to the state's automotive roster and economic output is the Mack facility in Hagerstown in Washington County. The state worked hard toward convincing AB Volvo, the Swedish parent company of Mack Trucks, to build a new generation of engines at this site. In fact, Mack Trucks' Powertrain Operation in Hagerstown is the North American manufacturing site for the project. The facility is extremely important for the economic vitality of the state, particularly western Maryland, since it includes a capital investment of more than \$100 million and 1,200 skilled jobs for workers in the region.

Table 25 provides more information on the state's top 10 automotive sector employers.

Maryland's Top 10 Automotive Sector Employers

Company	Location	Year Founded	Number of Employees	Product
General Motors	Baltimore	1935	1,100	Astro and Safari vans
Mack Trucks	Hagerstown	1962	1,275	Diesel engines and transmissions
Garden State Tanning	Hagerstown	1930	1,000	Leather interiors
Marada Industries	Westminster	1983	300	Bumpers and frames
Rayloc	Hagerstown	1972	450	Re-manufactured parts
Allision Transmission	White Marsh	2000	420	Transmissions
Bowles Fluidics Corp.	Hanover	1961	300	Air conditioning and washer systems
Kaydon	Baltimore	1950	300	Pistons, rings and seals
Johnson Controls	Aberdeen	1984	160	Seats
Monarch Manufacturing	Aberdeen	1983	100	Plastic parts

Source: Maryland Department of Business and Economic Development, November 5, 2003

Economic Incentives Offered to Automotive Industry Players

The state of Maryland has extended a range of economic incentive packages to attract and/or retain these automotive industry players. In general, according to information provided by the department, they have been of a financial nature, extracted from a number of sources, especially the Maryland Economic Opportunities (Sunny Day) Fund. The information below provides some insights into these incentive packages.

- » Garden State Tanning (leather automotive interiors): consisted of a \$50,000 Maryland Industrial Training Program grant and a \$250,000 conditional loan from the Maryland Economic Development Assistant Authority in 2002;
- » Marada Industries (metal stamping and bumpers): \$1.4 million loan from the Maryland Economic Opportunities (Sunny Day) Fund in 1995 and \$125,000 in Maryland Industrial Training Program funds in 1997;
- » Allison Transmission (truck transmissions and engines): \$2.25 million Maryland Economic Opportunities (Sunny Day) Fund loan for phase I activities in 1999/2000; an estimated \$420,000 Job Creation Tax Credit; \$2 million micro-finance loan from the Maryland Economic Development Authority; up to \$1.5 million in state funds and \$400,000 in local funds for training; and up to \$252,000 in local funds for infrastructure;
- » Kaydon (pistons, rings and seals): Approximately \$30,000 in workforce grants in 1999, 2000 and 2001;
- » Mack Trucks (diesel engines and transmissions): \$2 million conventional loan from the Maryland Economic Opportunities (Sunny Day) Fund in 2002/2003; \$1.5 million in Maryland Economic Development Assistance Authority funds; \$1.3 million in training funds; potential job creation credits of up to \$1 million allowable per facility during one year period; potential miscellaneous tax credit and exemptions; and local incentives; and
- » Rayloc (re-manufactured parts): less than \$5,000 in workforce funding grants in 1998.

Maryland's Advantages in the Automobile Industry

The department lists a number of automotive assets in the state that cumulatively work to attract and retain interested companies to the state. In addition to those listed previously in this section, i.e., the presence of a strong automotive tradition and a number of companies operating in the state for decades, the following remain important:

- » *Proximity to Major Automotive Assembly Facilities:* There are a number of assembly facilities in neighboring states. For instance, in Delaware, both DaimlerChrysler and General Motors operate facilities; Pennsylvania has Mack Trucks and Harley Davidson facilities; Virginia has a Ford car assembly plant, a Bering Truck assembly plant and a Volvo heavy truck assembly plant; finally, West Virginia has producers making engines, sheet metal stampings and automotive electronics. A company locating in Maryland can easily supply parts to these facilities.
- » *Training Opportunities:* Maryland actively fosters the preparation and improvement of the state's workforce through a number of training grants that are awarded to companies and apprenticeship programs. The state's community college network provides useful training courses in related areas. For instance, the system's Salisbury campus provides customized training in the relevant areas to employees at Allison Transmission.
- » *Reasonable Wage Rates:* The state's long-standing automotive industry, coupled with training programs that are constantly evolving, continue to provide skilled workers very competitive wage rates.
- » *Port of Baltimore:* Arguably one of the state's strongest assets, the Port of Baltimore offers a combination of modern facilities and an experienced labor force. As described extensively in an earlier section, the Port continues to maintain a solid reputation as one of the nation's leading automobile ports. Over the past decade, more than 3.5 million cars and small trucks have rolled across the Port's piers. Currently, the Port's automotive customers include DaimlerChrysler, Toyota, Mitsubishi, Volvo, Ford, Suzuki, Isuzu, Honda, Porsche and Hyundai.
- » *Automotive Research and Development:* The state's capacities in this area remain world-class with such institutions as the University of Maryland and Johns Hopkins University working in conjunction with a number of federal agencies to carry out cutting-edge research in a number of automotive-related fields.