



THE AUTOMOBILE INDUSTRY IN MISSISSIPPI

Overview

Mississippi Governor Ronnie Musgrove's November 9, 2000, statement that Nissan Motor Company would build a new manufacturing plant in Canton, Mississippi, 15 miles north of Jackson, ranked among the most significant economic development projects announced in the state.¹³⁵ For a small state like Mississippi, the presence of a major international automaker like Nissan is a substantial boost across a number of categories, including economic, political and psychological. Immediately, Mississippi became an active and viable player in the country's automobile assembly process, an elevation that enabled the state to compete vigorously with several other states to secure additional plants.

State Facts

Percent of Total Workforce	4.2
Direct Employment	8,800
Auto-Related Employment	15,600
Auto-Dependent Employment	47,400
Wages	\$1.3 Billion
New Vehicle Dealerships	250
Dealership Annual Sales	\$4.9 Billion
Production Facilities	1
Vehicles Produced	0
New Registrations	124,020
Registered Vehicles	2,289,411
Publicly-Owned Vehicles	34,352
Licensed Drivers	2,008,000
Total Miles Driven	35.5 Billion

Source: 2002 Ward's Motor Vehicle Facts & Figures

For instance, in February 2002, Mississippi became one of the states under strong consideration for the first Hyundai auto plant in the United States.¹³⁶ (Hyundai finally decided to locate this plant outside Montgomery, Alabama.) Then, Toyota Motor Corporation included Mississippi in its short list of possible sites for the construction of a 2,000-job, \$750 million automobile plant to produce pickup trucks.¹³⁷ (Toyota finally decided on locating this plant outside San Antonio in Texas.) Finally, U.S. Senator Trent Lott indicated that Kia Motors Corporation was "the next major international automaker that will be selecting a site for a new plant" and that Mississippi "cannot afford not to vie for another automaker."¹³⁸ The important point here is that the presence of the Nissan assembly plant in Mississippi catapulted the state to the status of a serious contender in securing

additional assembly plants. Without the Nissan plant, these automakers might not have included Mississippi on their list of possible sites. Hence, the economic impact of the Nissan plant will extend significantly beyond the direct, indirect and induced impacts into the realm of substantial intangible benefits as Mississippi likely will be in the calculations of automakers considering assembly plants in the South.

Given that the Nissan facility, which began at the end of May 2003, slightly ahead of schedule, remains the state's only automobile production facility, the focus of this Mississippi section will be this plant. The facility will include \$930 million in initial funds and an additional \$500 million in expansion funds invested by Nissan to eventually generate 5,300 new direct jobs at the 3.5 million square foot site (2.5 million square feet initially and an additional 1 million square feet with the expansion). While the property will extend for 1,400 acres, the facility will produce 400,000 vehicles annually once the expansion is completed. Specifically, the plant will produce the full-size pickup truck (the Titan), the full-size sport-utility vehicle (the Pathfinder Armada), the next generation Nissan minivan (the Quest) and, in spring 2004, the Nissan Altima, the popular passenger car and an Infiniti sport-utility vehicle.



Aerial view of the Nissan plant in Canton, Mississippi

Several entities within Mississippi's state government apparatus worked together to ensure the success of the Nissan plant and thereby, the state's economic potential.¹³⁹ For instance, the Workforce Investment Network (WIN) Job Center in Canton, Mississippi, is a one-stop shop where residents can claim unemployment benefits, use computers to aid the search for work and forward applications for working at the Nissan plant or the myriad suppliers that have established operations in the vicinity. As an example, Lextron-Visteon has recently relied on the Canton WIN office to accept applications for assembly and material-handling positions, maintenance technicians and quality control personnel. The WIN office then evaluates the applications and conveys information on suitable candidates to Lextron-Visteon, thus ensuring that the company only spends time and effort involved in processing the most suitable candidates.

Nissan's Timeline in Mississippi

Officials at every level of Mississippi government, the private sector and Nissan were successful in setting a record pace for converting a thousand-acre plus rural area into a bustling and fully operational automobile plant equipped with the latest technological advancements in the industry. In fact, site selection and preparation of a 2.5 million-square foot automobile assembly plant is reputed to take between 12 and 18 months; Mississippi was able to achieve this major undertaking in a record five months (November 9, 2000 to April 1, 2001). Collaboration among a range of Mississippi officials and private contractors enabled some impressive gains in the entire process, completing assigned projects well before the established deadlines. Some of these results are presented below:

- » 78 days from groundbreaking to turnover of the building pad to Nissan;
- » 8 months from project award announcement to first employee training;
- » 12 months for all water and wastewater systems to be in place and serviceable;
- » 14 months from groundbreaking to completion of new I-55 interchange; and
- » 32 months from announcement to production.

Some insights into the time period for the Nissan project's evolution also are important. Madison County officials held their first meeting with Nissan officials on June 21, 2000; at that time, the identity of the company was held confidential and officials had to sign confidentiality agreements. On November 6, 2000, the Mississippi Legislature met in a special session to pass an economic development bill that included infrastructure improvements and tax incentives to lure Nissan to the state. Then, three days later, on November 9, 2000, a joint announcement was made by the governor and Nissan officials regarding the establishment of the plant. About five months later, on April 1, 2001, Mississippi handed over the building pad to Nissan and the company began the building construction process. Finally, on May 27, 2003, the plant was opened for production and on July 2, 2003, the first Nissan Motor Company vehicle made in Mississippi, a \$34,000 Quest minivan, was sold to BankPlus, a company providing banking services to the plant's employees.¹⁴⁰

Advantage Mississippi: Economic Incentives Provided by the State

In order to be competitive among so many other locations, the Mississippi Development Authority offers a number of incentives to potential companies considering relocating to the state. In order to secure Nissan's relocation within its borders, Mississippi provided the company \$363 million in direct incentives; including the additional funds allocated for the expansion effort, in 2002, which was initiated ahead of schedule. In return, Nissan's planned

investment, including the expansion, will amount to \$1.4 billion.¹⁴¹ The incentives offered to Nissan, and potentially available to other companies contemplating establishing their operations in the state, may be divided into five broad categories:

- » **Tax Breaks:** While tax incentives are a major component of the package pulled together for companies, there are many more features such as a tax credit program, the 4 percent payroll rebate, tax free zones and the Regional Economic Development act—which allows local governments to form alliances with other political subdivisions—and job tax credits for positions that pay more than 125 percent of the average annual wage rate.
- » **Employee Training and Support:** Since training is key to a company’s success, updated legislation now gives the Mississippi Development Authority the flexibility to offer highly specialized technology training and multi-year training commitments as incentives.
- » **Infrastructure:** The state constantly seeks to enhance its capacities in air, rail, road and port, including intermodal connections, so as to broaden its appeal to companies. Telecommunication improvements, especially in the area of high-speed data and broadband access, remain important.
- » **University Resources and Research:** Given the network of universities, technical and two-year colleges across Mississippi, the state seeks to effectively use these knowledge-based resources to increase its attractiveness to companies.
- » **Government Support:** The MDA offers government accessibility, accountability and responsiveness to business and industry leaders either looking to locate or expand in the state.

The Economic Impact of Nissan in Mississippi

For a state of Mississippi’s economic size, a project that includes several hundred million dollars in incentives to attract a large international corporation like Nissan is a tremendous responsibility. The significant fiscal commitment was made all the more onerous since the deal was agreed upon a short while before the U.S. economy began faltering and, eventually, plunging into recession. Hence, the state carried out a careful analysis of the project, including a comprehensive economic impact study that forecasted the plant’s impact during a 25 year period, beginning with 2001, when construction of the initial facility began; continuing through 2002, when construction of the expansion began, and 2003, when vehicle production associated with the initial project began; extending through 2023, when the primary incentive expenses conclude; and ending in 2025.¹⁴²

In this analysis, the plant’s economic impact is measured in several ways:

- » Direct economic impact associated with the construction, investment, operation, and employment of the facility;
- » Indirect economic impact associated with new businesses that the direct impact generates throughout the state economy;
- » Induced economic impact that the direct and indirect growth will have on the retail sector of the state through expenditures by direct and indirect employees;
- » Revenues to Mississippi from sales, income, and other taxes; and
- » Tax revenues to local jurisdictions.

In reviewing the indirect and induced economic impacts generated by the Nissan plant, a range of economic activities from companies supplying auto parts to the plant, to major infrastructure projects (highways to waste water treatment plants to rail connections), to retail and service industry entities setting up operations all have sprung up in response to the plant. Details on a fraction of these different enterprises help further illustrate the economic ripple effect of the Nissan plant:

- » Eutaw Construction Company's \$2.5 million contract involved earthwork preparation for the Nissan Rail Facility and extending two large box bridges under the Canadian National Railroad;
- » Nelson Plumbing of Nesbit, Mississippi, was awarded a \$1.5 million contract to work on the plant;
- » City of Canton, the location of the plant, was awarded a grant to support the design and construction of the Canton Fire Station and purchase of equipment;
- » Construction of the \$6 million Center for Advanced Vehicular Systems at Mississippi State University in Starkeville, Mississippi; and
- » Auto parts suppliers like Yorozu Corporation, which invested millions in its 83,000-square foot building in Vicksburg, Mississippi, will have 120 employees once it is operational; TKA Fabco's 200 employees making body panels in Tupelo, Mississippi; and PPG Industries, an automotive coverings plant with seven employees in tiny Gluckstadt, Mississippi.

In further exploring the economic impact of the facility, the following conclusions are reached in the report for the categories of employment; personal income; tax revenues; and future value of state expenditures.

Employment

Based on the projects's economic assumptions, table 26 provides estimates for the number of jobs created and to be created as a result of the Nissan facility in Mississippi. Direct jobs refer to the construction jobs created during the plant's construction (initial and expansion) and the workers hired to staff the plant once it is fully operational (both in the initial and expansion phases). Indirect jobs are created as a result of the multiplier effect with the additional jobs created throughout the state, such as at Tier I and Tier II supplier plants and other related jobs. Due to a natural lag in achieving the full multiplier effect, this analysis employs a graduated multiplier for the first six years of vehicle production. For instance, The Brown Corporation's 240 employees, located in Greenville, Mississippi, supplies metal stampings, welded assemblies and seat frames to the Nissan plant and ranks as one of the Tier I suppliers. Induced jobs are created in the retail sector from activity generated by the statewide expenditures of the wages and salaries paid to the direct and indirect employees. For instance, Gray-Daniels Nissan North dealership, a dealer that sells vehicles manufactured at the Canton plant, ranks as an entity generating induced economic effects. Similarly, BankPlus, which provides banking services to the plant's employees is another example of an entity generating induced economic effects.

Number of Jobs Created by Nissan			
	2002	2005	2010
Direct Jobs	3,500	5,300	5,300
Indirect Jobs	1,475	10,260	21,980
Induced Jobs	544	2,533	4,403
Total Jobs	5,519	18,093	31,683

Source: Mississippi Development Authority

As indicated in table 26, the 5,519 jobs (mostly construction) created as a product of the plant's initial work balloons to a projected 31,683 by 2010, an impressive achievement. After 2010, since the multiplier effect would have been fully realized, it is estimated that any additional job growth will be relatively minor.

Personal Income

Table 27 demonstrates that the projected personal income levels generated by the Nissan plant remain significant. Specifically, the \$130 million in personal income generated in 2002, is eclipsed by the \$502.9 million to be generated in 2005, and the even more sizable \$903 million to be garnered in 2010.

Personal Income Generated by Nissan			
	2002	2005	2010
Direct Income	\$87,423,000	\$216,123,400	\$264,671,400
Indirect Income	\$33,760,737	\$245,564,390	\$566,729,641
Induced Income	\$8,856,516	\$41,232,072	\$71,664,564
Total Income	\$130,040,254	\$502,919,862	\$903,065,606

Source: Mississippi Development Authority

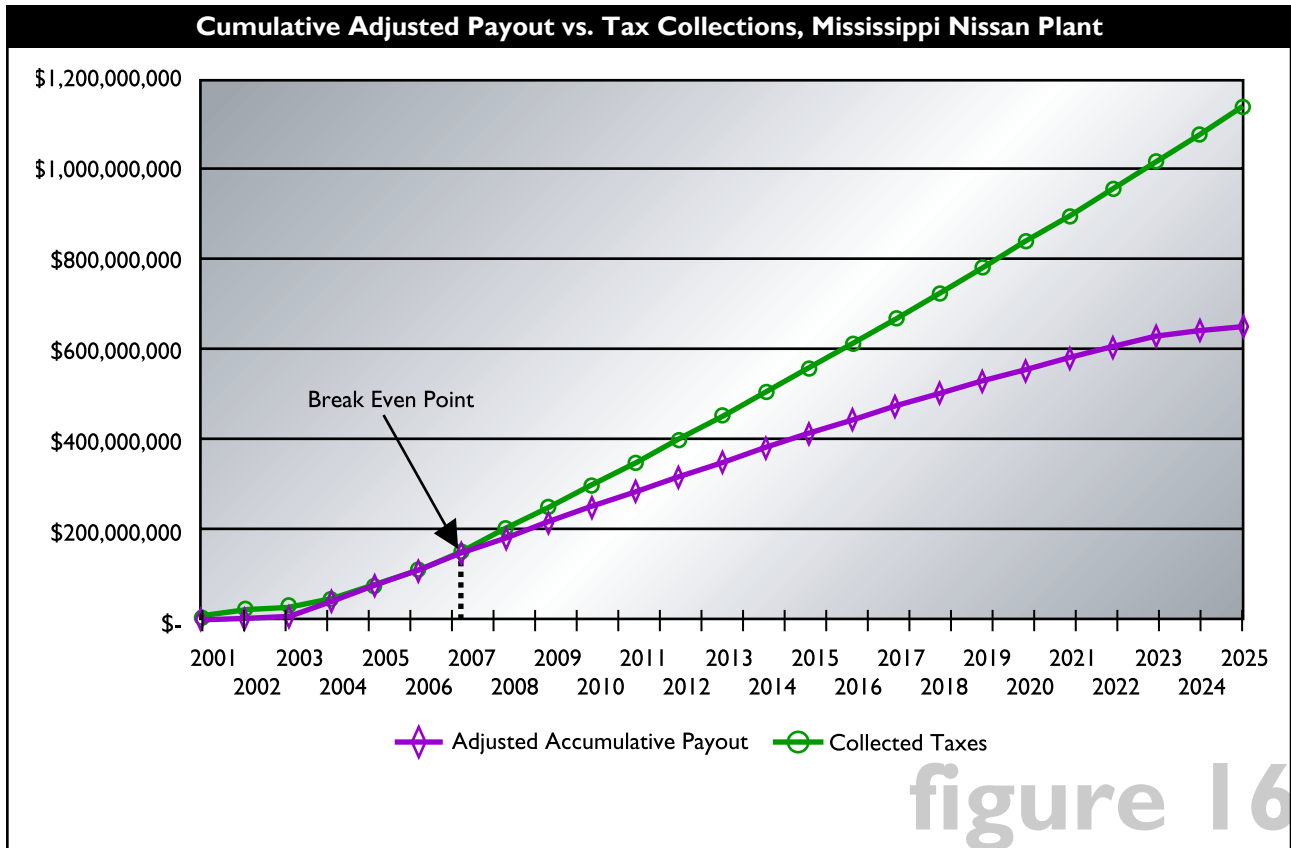
Tax Revenue

As indicated in table 28, the tax revenues to be collected as a result of the Nissan plant are very substantial. These revenues, based on business and employee earnings, will trickle down to the county and city levels as well as the state level. The analysis begins in 2005, the first year of full employment at the Nissan facility, and in 2005 total quantifiable state tax receipts are projected to be \$26.8 million. Similarly, in 2010, it is expected to grow steadily to reach \$48.1 million. Total (state and local) cumulative receipts for the period 2002 through 2005 are expected to be \$95.5 million and, by 2010, this cumulative amount is expected to leap to \$287.1 million. By 2015, cumulative tax receipts at both the state and local levels are expected to have reached more than half a billion dollars (\$537.7 million precisely).

Taxes to be Generated from the Nissan Plant			
Category	2005	2010	2015
Property	\$21,398,594	\$90,905,968	\$167,654,196
Personal Income	\$21,348,243	\$96,232,459	\$180,167,745
Gas	\$3,566,432	\$15,150,995	\$27,942,367
Car Tag	\$1,827,797	\$7,764,885	\$14,320,462
Contract: Building	\$2,800,000	\$2,800,000	\$2,800,000
Contract: Equipment	\$2,555,000	\$2,555,000	\$2,555,000
Transport Fuel	\$1,380,000	\$3,680,000	\$5,980,000
Franchise	\$75,000	\$200,000	\$325,000
Suppliers' Franchise	\$750,000	\$2,000,000	\$3,250,000
Nissan Direct Sales	\$2,250,000	\$7,250,000	\$12,250,000
Sales	\$37,538,820	\$164,593,053	\$316,005,634
Total (State and Local)	\$95,489,886	\$393,132,360	\$733,250,404
State	\$70,524,859	\$287,075,397	\$537,653,841
Local	\$24,965,027	\$106,056,963	\$195,596,563

Source: Mississippi Development Authority

Finally, it is important to note that by 2025, two years after the end of Mississippi's repayment of the initial incentive payments to Nissan, the state is forecasted to have received a total of just over \$1 billion (\$1.1 billion precisely) in taxes that would not have been generated without the Nissan plant. Hence, the importance of the Nissan plant from a purely tax collections perspective is impressive.



Source: Mississippi Development Authority

While this analysis has focused more on the tax receipts accrued to the state, the impact on localities cannot be underestimated. For instance, localities will have cumulatively secured \$24.9 million by 2005, \$106.1 million by 2010, and \$195.6 million by 2015. It should be noted that the local tax receipt estimates in table 28 do not include local school taxes; hence, the inclusion of these tax receipts further boosts the overall collection levels.

Future Value of State Expenditures

The several hundred million the state of Mississippi is slated to provide Nissan in direct incentives sometimes attracts criticism within certain sectors. It is important to compare these state expenditures with the state tax revenues forecasted as a result of the economic activity generated by the plant. The study performs this task by projecting and accumulating the future value (taking inflation into consideration) of the present dollar spending stream and the projected tax revenues over a 25-year period, 2001-2025. Figure 16 graphically presents this analysis.

A comparison of these two values—cumulative adjusted (future value) payout and tax collections—demonstrates a breakeven point in 2007; the point when accumulated revenues exceed the accumulated cost of Nissan to the state. After 2007, Mississippi will experience a net financial benefit even though the incentive expenditures continue. As noted in the earlier section on tax revenue, a total of \$1.1 billion in quantifiable taxes would have been collected by the state treasury on account of the Nissan project. As noted in the report:

“State spending associated with Nissan also increases throughout the period, but at a slower rate. By 2025, adjusted, cumulative spending will total \$626.1 million, and Nissan-related tax revenues are expected to exceed Nissan-related incentives by \$467.4 million. Mississippi will have received a 175 percent return on its investment in Nissan. While the economic and quality of life benefits of Nissan to Mississippi will be realized throughout the life of this study, by 2007, Mississippi will experience net positive financial growth. Based on these results, it is reasonable to conclude that the incentives to Nissan’s initial project and expansion have been a very good investment for Mississippi.”¹⁴³

However, it should be noted that there is some disagreement on the break-even point referenced in the report. A more conservative economic impact report prepared by the state College Board notes that the state will “not break-even until 2015.”¹⁴⁴ However, officials connected with this report insist that the “state’s pursuit of Nissan and the incentives offered to get Nissan to choose Mississippi are going to be good for the state.” In terms of the two reports, the biggest disagreement appears to concern the size of the average multiplier. According to the first economic impact study, a multiplier of 6 is entirely feasible given that is the multiplier found in six sites where foreign auto plants have recently been built in the South. In contrast, the other study used a multiplier of less than 3, concluding that the state would break-even by 2015, as opposed to 2007, cited by the first study.

In conclusion, it is important to note that despite the different break-even points of the two reports, they both consider the luring of Nissan to construct an automobile assembly plant a tremendously positive economic development for the state.