The South continues to be a hotbed for the auto industry. It might have something to do with the ability for the industry to build lean manufacturing facilities from the ground up, accessibility to a regional cluster and compelling incentive packages to support investments.

The current state of America’s automobile industry is a study in stark contrasts. On the one hand, you have the Big Three (General Motors Corp., DaimlerChrysler and Ford Motor Co.), the major domestic automakers — domiciled mostly in the Midwest — hemorrhaging vast amounts of cash and battling a range of structural problems and, on the other hand, you have an increasing roster of foreign automakers — located mostly in the South — thriving financially and generating a panoply of positive economic benefits, locally and regionally.

The fundamental transformation of the American automobile industry, a process that has been in play for about two decades, continues primarily at two levels: one, the percentage of vehicles manufactured and sold by the Big Three as a proportion of total vehicles continues to shrink; and two, the emergence of the South as the locus of automotive activity in the United States with a host of foreign automakers establishing manufacturing plants in several Southern states.

By Sujit M. Canagaratna
The first part of this radical transformation is demonstrated in Table 1, which presents information on new car and light truck sales in the United States by national nameplate between 1997 and 2005.

As documented, in the 1997 to 2005 period, the proportion of new cars and light trucks captured by the Big Three American automakers declined from 71.3 percent in 1997, to 65.4 percent in 2000, to 56.8 percent in 2005; in contrast, the proportion of sales by the foreign automakers zoomed from 28.7 percent to 34.5 percent to 42.8 percent in the corresponding years.

Further evidence of this transformation involves the fact that this year Toyota and General Motors will be vying for the title of the world's biggest carmaker. Toyota forecasted that in 2006 it planned to produce 9.6 million cars worldwide, a 10 percent increase, while General Motors built 9.1 million cars in 2005, (General Motors had not announced its 2006 forecast by late 2005 though it did announce that it would close all or part of 12 older assembly plants in the Midwest and Northeast.)

The clustering of automotive industry suppliers and dealerships, at assembly plants, auto parts producers, service facilities and dealerships, the industry generates billions in wages and annual sales.

Table 1

<table>
<thead>
<tr>
<th>National Nameplate</th>
<th>1997</th>
<th>% Share</th>
<th>2000</th>
<th>% Share</th>
<th>2005</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americans</td>
<td>16.761</td>
<td>71.3%</td>
<td>11.341</td>
<td>65.4%</td>
<td>9.609</td>
<td>56.8%</td>
</tr>
<tr>
<td>German</td>
<td>0.430</td>
<td>2.9%</td>
<td>0.853</td>
<td>4.9%</td>
<td>0.870</td>
<td>5.1%</td>
</tr>
<tr>
<td>Japanese</td>
<td>3.664</td>
<td>23.6%</td>
<td>4.431</td>
<td>25.6%</td>
<td>5.422</td>
<td>32.0%</td>
</tr>
<tr>
<td>Korean</td>
<td>1.464</td>
<td>11.1%</td>
<td>0.473</td>
<td>2.5%</td>
<td>0.731</td>
<td>4.3%</td>
</tr>
<tr>
<td>Other</td>
<td>0.163</td>
<td>1.1%</td>
<td>0.214</td>
<td>1.3%</td>
<td>0.299</td>
<td>1.4%</td>
</tr>
<tr>
<td>Total</td>
<td>15.087</td>
<td>100%</td>
<td>11.732</td>
<td>100%</td>
<td>9.621</td>
<td>100%</td>
</tr>
</tbody>
</table>

The cluster effect, created by the presence of a growing number of automotive assembly plants and thousands of auto parts suppliers in proximity to each other, is another major advantage available to automobile industry players locating in the South. For instance, even though manufacturing facilities across the South. From employing a formidable percentage of the South's workforce, numbering hundreds of thousands in direct, indirect and depend-ent employees, at assembly plants, auto parts producers, service facilities and dealerships, the industry generates billions in wages and annual sales.

There has been a great deal of research exploring the reason for this drive by foreign automakers to establish plants in the South. Among the reasons profiled are the fact that these automakers can create ground-up manufacturing facilities, incorporate the latest technologies, more efficiently and effectively as opposed to reconfiguring older assembly plants in the Midwest and Northeast.

SOUTH CAROLINA is the perfect place to drive growth, with the International Center for Automotive Research, an established network of auto-related manufacturers, and Charleston—the largest container port in the South. The SC Power Team will connect you with strategically located sites and buildings, state and local incentives, workforce training, and the largest electric power system in the state. Let us drive your next facility location!
networks in the region, spanning highways, airports and, most importantly, ports. Given the fact that a number of the nation's busiest and most efficient ports are located in the South, such as the Ports of Jacksonville, Fla.; Baltimore; Brunswick, Ga.; and Charleston, S.C., and that all Southern ports handle more automobiles than any other set of ports in the country, remains a decisive factor in the location calculations of automakers.

In addition, the benefits flowing from such general features as the weather, climate, cost of living, lower or no personal income taxes, free or inexpensive property costs to build assembly plants, and attractive quality of life features remain some of the other positive attributes driving these automakers to locate in the South.

A sampling of some of the exciting new ventures that were announced in the last few years helps illustrate the rising importance of the South as a magnet for foreign assembly plants, automotive parts suppliers and related operations.

- In March 2006, a $410 million incentive package helped lure Kia Motor Corp. to announce plans for its first American manufacturing facility in West Point, Ga., near the Alabama border. The $1.2 billion plant, scheduled to open in 2008, will employ 2,500 and produce up to 300,000 cars annually by 2009.
- Twenty years after breaking ground in Georgetown, Ky., Toyota remains an economic powerhouse in the state. The company's supplier network has created 35,000 jobs in Kentucky.
- In December 2005, DaimlerChrysler announced that it would invest $1 billion to modernize and retool its Fenton, Mo., plant, which directly employs 5,500 people.
- The caravan of cars, vans and sports utility vehicles rolling from Nissan's Canton, Miss., facility to foreign markets directly to Toyota, the company's supplier network has created 35,000 jobs in Kentucky.

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countries helped propel Mississippi's export revenues to exceed $4 billion in 2005, its highest amount ever. Last year, Mississippi's vehicle exports amounted to $738 million, the state's top export.

- In November 2005, Nissan announced that it was moving its North American headquarters from Gardena, Calif., to Nashville, Tenn. While the company stands to secure an incentive package from Tennessee totaling $197 million during 20 years, the Nissan operation in Nashville will generate nearly 1,300 direct jobs and an additional 1,200 indirect jobs.

- In November 2005, DaimlerChrysler announced that it had selected North Charleston, S.C., as the site for its new Dodge Sprinter van assembly plant. The three-phase project will create 1,800 new jobs and involve a $435 million investment upon completion.

- In an example of the automotive industry leading to high-end research and mirroring Clemson University's International Center for Automotive Research in South Carolina, in mid-2005, there was a huge push in North Carolina to establish the Advanced Vehicle Research Center in Northampton County. The center, which carries a price tag of $115 million, is expected to spur a total of 6,000 new jobs for eastern North Carolina, and will focus on late-stage automotive development in contrast to the facility at Clemson, which focuses on automotive design.

- Hyundai, whose first American manufacturing facility began operations in Montgomery, Ala., in May 2005 at a $1.1 billion plant, will produce up to 300,000 Sonatas and Santa Fe SUVs per year and bring 1,200 direct jobs.

- Johnson County offers access to the DFW-North Texas marketplace with a range of business incentives and sites while maintaining a rural character with metropolitan advantages.

- County Cities: Alvarado, Burleson Cleburne, Godley, Grandview, Joshua, Keene, Rio Vista and Venus.

- County Incentives: Tax Abatements, Freeport Exemption on Designated Inventory, Enterprise Zone, State Incentives, Training Funds, Tax Increment Financing Districts, 4A/4B Economic Development Sales Tax for Infrastructure.
plant investment to $300 million, all in about five years.

• Hino Motors, a subsidiary of Toyota, opened a 400,000-square-foot, $160 million facility in Marion, Ark., in July 2004 to build differentials, rear-axle and suspension related parts that will create 280 new jobs.

The domestic automobile industry in America will continue to confront a series of unprecedented challenges in the upcoming years. The Big Three will grapple with slashing capacity to meet slumping sales, while simultaneously revitalizing product development to lure new customers. The exorbitant rise in employee and retiree health care costs along with exploding pension costs, pose additional challenges to the Big Three.

The presence of China, looming as the next leading automobile and auto parts exporter remains another variable in the equation. But the foreign automakers and the cascade of auto parts suppliers and related operations that have set up operations in the South, appear to have navigated rather choppy economic waters more efficiently.

The presence of a Mercedes plant in Alabama, a BMW plant in South Carolina and Nissan's North American headquarters relocating to Tennessee from California, certainly has eased in a sea change in both the perception and structure of these Southern state economies. Furthermore, these foreign automakers and the cascade of auto parts suppliers and related operations that have set up operations in their wake remain a dominant feature of the new Southern economic landscape. In addition to contributing significantly to the states' gross product, these auto plants and parts suppliers provide employment to tens of thousands, generate billions in diverse forms of revenue and create myriad other benefits. A number of economic impact studies conducted on the overall impact of the industry clearly demonstrates that their significant positive effects far exceed the economic incentive packages provided by the states. 

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End Note: