n 2008 and 2009, the American auto industry was in dire shape.\textsuperscript{1-2} Production of trucks and cars at the industry’s North American facilities had slumped from 15.4 million units in 2007, to 8.8 million units in 2009, a steep 43 percent decline;\textsuperscript{1} meanwhile U.S. vehicle sales (trucks and cars) sagged from 16.5 million units in 2007, to 10.6 million units in 2009, a precipitous 36 percent drop.\textsuperscript{2} The Big Three U.S. automakers—General Motors, Chrysler and Ford—were forced to make wrenching cuts in terms of employees and production. General Motors and Chrysler had no recourse but to secure emergency bailout assistance from the federal government, and consumers and companies (including those in the auto sector such as parts suppliers) faced serious difficulties in securing loans as a result of a credit freeze that was sweeping across the U.S. economy, along with a multiplicity of other challenges. The negative consequences of the Great Recession caused havoc on myriad sectors, and the fabled American auto industry, along with many other components of the U.S. economy, faced a series of grim choices. While there has been a radical but positive transformation in the nation’s economic fortunes in the more than six years since the onset of the Great Recession, there still are significant sectors within the U.S. economy that remain weak. Figures 1 and 2 graphically present information on truck and car production and sales in the past decade and a half, reiterating the difficulties faced by the industry in the years leading up and during the Great Recession, along with the industry’s recovery in more recent years.

The nation’s automotive sector has demonstrated impressive resilience and vigor, as demonstrated in Figures 1 and 2, a development that undoubtedly refutes the prognostications of experts who predicted the demise of large sections of the U.S. auto industry. Focusing on the Big Three reveals that for the fourth quarter of 2014, General Motors reported a net income of $1.1 billion,\textsuperscript{3} and Chrysler (now called Fiat Chrysler Automobiles) earned $669 million (with net income for 2014 amounting to $1.2 billion).\textsuperscript{4} Ford announced a pre-tax profit of $1.1 billion, also in the fourth quarter of 2014 (the company’s 22\textsuperscript{nd} consecutive profitable quarter), and net income of $3.2 billion in 2014,\textsuperscript{5} a complete transformation of the financial position of the Big Three from when they were hemorrhaging billions of dollars in losses throughout the Great Recession.

In terms of the bailout assistance provided by the U.S. government under Presidents Bush and Obama, while General Motors and Chrysler (and their auto parts...
suppliers) received about $80 billion in assistance in exchange for company stock, when the federal government divested itself of almost all its holdings in the two companies at the end of 2013, the government suffered a loss of $11.7 billion ($10.5 billion on General Motors and $1.2 billion on Chrysler). At the end of 2014, the federal government released updated figures on the bailout assistance, including the sale of 54.9 million shares of Ally Financial, previously known as General Motors Acceptance Corporation (GMAC), the auto finance arm of General Motors. Officials had argued that the bailout was critical for auto financing to continue to ensure car and truck sales and keeping auto dealerships open.) The Ally Financial sale, alone, which signaled the end of the bailout program, recouped $1.3 billion in profits to the federal government, while the GMAC investment yielded $2.4 billion in profits.

Through the entire Troubled Asset Relief Program (TARP) and other efforts, U.S. taxpayers injected $426.35 billion into banks and auto companies. With the final sale in mid-December 2014, the federal government indicated that the total sale of stock and interest accruals had generated $441.7 billion, a return of $15.35 billion, eight years after the initial intervention by the Bush Administration. Even though the overall bailout resulted in a profit, the auto rescue did not; however, December 2014 figures indicate that the loss was $2.2 billion smaller than was documented in December 2013 ($9.5 billion as opposed to $11.7 billion).

Notwithstanding these losses, industry experts assert that the $9.5 billion was a relatively small price to pay for staving off an economic depression and generally agree that “the federal government had to step in.” Consensus among experts maintains that the federal assistance was critical “because the entire industry was in a depression, and it could have dragged the whole country into one.” In December 2014, in the context of the final sale of stock of what once was General Motor’s finance arm, GMAC, Treasury Secretary Jacob Lew noted that while “profit was not the motive to bail out Detroit and Wall Street, it is important to note we recovered more than we disbursed.”

In April 2015, Robert J. Samuelson, an economist and columnist for The Washington Post, opined that the auto bailout was a “solid success” and worthy of celebration.
In this context, the fact that the industry has made significant progress since those glum days in 2008 and 2009 speaks volumes about the resiliency of the industry and the industry’s willingness to make radical changes on a range of issues. Not only are the three U.S. automakers thriving compared to their doleful position in 2008 and 2009, the dozen or so foreign automakers (ranging from BMW to Mercedes to Toyota to Volkswagen) with manufacturing facilities in a number of mostly Southern states continue to perform admirably. Notably, even during the darkest days of the Great Recession, not one of these foreign automakers, operating largely in the South, was forced to dismiss a single employee; even more impressively, a number of these foreign automakers actually expanded their operations during the Great Recession.

Along those lines, the Ann Arbor, Michigan-based Center for Automotive Research (CAR) released some sobering statistics in December 2013, documenting that the financial assistance provided to the auto industry averted certain economic catastrophe. Specifically:

- If General Motors had gone under in 2009-2010, the country would have suffered 1.88 million job losses;
- If the entire auto industry had shut down in 2009-2010, the country would have experienced 4.15 million in job losses;
- If only General Motors had gone under, the federal and state governments would have lost $39.4 billion in tax revenue and jobless benefit payments; and
- If the entire auto industry had collapsed, the loss to the federal and state governments would have been $105.3 billion.\(^1\)\(^2\)

In this context, the fact that the industry has made significant progress since those glum days in 2008 and 2009 speaks volumes about the resiliency of the industry and the industry’s willingness to make radical changes on a range of issues. Not only are the three U.S. automakers thriving compared to their doleful position in 2008 and 2009, the dozen or so foreign automakers (ranging from BMW to Mercedes to Toyota to Volkswagen) with manufacturing facilities in a number of mostly Southern states continue to perform admirably. Notably, even during the darkest days of the Great Recession, not one of these foreign automakers, operating largely in the South, was forced to dismiss a single employee; even more impressively, a number of these foreign automakers actually expanded their operations during the Great Recession.

\(^1\) For nearly a dozen years, the Southern Legislative Conference (SLC), the Southern Office of The Council of State Governments (CSG), has been studying the growing economic clout of the automobile industry in the Southern region. Please visit http://www.sclatlanta.org/Publications/index.php?topic=8 to review the many publications and presentations on SLC’s focus on the burgeoning automobile sector in the South. In particular, the 2003 SLC Special Series Report entitled The Drive to Move South: The Growing Role of the Automobile Industry in the Southern Legislative Conference Economies contains extensive details on the factors propelling an increasing number of auto companies locating, relocating or expanding their operations in the SLC region.
development that has indisputably assisted in the nascent resurgence of the American manufacturing sector in recent years.

### Section I

A review of data related to the nation’s gross domestic product (GDP) demonstrates the growing importance of the auto industry in the aftermath of the Great Recession. The role the industry has played in the U.S. economy has been documented extensively, and analysts have been closely monitoring the industry during the post-Great Recession years. Even though the industry’s contribution to GDP and overall U.S. manufacturing has been waning in recent years in comparison to several decades ago, the impact of the industry remains significant, both in terms of output, employment and other factors. According to the U.S. Department of Commerce, a breakdown of gross output by industry for motor vehicles, bodies and trailers, and parts reveals that the sector’s contribution to total manufacturing had slouched to 1.3 percent in 2009, from as high as 2.2 percent in 2005; it started picking up in 2011 and 2012 and, by 2013, the sector’s contribution had risen to 2.02 percent of total manufacturing of all industries. Table 1 documents these gross output trends between 2005 and 2013. (The gross output of an industry is the market value of the goods and services produced by an industry, including commodity taxes.)

A review of the entire automotive sector’s contribution to GDP over the past decade and a half also reveals interesting trends. Figure 3 provides this information graphically.

As evident in Figure 3, between 1997 and 2013, the contributions of the American automotive sector peaked at 5.2 percent of GDP in 1999, a time when both the U.S. economy and the American automotive sector were in ascendancy. From that zenith, the sector’s contribution to GDP has been waning, even dipping to 2.2 percent in 2009, when the automotive sector was in complete disarray. Impressively, the sector has bounced back and is recovering, increasing its contribution to as much as 3.6 percent in 2013, the most recent, full year available at the end of December 2014.

### Table 1: U.S. Gross Output by Industry (All Industries, Manufacturing and Auto Industry)

<table>
<thead>
<tr>
<th>Year</th>
<th>All industries</th>
<th>Manufacturing</th>
<th>Motor vehicles, bodies and trailers, and parts</th>
<th>As a percent of all industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>23,517.2</td>
<td>4,770.6</td>
<td>523.8</td>
<td>2.23%</td>
</tr>
<tr>
<td>2006</td>
<td>24,891.8</td>
<td>5,052.3</td>
<td>524.5</td>
<td>2.11%</td>
</tr>
<tr>
<td>2007</td>
<td>26,157.2</td>
<td>5,355.0</td>
<td>513.4</td>
<td>1.96%</td>
</tr>
<tr>
<td>2008</td>
<td>26,825.8</td>
<td>5,454.9</td>
<td>421.1</td>
<td>1.57%</td>
</tr>
<tr>
<td>2009</td>
<td>24,655.2</td>
<td>4,465.5</td>
<td>320.0</td>
<td>1.30%</td>
</tr>
<tr>
<td>2010</td>
<td>26,097.3</td>
<td>4,988.7</td>
<td>422.7</td>
<td>1.62%</td>
</tr>
<tr>
<td>2011</td>
<td>27,526.9</td>
<td>5,573.3</td>
<td>488.8</td>
<td>1.78%</td>
</tr>
<tr>
<td>2012</td>
<td>28,693.5</td>
<td>5,800.7</td>
<td>540.9</td>
<td>1.89%</td>
</tr>
<tr>
<td>2013</td>
<td>29,721.3</td>
<td>5,926.9</td>
<td>600.9</td>
<td>2.02%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Bureau of Economic Analysis (Release date November 13, 2014; accessed on February 26, 2015; [Link](http://www.bea.gov/iTable/iTable.cfm?reqid=51&step=51&isuri=1&5101=1&5114=a&5113=3361mvgo&5112=1&5111=start&5102=15#reqid=51&step=51&isuri=1&5101=1&5114=a&5113=3361mvgo&5112=1&5111=start&5102=15))

### A Word on Organization

This SLC Regional Resource is divided into three sections. Section I provides details on broad, national trends on the influence wielded by the nation’s automotive sector on gross domestic product, specifically the breakdown of gross output by industry; the contribution of new and used motor vehicles and auto parts to the U.S. economy; and the auto industry’s contributions to the nation’s employment rolls. In particular, this section emphasizes the revival of the auto industry in the United States compared to the extremely bleak outlook the industry faced six or seven years ago, during the height of the Great Recession. Section II provides an array of details on how the industry continues to advance in the SLC states, including details on the many foreign automakers’ impressive performance in recent years, even during the most desolate days of the Great Recession. Section III demonstrates the auto sector’s sphere of influence around the SLC region reinforcing the mounting importance of the automobile sector and related manufacturing operations.
Based on U.S. Department of Commerce data from 2014, the auto industry’s influence on the economy has grown impressively since the end of the Great Recession. Fueled by a number of factors, including the availability of easy credit, contributions to the U.S. economy by new and used motor vehicles and auto parts manufacturing and sales increased by nearly one percentage point between the second quarter of 2011 and the second quarter of 2014. Figure 4 provides a graphical representation of this trend.

As indicated in Figure 4, the American automotive sector contributed 0.42 percent of a percentage point of annualized growth to the nation’s 4 percent growth in the second quarter of 2014, a noticeable improvement from the flat (or zero) growth rate during the same period the previous year, 0.01 percent contribution in 2012, and the negative growth (-0.52 percent) demonstrated in the same period in 2011. Further highlighting the continued growth, in 2014, the industry’s contributions are expected to surpass levels reached just before the onset of the Great Recession. Analysts point to the availability of
credit, particularly record-low lending rates, as a major factor behind the improved production and sales figures. For instance, outstanding auto loans in the United States exceeded $902 billion in July 2014, a 29 percent leap compared to July 2011. Figure 5 provides a graphical representation of this trend.

Along with the resurgence in the output of the auto industry to overall GDP, growth in the industry also has resulted in improvements to the nation's employment rolls. While it is important to stress that for a variety of reasons—such as improvements in technology and automation—the modern manufacturing facility needs a significantly lower number of workers, nevertheless, the number of workers in the auto sector has been rising in the post-Great Recession years. Table 2 provides a breakdown of these numbers between 2005 and 2012.

As indicated in Table 2, the negative effect of the Great Recession on employment in the automotive sector is apparent in a comparison of the declining percent of employees between 2005 and 2009. Specifically, from a review period high of 1.28 percent of employment in all industries in 2005, the employment level plunged to 0.99 percent in 2010. In the ensuing three years, 2011 through 2013, the employment levels began a slow ascent and climbed to 1.07 percent of all industries by 2013. Once again, it is important to stress that due to automation and significant technology advances, the employment demands of the U.S. manufacturing sector never will reach levels required in prior decades. Nevertheless, the rising number of those employed in the American automotive sector will enhance the economy’s potential.

A review of North American car and truck production statistics further reinforces the improving American auto industry in the last few years. Table 3 details this information.

### Table 2: Full-Time Employees (FTE) and Part-Time Employees (PTE) by Industry (Thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries</td>
<td>139,006</td>
<td>141,440</td>
<td>142,928</td>
<td>142,000</td>
<td>136,170</td>
<td>134,846</td>
<td>136,438</td>
<td>138,778</td>
<td>141,411</td>
</tr>
<tr>
<td>Private industries</td>
<td>115,633</td>
<td>117,941</td>
<td>119,259</td>
<td>118,414</td>
<td>112,139</td>
<td>110,848</td>
<td>112,815</td>
<td>115,388</td>
<td>118,130</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>14,235</td>
<td>14,167</td>
<td>13,883</td>
<td>13,425</td>
<td>11,856</td>
<td>11,524</td>
<td>11,738</td>
<td>11,944</td>
<td>12,031</td>
</tr>
<tr>
<td>Motor vehicles, bodies and trailers, and parts</td>
<td>1,103</td>
<td>1,069</td>
<td>996</td>
<td>883</td>
<td>675</td>
<td>681</td>
<td>725</td>
<td>785</td>
<td>828</td>
</tr>
<tr>
<td>Other transportation equipment</td>
<td>675</td>
<td>695</td>
<td>718</td>
<td>731</td>
<td>681</td>
<td>653</td>
<td>663</td>
<td>681</td>
<td>688</td>
</tr>
<tr>
<td>Sub-total: motor vehicles, bodies and trailers, parts and other transportation equipment</td>
<td>1,778</td>
<td>1,764</td>
<td>1,714</td>
<td>1,614</td>
<td>1,356</td>
<td>1,334</td>
<td>1,388</td>
<td>1,466</td>
<td>1,516</td>
</tr>
<tr>
<td>Auto industry percent of total FTE and PTE</td>
<td>1.28%</td>
<td>1.25%</td>
<td>1.20%</td>
<td>1.14%</td>
<td>1.00%</td>
<td>0.99%</td>
<td>1.02%</td>
<td>1.06%</td>
<td>1.07%</td>
</tr>
</tbody>
</table>

As mentioned at the outset, North American car and truck production experienced a steep decline between 2008 and 2009, when production levels dropped from 12.9 million vehicles to 8.8 million vehicles. Reviewing the data for car and truck production during the 1997 to 2013 period reveals two major developments:

» In 2000, North American car and truck production reached 17.7 million vehicles. In fact, historical records indicate that the number of vehicles produced in 2000 was the highest level, even as far back as 1951, the year when Ward’s began compiling the statistic;

» While the production of cars dominated North American vehicle production for a number of decades, beginning in the 1980s, truck production gradually gained ground. In 1997, truck and car production reached parity and, in the ensuing 15 years or so, trucks gradually dominated vehicle production trends. In 2004, truck production constituted 61 percent of all vehicles manufactured, the highest percentage reached before levelling off in the subsequent decade. In 2013, the most recent complete year presented in Table 3, cars comprised 43 percent of all vehicles and trucks comprised 57 percent.

Another trend regarding improvements in the American auto industry relates to U.S. vehicle auto sales. Table 4 provides this information for the period 1999 through 2014.

According to data contained in Table 4, U.S. vehicle sales experienced a sharp decline in 2009, dropping from 13.5 million in 2008 to 10.6 million, a direct impact of the intensity of the Great Recession. Moving forward from 2009, U.S. vehicle sales began picking up and, by the end of 2014, had increased to 16.8 million, a remarkable turnaround from the gloomy days of the Great Recession when many experts predicted the demise of the American auto industry. In fact, within the space of five years (2009 to 2014), U.S. vehicle sales increased by nearly 60 percent. While the 2014 total still was lower than the all-time high reached in 2000 (17.8 million), analysts are

### North America Car and Truck Production: 1997-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Cars</th>
<th>Trucks</th>
<th>Total</th>
<th>% of Cars</th>
<th>% of Trucks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>7,106,013</td>
<td>9,395,102</td>
<td>16,501,115</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>2012</td>
<td>6,959,318</td>
<td>8,841,625</td>
<td>15,800,943</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>2011</td>
<td>5,625,273</td>
<td>7,853,153</td>
<td>13,478,426</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>2010</td>
<td>5,084,984</td>
<td>7,072,056</td>
<td>12,157,040</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>2009</td>
<td>3,961,589</td>
<td>4,800,234</td>
<td>8,761,823</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>2008</td>
<td>6,144,277</td>
<td>6,778,191</td>
<td>12,922,468</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>2007</td>
<td>6,418,498</td>
<td>9,007,847</td>
<td>15,426,345</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>2006</td>
<td>6,836,897</td>
<td>9,040,264</td>
<td>15,877,161</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>2005</td>
<td>6,518,697</td>
<td>9,800,086</td>
<td>16,318,783</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>2004</td>
<td>6,347,881</td>
<td>9,876,983</td>
<td>16,224,864</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>2003</td>
<td>6,567,592</td>
<td>9,647,745</td>
<td>16,215,337</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>2002</td>
<td>7,286,516</td>
<td>9,431,037</td>
<td>16,717,553</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>2001</td>
<td>7,083,587</td>
<td>8,733,067</td>
<td>15,816,654</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>2000</td>
<td>8,151,905</td>
<td>9,507,795</td>
<td>17,659,700</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>1999</td>
<td>8,198,169</td>
<td>9,417,952</td>
<td>17,616,121</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>1998</td>
<td>7,929,968</td>
<td>8,102,907</td>
<td>16,032,875</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>1997</td>
<td>8,105,627</td>
<td>7,949,915</td>
<td>16,055,542</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>


### U.S. Vehicle Sales: 1999-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Cars</th>
<th>Trucks</th>
<th>Total</th>
<th>% of Cars</th>
<th>% of Trucks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7,687,619</td>
<td>9,154,354</td>
<td>16,841,973</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>2013</td>
<td>7,585,341</td>
<td>8,298,102</td>
<td>15,883,443</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>2012</td>
<td>7,244,439</td>
<td>7,544,036</td>
<td>14,788,475</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>2011</td>
<td>6,089,708</td>
<td>6,951,210</td>
<td>13,040,918</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>2010</td>
<td>5,635,739</td>
<td>6,137,787</td>
<td>11,773,526</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>2009</td>
<td>5,401,565</td>
<td>5,200,478</td>
<td>10,602,043</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>2008</td>
<td>6,769,134</td>
<td>6,724,058</td>
<td>13,493,192</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>2007</td>
<td>7,562,334</td>
<td>8,897,981</td>
<td>16,460,315</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>2006</td>
<td>7,761,592</td>
<td>9,287,389</td>
<td>17,048,981</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>2005</td>
<td>7,659,983</td>
<td>9,784,346</td>
<td>17,444,329</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>2004</td>
<td>7,482,555</td>
<td>9,816,018</td>
<td>17,298,573</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>2003</td>
<td>7,555,551</td>
<td>9,411,891</td>
<td>16,967,442</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>2002</td>
<td>8,042,255</td>
<td>9,096,397</td>
<td>17,138,652</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>2001</td>
<td>8,352,000</td>
<td>9,120,378</td>
<td>17,472,378</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>2000</td>
<td>8,777,723</td>
<td>9,033,950</td>
<td>17,811,673</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>1999</td>
<td>8,637,708</td>
<td>8,777,020</td>
<td>17,414,728</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

optimistic that sales in the next few years would be very close to, or even exceed, this number. Further scrutiny of U.S. vehicle sales data, going as far back as 1931, reveals that car sales clearly outnumbered truck sales until about the 1980s. Truck sales gradually began gaining on car sales and, by 2000, both types of vehicles were on par with each other. Since then, after a slight burst in the mid-2000s, when truck sales reached as high as 57 percent of total vehicle sales, they declined in importance to 54 percent of total sales in 2014.

Section II

The automobile industry continues to thrive in the SLC states with a dozen or so manufacturing facilities and several thousand parts suppliers successfully operating in states ranging from as far north as Virginia, to the deep South in Alabama, to as far west as Texas. While some of these operations belong to the Big Three American manufacturers (such as Ford’s Kansas City Assembly Plant, in Claycomo, Missouri, that opened in 1951, and currently manufactures the F-150 truck, or General Motors’ Corvette assembly plant in Bowling Green, Kentucky, that began operations in 1981), they also include newer facilities such as Kia’s first North American production facility in West Point, Georgia, that began production in 2009, and Volkswagen’s first North American manufacturing facility that began operations in 2011 in Chattanooga, Tennessee.

A notable array of automotive manufacturing facilities has come online across the SLC states in the last 30 or so years. A more recent development that requires attention is the fact that, not only are these foreign auto manufacturers locating their manufacturing operations in the South, they are increasingly locating or relocating their corporate offices in Southern states too. Several examples of this trend include:

- **November 2005**: Nissan Motor Company announced that it was moving its North American headquarters and nearly 1,300 jobs from Gardena, California, to Williamson County, a suburban area south of Nashville, Tennessee. Nissan already had an American manufacturing presence in Smyrna, Tennessee, so moving the company’s corporate headquarters to the state was not unexpected.

- **April 2014**: Toyota announced that it was establishing a new headquarters in North Dallas (Plano), Texas, for its North American operations by combining its three separate North American headquarters for manufacturing (from Erlanger, Kentucky), sales (from Torrance, California), and marketing and corporate operations (from New York, New York) at a unified, 1 million square-foot state-of-the-art corporate campus. While Toyota’s Texas move is forecasted to have a $7.2 billion economic impact over the next decade in the region, the incentive deal struck by the state and city stipulates that 2,900 new employees must move into the new corporate campus by 2017, and an additional 750 move to the location within the following year.

- **December 2014**: State economic development rumor mills were working overtime, churning stories that five SLC states (Florida, Georgia, North Carolina, Texas and Virginia) were frontrunners for the relocation of Mercedes Benz’s (MBUSA) entire distribution, marketing and customer service operations in the United States. Clinching this blue-chip, world-renowned company, currently located in Montvale, New Jersey, was heralded as a major boon for any one of these states. In January 2015, Mercedes confirmed that it would be moving its corporate operations to Atlanta, Georgia, by 2017.

- **May 2015**: Porsche Cars North America now maintains its U.S. headquarters at a $100 million, 28-acre facility in Atlanta, Georgia, at the northeast corner of Hartsfield-Jackson Atlanta International Airport. The new Porsche facility, the company’s largest investment outside of Germany, will employ 400 workers, including 100 jobs that will be new to Georgia, and feature a technical training center; classic car restoration and display area; business center; restaurants; and a Porsche Experience Center with a 1.6-mile test track. When fully operational, Porsche expects to host 30,000 visitors a year at the facility. When the Porsche North American headquarters opened in May 2015, economic developers in the state cited the facility as the most tangible evidence of plans to create a bustling “aerotropolis” in the immediate vicinity of the busiest airport in the world, Hartsfield-Jackson Atlanta International Airport.

While the presence of manufacturing facilities in multiple Southern states has been a growing trend during the past 30 years, the location and relocation of foreign auto company corporate headquarters is a more recent phenomenon, one that reaffirms the SLC region as a magnet for the automotive sector in all spheres. The increasing number of automobile-related jobs in the region, from manufactur-
ing, financing, marketing, distribution, customer service, logistics, shipping and corporate services, only further contributes to the growing awareness and prowess of the region as the dominant automotive cluster in the United States.

The following provides a sampling of information from around the region on the progress of the automotive sector. While not a complete list of all the automobile-related, manufacturing operations in the SLC, it reflects a sample of the industry’s diverse operations in the region.

**BMW in South Carolina**

The June 24, 1992 publication of the Spartanburg Herald Journal included a 20-page special report including the banner headline that screamed “It’s Official,” with the BMW logo inside of the “O.”21 This signaled the introduction of BMW to South Carolina, with its first North American manufacturing facility, a 1.5 million square-foot facility in Greer, Greenville County, with plans to hire 2,000 workers by the year 2000. The financial incentive package assembled by state and local government officials for BMW involved $130 million and included funding for highway expansion, runway expansion at nearby Greenville–Spartanburg International Airport, $10 million for job training and a change in state law that would allow BMW to pay a flat fee for services, such as water and sewer, over 20 years, saving the company an estimated $50 million. At that time, public officials were criticized by some as providing an overly generous incentive package to the company. In September 1994, the first BMW produced at the South Carolina manufacturing plant, a BMW 318i, rolled off the assembly line.

Fast forward 20 years to 2014 and the latest study on BMW’s economic impact in the state reveals staggering results. Continuing similar reports completed in 2002 and 2008, Professor Doug Woodward, with the Darla Moore School of Business at the University of South Carolina, released his December 2014 study on BMW’s economic impact in the state.22 According to the 2014 report, the total annual economic impact of BMW in South Carolina (direct, indirect and induced) amounted to $16.63 billion, an increase from the $8.8 billion in 2008, and over four times more than the $4.1 billion amount reached in 2002. Table 5 provides essential details from the 2014 study.

As evident from the report and other research, BMW’s 20-year tenure in South Carolina has resulted in the company far exceeding its initial commitment to create 2,000 jobs and inject $600 million in capital investments into the state. By 2014, the company had hired 7,654 direct employees and invested $6.3 billion.

BMW’s pivotal decision that its South Carolina plant would be the major facility in the world manufacturing the extremely popular X-series sports-utility-vehicles (or SUVs) has proven to be a huge boon to the state. The X-series vehicles are in high demand across the globe, and the different models in this series are almost exclusively manufactured at the South Carolina facility, a testament to the confidence the company had in workers at the location. Given the intense demand for the X-series, BMW has made repeated investments to expand the line at the Greer facility. For instance, in 2008, BMW injected $750 million to add 1.5 million square feet to expand production of the X-series, a decision made at the height of the Great Recession.¶

¶ The decision by BMW to expand operations at its manufacturing facility in South Carolina at the height of the Great Recession, when the economy was in free fall and the Big Three were on the verge of being shuttered, was a huge boost to the business confidence of the state. This is an example of an expanding automotive industry in the SLC region in contrast to the unfortunate developments in other areas of the nation’s automotive sector.

### Table 5: Economic Impact of BMW in South Carolina

<table>
<thead>
<tr>
<th>Impact Type</th>
<th>Employment</th>
<th>Labor Income</th>
<th>Value Added</th>
<th>Economic Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Impact</td>
<td>7,654</td>
<td>$677,399,093</td>
<td>$1,018,047,851</td>
<td>$12,537,202,953</td>
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<tr>
<td>Indirect Impact</td>
<td>13,444</td>
<td>$732,815,429</td>
<td>$1,111,684,452</td>
<td>$2,938,875,640</td>
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<tr>
<td>Induced Impact</td>
<td>9,679</td>
<td>$362,442,766</td>
<td>$677,761,174</td>
<td>$1,158,262,928</td>
</tr>
<tr>
<td>Total Impact</td>
<td>30,777</td>
<td>$1,772,657,287</td>
<td>$2,807,493,477</td>
<td>$16,634,341,520</td>
</tr>
</tbody>
</table>

stands in stark contrast to the massive layoffs and cash hemorrhaging that the nation’s Big Three automakers were experiencing at that time.) This investment was followed by another $900 million capital inflow to enhance production of the series in 2012. Finally, further reinforcing the worldwide demand for the X-series, in March 2014, BMW announced yet another $1 billion financial commitment over two years at its Greer location. This expansion will add 800 new jobs at the facility, bringing the total workforce to 8,800 people, a staggering number for an automotive facility by any standard. With the latest 2014 investment, BMW will add a brand new model, the X7, to the roster of other X-series vehicles manufactured at the facility.

While the company produced 2.6 million vehicles at its South Carolina facility between 1994 and 2014, the ongoing capital investments will enable the facility to reach an annual capacity of 450,000 passenger vehicles, a remarkable production level in the space of two decades. In March 2015, 21 years after producing the first vehicle at its Greer plant, BMW announced that the production of its 3 millionth vehicle, a custom-built, metallic gray X5-M, was headed to a customer in Kristianstad, Sweden. In fact, in February 2015, the U.S. Department of Commerce confirmed that BMW is the largest U.S. automobile exporter of passenger vehicles based on their value. Re-affirming the South’s strengths in facilitating seamless transportation strategies, some 70 percent of the BMWs manufactured at the Greer plant are exported worldwide from the Port of Charleston.

Most analysts of the blossoming automobile sector in the SLC region frequently cite the role played by the many auto parts suppliers that have located, relocated and expanded their operations to service vehicle manufacturing operations like BMW in South Carolina. Research indicates that because of BMW’s presence in the state, some 40 companies have located in South Carolina to function as part of its supplier system, employing more than 20,000 people. Beyond the in-state supplier network commanded by BMW in 11 South Carolina counties, there are multiple suppliers in other parts of the country and overseas.

One of the many suppliers that located to South Carolina in the wake of BMW’s arrival (specifically to Duncan in Spartanburg County) is DAA Draexlmaier Automotive of America. Draexlmaier, headquartered in Vilsbiburg, Germany, transferred its North American headquarters to South Carolina in 1997, and began production of injection-molded parts, electrical systems and interiors for BMW. The company’s progress in South Carolina has been steady. In 2011, Draexlmaier announced a $22.35 million expansion at its Duncan facility that was forecasted to generate 150 new jobs over the following five years. In early 2014, Draexlmaier indicated that the announced BMW expansions had enabled the company to add about 250 jobs at its South Carolina location, exceeding the previously forecasted numbers.

In April 2015, BMW announced the construction of a new distribution center in another SLC state: Texas, specifically at the Port of Galveston. The automaker’s new vehicle distribution center, over 44,000 square feet of processing space in two buildings, will be launched to better serve BMW and MINI dealers in four states: Texas, Arkansas, Oklahoma and Louisiana. Once the center is fully operational at the Port in 2016, BMW plans to import and process approximately 32,500 vehicles annually, with a workforce of 40 employees. The director of the Port of Galveston, Michael J. Mierzwa, noted that, “This project helps the Port achieve its mission of being the economic engine for the city of Galveston and the local region.”

**Toyota in the SLC Region**

Ever since Toyota established its first wholly-owned manufacturing facility in the United States in 1986, in Georgetown, Kentucky, the company has steadily expanded its manufacturing footprint across the
country. Toyota’s manufacturing facilities are situated in California, Texas, Mississippi, Alabama, Tennessee, Illinois, Missouri, Indiana, Kentucky and West Virginia. As demonstrated, the SLC region is very well represented (seven of the 10 states with manufacturing operations are in the SLC), a development that was further reinforced in April 2014 when Toyota announced that it was consolidating its North American corporate operations to a brand-new facility in Plano, Texas. The company’s dominance in global vehicle sales also was solidified in 2014 when it beat out Volkswagen and General Motors to remain at the top with 10.23 million vehicles, a ranking Toyota secured for the third year straight.

The following enumerates some of the promising developments related to Toyota’s operations in the SLC states:

**Alabama**

In February 2014, Toyota’s plant in Huntsville commemorated two significant milestones: (1) the production of 3 million engines since its inception in 2003. The plant produced a record 540,000 engines in 2013, and is the only Toyota plant globally to build four-, six- and eight-cylinder engines; and (2) the plant inaugurated its second six-cylinder engine production line, one of the reasons it is able to create 125 more jobs. While this $150 million expansion increases total employment at the facility to 1,200, it brings total investment to $850 million.

**Mississippi**

In February 2015, Toyota’s Blue Springs plant also reached a milestone when the facility built its 500,000th car, a red Toyota Corolla. Importantly, the Mississippi plant, which began manufacturing the Corolla in October 2011, reached the half-million production mark faster than any of the company’s other U.S. manufacturing sites. The company has invested more than $880 million at its 2 million square-foot plant which, in 2014, built more than 180,000 Corollas. Officials note that the facility has the capacity to increase annual production to as much as 200,000, if the need arises. Demand for the Corolla in the United States has been striking and, in 2014, the company sold 339,000 Corollas.

Companies across the spectrum often cite the importance of a well-trained workforce as critical in their relocation and expansion decisions. A number of Southern states do very well in terms of customizing and training workers to staff the demanding positions in manufacturing. Mississippi, like many SLC states, promotes greater collaboration between companies and technical colleges to ensure the available pool of workers have the requisite skills to fill these manufacturing jobs. In this connection, Northeast Mississippi Community College’s Booneville campus entered into a partnership with Toyota to promote internships for students interested in a career in manufacturing. This internship program combines three days of classroom instruction with two days of work experience at the Toyota manufacturing facility.

**Kentucky**

Toyota’s operations in the state experienced some turbulence in 2014 when the company decided to close down its manufacturing headquarters in Erlanger, in the northern corner of the state, close to Cincinnati, Ohio, and consolidate these operations with other corporate operations in Plano, Texas. While 1,600 jobs from Toyota’s Erlanger facility are scheduled for relocation as part of this consolidation, 300 of these jobs, all production engineers, will be relocated to the company’s massive manufacturing facility at Georgetown, near the center of the state. These engineers will begin production of the company’s luxury vehicle, the Lexus E350, producing nearly 50,000 by the end of 2015. Toyota also will hire an additional 750 new workers to assist in the production of the E350. This $531 million expansion effort in Georgetown, at a new, nearly 310,000 square-foot plant, marks the first time that Lexus will produce cars in the United States. Since the Lexus brand first launched in 1989, production of the...
“Texas is part of a transnational region that stretches from Dallas to Mexico City. It boasts eight automotive assembly and parts plants, seven commercial and military vehicle manufacturing plants, and nine heavy equipment manufacturers. Additionally, the Original Equipment Manufacturer (OEM) plants in this region employ more than 130,000 workers, with strong clusters of suppliers in both Dallas-Fort Worth and San Antonio. The bi-national nature of our region allows manufacturers to take advantage of the efficiency of the United States’ intermodal and supply chain infrastructure.”

~ Representative Eric Johnson, Texas
Alumni, Class of 2014, SLC Center for the Advancement of Leadership Skills

“Kentucky’s automotive industry supports more than 135,000 high-paying jobs and brings billions of dollars into our economy each year. To say this industry is important to our Commonwealth’s economy would be an understatement.”

~ Senate President Robert Stivers, Kentucky
2014/2015 Chair Elect, Southern Legislative Conference

series has taken place in Japan exclusively. The expansion at the Georgetown facility to accommodate the new Lexus E350 will supplement the 7.5 million square-foot plant that Toyota already operates in Kentucky, the largest of the company’s plants in North America and the largest production plant outside of Japan. In the 30 years since Toyota began operating in Kentucky, the company has invested nearly $6 billion and currently employs some 8,200 workers. While the company currently manufactures the Camry, Avalon and Venza at its Georgetown facility, by the end of 2015, the Lexus E350 will join these other models.

Another important automobile-related move involved Governor Steve Beshear launching the Kentucky Automobile Industry Association in April 2014. During the unveiling, the governor indicated that he wanted the state to be as closely identified with the auto industry as Detroit. Comprising Kentucky’s auto manufacturers, suppliers and supporting businesses, the Association aims to “create a unified voice for an industry that is profoundly important to the state’s economic health and growth.” In June 2015, Governor Beshear released the results of the first in-depth study of the economic impact of Kentucky’s automotive industry conducted by the University of Louisville. Among the results:

» The auto industry contributed $14.3 billion to Kentucky’s gross state product (GSP), $1 out of every $13 in the state’s economy is linked to the industry;
» Auto manufacturers and suppliers contributed $6.1 billion to payrolls annually;
» Automotive-related businesses directly employed 85,552 workers at more than 470 establishments across the state; when the indirect and induced effects of the automotive sector are factored, approximately 1 out of every 18 jobs in the state is supported by the industry;
» On average, the annual wage of a manufacturing employee in the automotive sector is $58,280;

» In terms of state income and sales taxes, the industry contributed $488 million annually, or $1 out of every $14 in state taxes sprang from the automotive industry;
» One-fifth of the state’s $5.9 billion in exports in 2014 were tied to the auto industry;
» Existing and new employers in the state’s automotive sector have announced $5 billion in investments over the last five years alongside announcing 20,000 new jobs; and Ford, General Motors and Toyota each have developed deep roots in Kentucky, which now produces about one of every nine passenger vehicles made in the United States.

Texas
Toyo’s decision last year to consolidate its operating staff from across the United States to function under one roof in Plano, the first time in the company’s U.S. history, was one of the company’s most significant moves in its 60 years of operating in the United States. In January 2015, the company broke ground on its $350 million North American headquarters in West Plano, a gargantuan property of 100 acres that can accommodate nearly 4,000 corporate employees. Beyond the operations and corporate staff in Plano, Toyota also operates a very successful plant in San Antonio that manufactures pickup trucks. Since 2003, Toyota has invested $2.2 billion in the Lone Star plant, which has produced more than 1 million Toyota pickup trucks to date.

West Virginia
The automaker’s engine manufacturing plant in Buffalo, Putnam County, just outside the state capital city of Charleston, has played a dominant role in the state’s econ-
Toyota invested $1.3 billion in this facility, alongside employing 1,300 direct employees with an annual payroll of $127.7 million, including benefits. In the 17 years since it opened, the facility has announced eight expansions, including one in early 2014. In fact, in November 2014, the facility’s latest expansion round included another transmission line to produce engines.

**Nissan in the SLC Region**

While Nissan sold its first automobile in the United States in 1958, the company did not establish a manufacturing facility in the country until 1983. Not only was Nissan one of the earliest foreign automakers to set up an assembly operation in the United States, the company’s progress and growth in the ensuing decades have been most impressive. Moreover, Nissan has made it a priority to include parts and components produced domestically for as much as 85 percent of the vehicles it sells in North America by 2015, a goal that will propel the local and regional economies forward at the locations of these parts manufacturing facilities. Some 32 years after opening its first manufacturing plant in Smyrna, Tennessee, Nissan operates major U.S. manufacturing facilities in Canton, Mississippi; and Decherd and Smyrna, Tennessee. These facilities combined have the capacity to produce 1.14 million vehicles, 1.65 million engines, 1.4 million forgings and 456,000 castings annually. Even during and in the aftermath of the Great Recession, Nissan’s production record has been stellar, as demonstrated by Figure 6.

**Tennessee**

Since June 1983, when Nissan began production at its location in Smyrna, Tennessee, the automaker has progressively grown. By June 2014, with numerous production expansions at the site, the facility was touted as the top-producing auto plant in the world. In fact, strong demand for vehicles produced at the plant pushed the company to augment production and hiring and, by 2014, the facility had more than 8,400 employees. In fact, based on the 648,000 vehicles the Nissan Smyrna plant assembled in 2014, the site was ranked as the highest producing automotive assembly plant in North America. Reaffirming the facility’s prowess as the company’s top-performing manufacturing site was the fact that, in December 2012 and in fall 2013, Nissan moved production of the Rogue and Leaf to Smyrna from Japan. Another new model at the Smyrna plant is the Infinity QX60 (the luxury crossover which replaced the Infinity JX35) with production of this model beginning at the facility in 2012.

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**Figure 6**  
Nissan’s U.S. Production Growth: 2009 to 2014

U.S. production has increased by more than 254 percent since 2009, as Nissan Group continues to localize core-model production. Nissan built a record number of vehicles in the U.S. in 2014.

Tennessee and a number of SLC states have devoted a great deal of resources and attention to expanding the quality of the workforce available for employment by companies like Nissan. In a trend that is increasingly noticeable in many states across the country, economic development agencies consistently promote greater collaboration between the state’s technical and community college system and corporations to ensure that the available workforce meets the exacting specifications of the contemporary manufacturing arena. In recent years, Tennessee has been a national leader on this front, through such initiatives as the Tennessee LEAP: Drive to 55 and Tennessee Promise, and the benefits of these investments are apparent in the steady progress of companies like Nissan. In this vein, in December 2014, Nissan teamed with the Tennessee Board of Regents to build a $35 million education and training facility adjacent to the Smyrna assembly plant. The new facility, expected to be completed in 2015, is an extension of the Tennessee College of Applied Technology in Murfreesboro and will prepare workers for jobs in advanced manufacturing, including robotics, engineering and manufacturing maintenance, fields with direct benefit to the automotive sector.

Nissan’s second major manufacturing facility in the state is in Decherd in Franklin County, in the southern part of the state. For nearly 18 years, this facility has been building reliable, high-quality engines (4-, 6- and 8-cylinder and electric motors for the LEAF) for the entire range of Nissan models and the Infinity QX60.
“One of the things we’ve obviously placed a big bet on in this state is automotive. One of the reasons we’ve done that is not just for all the jobs at the original equipment manufacturing plants, but all the supplier jobs that come with it.”

~ Tennessee Governor Bill Haslam in February 2015 speaking at an expansion announcement of auto parts maker Unipres, USA in Portland, Tennessee.

“The auto sector is Tennessee’s leading advanced industry. It drives our economy and the innovation in education and workforce development which keeps Tennessee the number one state in the nation in automotive manufacturing.”

~ Senator Mark Norris, Tennessee
2007/2008 Chair, SLC’s Economic Development, Transportation and Cultural Affairs Committee; 2010/2011 Chair, Southern Legislative Conference; and 2014 Chair, The Council of State Governments

“Mississippi has seen tremendous growth in the automobile industry and the industry’s suppliers. Starting with Nissan, then Toyota and, most recently Yokohama Tire Company, we have been able to attract these manufacturers that have not traditionally set up shop in the South. They are attracted to our pro-business environment and the fact that we are a right-to-work state. I expect to see more auto industry growth in Mississippi in years to come.”

~ Speaker Philip Gunn, Mississippi
2014/2015 Vice Chair, Southern Legislative Conference

2015, automotive metal stamping parts maker Unipres USA announced growth at its operation in Portland, Tennessee. The enlargement will include augmenting the current manufacturing facility by 32,000 square feet, a move that will house two new 2,500-ton transfer presses and one 600-ton blanking press. Over the next five years, the extension will generate an additional 435 new jobs, supplementing the 600-700 workers already employed at the facility. The company, which has had a presence in Portland since 1987, and is among the largest employers in Sumner County, attributes this expansion to its growing relationship with Nissan; specifically, the company makes parts for the Nissan Rogue. Along those lines, in March 2015, Tennessee Governor Bill Haslam announced the opening of a $160 million, 1.5 million square-foot supplier park across from Nissan’s Smyrna facility. Not only will this park support more than 1,000 newly created supplier jobs, it will reduce Nissan’s inbound and outbound logistics costs and better integrate the automaker’s suppliers, all developments that lead to “higher productivity, better efficiencies, improved quality and lower costs.”

Mississippi

When Nissan opened a manufacturing facility in Canton, Mississippi, in 2003, it was considered monumental: it was the first time an automaker had opened a plant in the state. Since that year, Nissan’s Canton operation has been a major force for economic development in the state and has contributed significantly to reshaping the state’s image. The Nissan plant influenced Toyota’s decision to open a manufacturing facility in Blue Springs, Mississippi in 2010. As Mississippi Governor Phil Bryant commented on a visit to the Canton site in November 2014: “I’ve had celebration after celebration in this plant. Until 11 years ago, we had never made a car in Mississippi. Since then, 2.9 million vehicles have been built at this plant. Not too bad.”

In April 2014, at the New York International Auto Show, Nissan announced the production of the Murano crossover vehicle would begin fall 2014 at its facility in Canton. The ninth Nissan brand built at this facility, the Murano eventually would be sold in the United States and in more than 100 foreign countries. As scheduled, production of the Murano began in November 2014, the latest iteration of growth and expansion at the facility. In fact, since 2011, Nissan Canton has added the grid of the vehicles built at the Decherd facility will begin appearing in the Infinity Q50s that are bound for the United States. While Daimler/Mercedes designed the engine, manufacturing and assembling will be Nissan’s sole responsibility, ensuring that the end product is high-quality enough to be used in luxury sedans like the Mercedes C250 and the Infiniti Q50.

Alongside the actual manufacturing plants, the role played by the multitude of auto parts suppliers remains critical in not only advancing the operations of the manufacturing facility but also the economic potential of the region and the state. In this connection, in February
The drive to move south advances

Nissan’s Canton, Mississippi Vehicle Assembly Plant

NV Cargo van, Frontier midsize pickup, Xterra midsize SUV, Sentra compact and, most recently, the Murano crossover, doubling the plant’s workforce in less than four years. The latest expansion related to building the Murano crossover required a $250 million investment by Nissan, and resulted in creating 500 new jobs with an additional 500 employees over the next few years. At the time of the initial Murano production launch, the company indicated that it still had more "big plans" for the Canton location, including increasing the plant’s production capacity to 507,000 vehicles per year by 2017.

In January 2015, Nissan’s “big plans” came to light with the announcement that the company would build the Titan pickup truck at the Canton location. Specifically, Nissan indicated that the 2016 Titan XD full-size truck would be manufactured at this Madison County location. While the Titan is not one of the company’s best sellers, fighting to stave off the more dominant Ford F Series, Dodge Ram and Chevrolet Silverado in the competitive U.S. truck market, the company is committed to creating a more viable full-size truck produced at the Canton facility.

As is usually the case, the presence of a manufacturing facility attracts a surfeit of auto part supplier companies and, in November 2014, a supplier park opened across the Nissan Canton facility. Jobs at this supplier park were estimated to amount to another 800 jobs, a considerable boost to the local and state economies.

Mercedes in the SLC Region

Alabama

Experts studying and reporting on the auto industry in the South often cite the 1993 decision by Mercedes to locate its first U.S. manufacturing plant in Vance, Alabama, as a transformative event for the entire Southern region. This move signaled that a world-class global brand like Mercedes had the confidence to establish a major presence in the South. Alabama’s successful procurement of the plant, over the bids of 30 other states, advanced the
drive of an increasing number of foreign automakers in subsequent decades to establish their U.S. manufacturing presence in Southern locations. When the Mercedes project was announced, it also was noted that Alabama was offering the company a multi-year, $253 million incentive package, a number considered “shocking” by 1993 standards. Alabama officials received criticism from many quarters regarding the extent of the incentive package, though with the passage of more than two decades, the presence of Mercedes in Alabama has changed the perception of the state. In fact, three other major automakers (Honda, Toyota and Hyundai) all have set up major manufacturing operations in Alabama along with hundreds of automotive parts suppliers. These positive economic outcomes comprise billions of dollars in economic impacts and thousands of employees in the sector. An economic impact study, commissioned by Mercedes to commemorate its 20-year anniversary in the state, documented an annual economic impact of $1.5 billion and 22,000 direct, indirect and induced jobs in the region. One-third of the value of the state’s annual exports stems from Mercedes automobiles. According to Mercedes, 15 percent of the passenger cars it sells in the United States are made in Alabama. In 2010, Mercedes announced a $2.4 billion, five-year expansion to elevate the facility’s production capacity to 300,000 cars per year by 2015. An additional 1,400 employees are scheduled to be hired at the facility during the final phase of the expansion. Once the plant reaches this goal, it will be the third largest Mercedes manufacturing facility in the world. In June 2014, the new C-Class Sedans and Coupes began rolling off the Vance assembly lines, at that time, the fourth model to be produced at the facility. In September 2014, Mercedes announced that the company would be hiring an additional 200 workers for production jobs, in addition to the previously scheduled 1,400 hires under the 2010-2015 expansion effort. A major impetus for the expansion at the Vance plant was Mercedes’ decision to start building a fifth model, the ML-Coupe, at the site in late 2015. As of September 2013, the presence of Mercedes in Alabama attracted an estimated 130 auto parts companies serving Mercedes, Honda, Toyota, Hyundai and KIA. One such auto parts manufacturing company, Nuremberg, Germany-based Bolta Werke GmbH, produces its millionth Mercedes in 2007, the company produced 2 million vehicles in July 2014.

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**Fact Sheet: Mercedes Alabama**

- **Company Investment:**
  - Original: $400 million
  - Current (2015): $4.4 billion
- **Workforce:** More than 3,200 (1/2012)
- **Facility Size:** 3.2 million square feet
- **Production Started:** 1997
- **Models Produced:**
  - M-Class Sport Utility
  - R-Class Sports Tourer
  - GL-Class Luxury SUV
  - C-Class Sedan and Coupe
- **Annual Capacity:**
  - 174,000 (current)
  - 300,000 (expected by 2015)
- **Vehicles Produced:** More than 2 million (7/2014)
- **Community Impact:**
  - Exports more than $1 billion in finished product to 135 countries annually

Source: MBUSI, [www.mbusi.com](http://www.mbusi.com)

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“Mercedes started it all. If not for Mercedes coming here in the 1990s, we wouldn’t have been able to recruit Airbus, Boeing, or other high-tech industries to the state.”

~ Alabama Governor Robert Bentley, September 2014

“In a few short years Alabama went from being known as the *Sock Capital of the World* to being the epicenter for aerospace and defense industries with the second largest research and technology park in the United States and a booming $6.6 billion automotive industry. With world-class auto builders like Mercedes, Hyundai, Honda and Toyota, automobiles have become our state’s number one export making Alabama 5th in vehicles manufactured in the United States and 2nd in vehicle exports. With a burgeoning skilled workforce, best-in-class workforce training, and one of the most business-friendly environments in the nation, I’m confident that the auto industry will continue to be an integral and thriving part of Alabama’s economy.”

~ Speaker Mike Hubbard, Alabama
2012/2013 Chair, Southern Legislative Conference
The drive to move south advances

specially-molded plastic parts and chrome-plated surfaces for premium automotive manufacturers. It announced its first U.S. production facility in Tuscaloosa, Alabama, in September 2013.55 At that time, Bolta Werke GmbH indicated that it would invest nearly $40 million in the Alabama facility and create more than 350 jobs by 2016. The auto parts company will primarily supply Mercedes in Vance and Volkswagen in Chattanooga, Tennessee, with critical auto components.

Georgia

Alongside news of Mercedes’ progress in Alabama, the company announced it would relocate its corporate operations to Atlanta, Georgia, from Montvale, New Jersey, home since 1972. By late 2014, five SLC states (Florida, Georgia, North Carolina, Texas and Virginia) were rumored to be front runners for the relocation of Mercedes Benz’s (MBUSA) distribution, marketing and customer service operations in the United States.56 Securing MBUSA was touted as a major accomplishment for any one of these states. In early January 2015, Mercedes confirmed that it would move its corporate operations to Atlanta by 2017. Economic development professionals cited this decision as one of the biggest business recruitments for the Atlanta metropolitan-area in decades and, possibly, the most prominent in terms of brand power since UPS’ relocation to Georgia from Connecticut in 1991.57 While Mercedes will invest about $100 million and set up a 200,000 square-foot customized corporate facility at its new site, the relocation will generate about 1,000 direct jobs. The average pay for MBUSA headquarters’ employees is expected to be more than $78,000.58 In turn, the state offered about $23 million in incentives in the form of five-year tax credits, exemptions and development funds, and 10 years of tax abatements from local governments.59 Officials in Georgia noted the presence of Mercedes’ only North American manufacturing facility in nearby Vance, Alabama, and the fact that the German automaker uses the Port of Brunswick in Georgia to ship Mercedes vehicles, as two additional factors in Mercedes’ relocation decision.

Stephen Cannon, president and CEO of MBUSA commented that the incentives were relatively unimportant compared to workforce development, lower business costs, quality of life and geography. Furthermore, the Mercedes manufacturing operation in Alabama is only a three-hour drive from the metropolitan-Atlanta area; the company’s Sprinter van factory is in nearby Charleston, South Carolina; and the Port of Brunswick, Georgia, a port that has emerged as a real powerhouse in the automobile transshipment market in recent years, also is a six-hour drive away.60

Another factor cited by experts is the number of auto parts suppliers strategically clustering around Atlanta.61 Atlanta’s proximity to different German automakers, including Mercedes in Vance, Volkswagen in Chattanooga, and BMW in Greer, allows auto parts manufacturers to supply multiple companies, while diversifying their clientele. Meanwhile, the relative distance from the production facilities limits competition for skilled labor. Around 250 auto-related companies operate in the Atlanta area, employing more than 20,000 individuals.

South Carolina

In October 2014, Daimler, the parent company of Mercedes, indicated that it was scouting North American sites for the production of its Mercedes Sprinter van series.62
This was not the first time that Daimler expressed interest in setting up a North American manufacturing facility to build the Sprinter van. In 2002, there was widespread speculation that the Sprinter van would be built in Pooler, Georgia, at a $750 million facility; however, the deal never materialized. During the past three years, strong demand across the United States has led Ford, Fiat Chrysler and Nissan to introduce new or completely redesigned commercial vans. This development renewed interest at Daimler regarding a manufacturing facility in the United States. In March 2015, after an exhaustive search for locations in Alabama, Georgia and Louisiana, Daimler announced that it would spend $500 million in Charleston, South Carolina, to build a manufacturing plant for its next-generation Sprinter commercial van. The investment will create 1,300 new jobs. Construction of the 8.6 million square-foot plant will begin in 2016.

**Volkswagen in Tennessee**

Volkswagen AG, one of the most recognizable auto companies in the world, established its American presence in 1955, and currently operates its U.S. corporate headquarters out of Herndon, Virginia. The company has approximately 6,000 employees in the United States and sells its vehicles through a 1,000-strong dealer network.

In July 2008, Volkswagen announced plans to build a $1 billion assembly plant in Chattanooga, Tennessee. The company selected the Tennessee site after considering sites in two other states: Alabama and Michigan. In return, state and local officials pulled together a financial incentive package totaling $577.4 million, spread out over 30 years, including tax breaks, infrastructure upgrades and workforce development assistance. When the first Volkswagen Passat, a mid-size sedan and currently the only model manufactured at the facility, rolled off the company’s Chattanooga assembly line in April 2011, it was produced at one of the most eco-friendly automotive facilities in the world. The 100,000th Passat rolled off the assembly line on June 1, 2013, a little over two years after the first Passat.

Given that the size of the financial incentive package for Volkswagen was one of the largest in U.S. industrial history, there was a great deal of scrutiny associated with assessing the economic impact of the facility on the city, state and the entire region. In June 2013, the University of Tennessee’s Center for Business and Economic Research (CBER) released a study that demonstrated that the German automaker exceeded original forecasts for both output and employment at the plant. According to the study, Volkswagen’s investment in Chattanooga resulted in a $643 million annual economic impact in the region. Of the $643 million, Volkswagen workers secured $159.2 million in salaries and benefits, the remainder flowed to indirect employees. In terms of tax revenues, state and local governments extracted $53.5 million, with $31.2 million of that amount going to the state government. In total, the facility employed 2,415 workers directly who earned an average of $50,000 per year, including overtime, benefits and bonuses; this employment number surpassed initial projections of 2,000.

Furthermore, the company’s operations created an additional 9,985 jobs at suppliers and related businesses for a total count of 12,400 full-time jobs. In fact, the report tallied 17 parts and component suppliers that had moved to the vicinity specifically to service the Volkswagen operation. By June 2010, a supplier park in Chattanooga, comprising two buildings, each 223,200 square feet, attracted a number of suppliers including Chattanooga Seating (front and rear seats); Faurecia-EMCON (front and rear exhaust system); Magna Exteriors & Interiors (front and rear fascia); MTEK (headliners and door panels); and Thyssen Krupp (front and rear axle, corner module).

In July 2014, Volkswagen announced that it would add a $600 million production line at its facility in Chattanooga and hire 2,000 more workers to produce a new SUV.
designed for the American market. While Volkswagen expects to have these SUVs ready for sale by 2016, these vehicles also are expected to boost the company’s goal of selling 800,000 Volkswagens in the United States by 2018. (By comparison, in 2012, the carmaker’s most successful year, Volkswagen sold 438,000 cars). Importantly, Volkswagen will build a new North American research, design and engineering center in Chattanooga that will house 200 engineers. The automaker’s decision to establish a research center is significant because, as Tennessee Governor Bill Haslam noted, “Nowhere in the South has an automaker established a research and development center.”

In April 2015, Volkswagen announced that its Chattanooga facility would expand another 130,153 square feet in addition to the augmentation that began in January 2015. Following the July 2014 announcement revolving around building the new SUV, the automaker’s latest growth strategy would entail a body shop expansion at an added cost of nearly $18 million. (This would be on top of the $600 million Chattanooga facility expansion announced last year).

**Honda in the SLC Region**

Since opening its first U.S. manufacturing operation in 1982, Honda now operates 11 manufacturing facilities across the nation, a development that enables the company to support thousands of jobs at these facilities and the numerous parts suppliers servicing the facilities.

In SLC states alone, Honda operates manufacturing operations in Lincoln, Alabama (established in 2001 with an investment through 2014 of $2.2 billion); Tallapoosa, Georgia (established in 2006 with an investment through 2014 of $230 million); Timmonsville, South Carolina (established in 1998 with an investment through 2014 of $325 million); and Swepsonville, North Carolina (established in 1984 with an investment through 2014 of $250 million). These facilities engage in a range of manufacturing operations. Honda’s Lincoln, Alabama, location is the company’s largest light truck production facility in the world and the sole manufacturer of the Odyssey minivan, Pilot SUV, Ridgeline pickup truck, Acura MDX and the V-6 engines that power all these vehicles. While Honda’s facility in Tallapoosa, Georgia, is a transmission plant, the operation in Swepsonville, North Carolina, builds power equipment while the company’s Timmonsville, South Carolina, location manufactures all-terrain vehicles.

Ninety-seven percent of all Honda and Acura vehicles sold in the United States in 2014 were manufactured in North America, the highest percentage of any international automaker. In fact, the company has maintained this high local auto production rate—75 percent or higher—over the past decade, a considerable accomplishment and major boost to the local and regional economies around the Honda facilities across the United States. Another important achievement reached by Honda is the number of vehicle exports from the United States; since 1987, Honda has exported 1.1 million automobiles. Since 2013, Honda has exported more vehicles from the United States than it imported from Japan.

In April 2015, Alabama Governor Robert Bentley attended the opening of a new $71.4 million state-of-the-art automated engine assembly facility at Honda’s location in Lincoln, Alabama. While Honda’s Lincoln facility, which opened in 2001, employs more than 4,000 workers at the 3.7 million square-foot facility, with the capacity to produce as many as 340,000 vehicles and engines each year, the recently-announced expansion at the facility will employ an additional 250 employees working in two shifts. In fact, in the past three years, Honda’s Alabama facility has made capital investments that exceeded $510 million while creating an additional 450 jobs.

**General Motors (GM) in the SLC Region**

**Missouri**

During the Great Recession, GM’s manufacturing plant in Wentzville, Missouri, (some 40 miles west of St. Louis) was reduced to a single shift, and employment plummeted to less than 1,000 workers. There was real concern that the plant would have to be shuttered. However, matching the startling turnaround in the auto industry’s fortunes across the United States, this GM plant also has experienced a renaissance. By 2013, GM already added
more than 1,300 employees and invested $513 million at the Wentzville facility to build an assortment of vehicles. In September 2014, GM announced plans to add 750 workers to the facility by March 2015 to staff a third shift, a move that would boost employment at the plant from 2,600 to 3,350. Strong demand and sales for GM’s Colorado and Canyon smaller pickup trucks, Chevrolet Express and GMC Savana full-size vans facilitated this growth in the years following the Great Recession.

Importantly, the expansions at the GM plant in Wentzville also attracted new parts suppliers to either relocate or expand their current operations to the facility. GM contracts with about 300 suppliers to produce the nearly 3,000 parts for the Wentzville-made pickups. For instance, Faurecia (a French company) hired 180 new workers to make seats for the GM plant’s pickups at a location in close proximity. While Faurecia has additional production sites at other Missouri locations (Riverside and Dexter), the company now has employed 1,070 workers. Other parts suppliers to the Wentzville facility that have seen a surge in business include Wainwright Enterprises (tool-and-die) in St. Peters; Pittsburgh Glass Works (glass products) in O’Fallon; Ground Effects (bedliners) in Wentzville; and Engineered Plastic Components (heating, ventilating and air-conditioning equipment) in Columbia.

**Georgia**

In late 2013, GM announced that it would hire approximately 1,000 high-tech workers to staff a new information technology center in Roswell, a suburb of Atlanta. These positions would include software developers, project managers, database experts, business analysts and other IT professionals. The Atlanta-area Innovation Center would be the third of four centers GM expects to operate at locations across the country. GM already operates similar facilities in Austin, Texas, and Warren, Michigan.

**Tennessee**

In mid-2014, GM announced that its Spring Hill, Tennessee, location would be the assembly site for two new crossover utility vehicles for Cadillac and GMC. Prior to this 2014 announcement, GM indicated that it would add $167 million to a previously announced $183 million pledge to expand the Spring Hill facility with the two new vehicles. This decision would add or retain up to 1,800 jobs.

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### Volvo in South Carolina

In May 2015, Volvo officials declared that the company’s first North American manufacturing facility, a $500 million investment, would be built in Berkeley County, South Carolina, some 30 miles outside of Charleston. South Carolina edged out Georgia, North Carolina and Kentucky to secure this major plant, cementing the region’s reputation as the automotive hub of the United States. Though Volvo had been importing cars into the United States since 1955, it took six decades for the company to shift from operating as an automotive importer to a manufacturer, a step designed to double global sales, bolster market share in the United States, and raise profit margins.

While the models to be built in South Carolina have not been specified yet, the 100,000 or so cars to be built annually at the facility will be sold in the United States and exported through the Port of Charleston. Construction will commence in 2015 and vehicles are expected to roll off the assembly line in 2018. In terms of jobs, the facility is expected to employ 2,000 over the next decade and as many as 4,000 in the long term, possibly by 2030. Economic impact analysis carried out by the College of Charleston finds that more than 8,000 direct, indirect and induced jobs would be created as a result of this project and that the plant would contribute $4.8 billion in total economic output annually.

South Carolina officials lined up $200 million in incentives for the automaker, comprising $120 million in economic development bonds, $30 million in state grants and an additional $50 million in incentives from a state-owned utility company to power the plant. Some of the economic development bonds will be used to build a new interchange on Interstate 26, construct roadways on the property and provide $25 million to Berkeley County to support job-training efforts. South Carolina’s state-run job training program, SC Ready, will offer customized training programs for the technicians that will be working at Volvo.

### Section III

Alongside the detailed analysis outlined in Section II of a number of the auto companies operating in the SLC, Section III presents cursory details on additional automaker operations. The information contained in Section III includes details on automotive parts supplier operations, tire manufacturers and tractor manufacturers. Once
again, these details reinforce the significant economic impact wielded by these automobile companies in advancing the economic fortunes of the state, region and nation.

**Ford in Missouri**

In March 2015, Ford began the official production start of the company’s all-new 2015 F-150 truck, now in its 67th year of production. Ford announced the creation of 900 new jobs to build the F-150 at its Kansas City Assembly Plant in Claycomo, Missouri (just outside Kansas City). This was in addition to the 1,200 new jobs that the company announced for building the all-new Ford Transit van, a vehicle that previously was exclusively manufactured overseas. Both these developments aided Missouri’s reputation as a major player in the automobile sector. In fact, Ford’s Kansas City Assembly Plant now has the largest capacity of any Ford plant in the world and employs more than 7,000 workers.

Though the state’s General Motors and Ford facilities experienced some of the same structural challenges experienced by automakers in other areas of the country, the focus on reviving the sector during the Great Recession appears to have paid off in Missouri. In the last five years, Missouri has seen a surge of more than $2 billion in investments by auto manufacturers and suppliers. Since 2010, some 61 automotive suppliers have added or announced plans to create more than 4,619 new jobs, retain 220 existing workers and plough in more than $613 million in capital investments.

In June 2015, Ford announced that it would be ramping up production at its Kansas City Assembly Plant to meet demand for the redesigned F-150 pickup truck and other vehicles by shortening the traditional summer shutdown from two weeks to one. With the additional week in operation, Ford indicated it would produce almost an additional 40,000 vehicles. This was the third consecutive year that Ford decided to curtail its usual summer shutdown.

**Kubota in Georgia**

Japanese tractor manufacturer Kubota announced in October 2014 that it would expand its operations in Georgia, creating 650 new jobs at its manufacturing facility in Gainesville. Established in Gainesville in 1988, Kubota’s North American headquarters gradually enhanced its manufacturing operations from basic tractor equipment such as backhoes and front loaders, to an extensive array of tractors and tractor implements, including lawn tractors, garden tractors, general-use subcompact tractors, mid-mount mowers, all-purpose residential tractors and its Rough Terrain Vehicle series, the company’s entry into the utility vehicle market. The company’s recent $100 million investment will include the acquisition of 180 acres of land, along with the expansion of Kubota’s current manufacturing facility. Kubota employs nearly 2,200 workers in Georgia.

**Automotive Parts Suppliers in the SLC Region**

Alongside the economic effects of manufacturing facilities in the South, hundreds of auto parts suppliers dotted across the region contribute to the “cluster effect,” defined by Michael Porter of Harvard Business School as “geographic concentrations of interconnected companies and institutions in a particular field.” As elaborated by Porter, the concentration of companies in industries related by skills, technologies, common inputs and the manufacturers of complementary products leads to a tremendous boost in productivity and efficiencies. Both Georgia and South Carolina each are estimated to have 250 auto parts suppliers operating across the state.

The following highlights a fraction of the auto parts suppliers that have recently launched or expanded their operations in the SLC region:

» May 2015: Geiger Automotive, a German auto parts manufacturer specializing in plastics, announced the
opening of a U.S. factory in Suwanee, Georgia. This Geiger facility will create 120 new jobs.

» March 2015: Wabco Holdings, a Belgian auto parts manufacturer specializing in advanced air-disc brakes and energy-efficient air compressors for trucks and buses, indicated that it would relocate to a new $17 million facility in Dorchester County, South Carolina. The expansion and relocation is expected to create more than 50 new jobs while retaining 175 positions.

» December 2014: M-TEK, the Japanese company that manufactures an assortment of auto parts, including door trip panels, rear shelves, trunk trims, dash insulators and plastic injection trims for numerous North American auto assembly plants, announced that it would build its North American headquarters in Murfreesboro, Tennessee. M-TEK, which has operated in Tennessee for more than 30 years, will build a 63,800 square-foot, two-level building that will involve an investment of $13.4 million and employ 250 workers.

» September 2014: Victory Industrial Park purchased a former Philip Morris plant site in Concord, North Carolina, for $68.5 million with the objective of converting the site to an electric battery manufacturing operation. An improvement in battery technology has enormous implications for the electric car industry, including operations in the SLC states.

» June 2014: South Korean auto parts supplier KMIN indicated that it would open its first U.S. plant in Chambers County, Alabama. KMIN’s presence in Chambers County added to the more than half a dozen other auto parts suppliers that are located in the vicinity to service the KIA manufacturing facility in nearby West Point, Georgia. This $17.3 million initial investment is forecasted to allow the facility to hire 200 workers in three years.

» May 2014: Another South Korean parts supplier, Jinsung TEC, announced the opening of a $10 million facility in Hall County, Georgia, to supply the Caterpillar plant in Athens, Georgia with specialized equipment.

Tire Manufacturing in the SLC States

Alongside the advancements in the automobile sector in the Southern states, an equally important corollary development has been the growing importance of the region as the locus for tire manufacturing in the United States. As documented in the November 2013 SLC Regional Resource, Tire Manufacturing: Southern States Roll to the Top, the location and expansion of a number of tire manufacturing companies to the region has been a significant development in recent years. Tire export data clearly demonstrate the increasing dominance of the SLC region, with South Carolina’s tire exports surpassing states that dominated these numbers in prior decades, such as Ohio. South Carolina tops tire manufacturing in the country with the state’s Bridgestone, Continental and Michelin plants producing nearly 99,000 tires a day in 2014. Furthermore, two SLC states ranked second and third in tire production, with Oklahoma producing 88,000 tires a day, followed by North Carolina producing 75,000 tires a day. In the past few years, whether it is Yokohama in Mississippi, Hankook in Tennessee, Giti in South Carolina, or Toyo in Georgia, the draw of the Southern region as the locus of automotive activity has resulted in the South emerging as the Tire Hub of the United States.

Conclusion

The American auto industry has made significant improvements from the doleful days of the Great Recession when truck and car production numbers and vehicle sales slumped 43 percent and 36 percent, respectively, between 2007 and 2009. Both production and sales figures in 2014 now exceed levels reached before the Great Recession. Automotive News, a major news source covering the auto industry, reported in January 2015 that North American car and truck production rose 6 percent to 17.56 million vehicles in 2014, according to preliminary estimates, a number that exceeded previous estimates. Given the precipitous decline to 8.8 million units produced in 2009, the 2014 numbers represent a vast improvement. In fact, the 2014 numbers, ranked as the third-largest year ever, were surpassed only by levels reached in 2000 and 1999. The industry consensus forecast for 2015 is that sales of U.S. light vehicles will hover between 16.9 million and 17.0 million, a massive improvement from the 10.6 million units that were sold in 2009.

Bolstering this recovery of the American auto industry was the financial assistance provided by the federal government to General Motors and Chrysler, assistance that took the form $80 billion to the two companies and the myriad auto parts suppliers associated with the companies. Not only did this emergency assistance stave off the further evisceration of the U.S. economy, it resuscitated the ailing American auto industry to a level of finan-
cial security not experienced in decades. By the fourth quarter of 2014, the American Big Three automakers all were in positive financial territory, a development that strengthened their financial status while consolidating their share of the U.S. auto market.

The growing strength of the domestic auto industry is increasingly reflected in contributions to the nation’s GDP, with an increase from 2.2 percent as a percent of GDP in 2009, to 3.6 percent in 2013. There also has been an increase in the number of employees in the automotive sector, as a percent of total employment, in the years following the Great Recession. (In 2010, the auto industry percent of total full-time and part-time employees in the United States was 0.99 percent; by 2013, the number had improved to 1.07 percent).

The major driving force behind these gains has been the continued strong showing by nearly a dozen foreign automakers domiciled in the SLC region. From Porsche locating its North American headquarters in Atlanta, Georgia, to Mercedes initiating multiple expansions at its operations in Vance, Alabama, to Volvo recently announcing that its first North American manufacturing facility would be situated in Berkeley County, South Carolina, the ‘drive to move South’ has been remarkable. Assembly operations continue to prosper, generating billions of dollars in economic impact and employing thousands of workers. In addition, several thousand auto parts suppliers have established manufacturing facilities to serve these automakers across the South, creating tens of thousands of more jobs. Finally, a host of industries and services – ranging from logistics companies to restaurants to transportation companies to service stations – serve the automobile sector, cascading into more jobs and positive economic flows.

In terms of the overall economic impacts, the results have been stunning. For instance, BMW’s 20-year tenure in South Carolina has resulted in the company far exceeding the initial commitment to create 2,000 jobs and inject $600 million in capital investments: by 2014, the company had hired 7,654 direct employees and invested $6.3 billion in the state. Similarly, Mercedes’ 20-year anniversary in Alabama injected an annual economic impact of $1.5 billion and 22,000 direct, indirect and induced jobs in the region, an astounding number by most standards. Even in terms of the state’s exports, one-third of the value of the state’s annual exports involved Mercedes automobiles.

When researchers explore the factors contributing to this ‘drive to move South’ alongside the robust expansion of the automotive sector in the region, a number of preconceived notions are dispelled. For instance, there is the perception that the automakers were driven to locate or expand existing operations in the South primarily for the incentive packages offered by states. For example, the $130 million multiyear incentive South Carolina offered BMW in 1992; or the $253 million multiyear incentive package proffered by Alabama to Mercedes; or the $577.4 million 30-year incentive package Tennessee provided to Volkswagen in 2008, were criticized as examples of “states giving away the store” to attract these companies. However, these criticisms have been discredited by the fact that the economic impact generated by the activities of these automakers and allied auto parts suppliers exceeded the sum of the incentive packages multiple times over. A December 2014 study by the University of South Carolina on the economic impact of BMW in South Carolina calculated a total annual economic impact of $16.63 billion, which well exceeds the $130 million 1992 incentive package. Similarly, a June 2013 study released by the University of Tennessee demonstrated that Volkswagen in Tennessee exceeded original forecasts for both output and employment at the plant. According to the study, Volkswagen’s investment in Chattanooga resulted in a $643 million annual economic impact in the region, which surpasses the 30-year cost of the state’s incentive package to the automaker in a single year. It also is important to stress that automakers are not guided in their location decisions by the extent of the incentive packages offered by states; their location decisions are motivated by a number of factors. When Mercedes announced in January 2015 that the company was moving its global headquarters to Atlanta, there was a great deal of speculation that the multiyear, $23 million incentive package corralled by state and local governments was an overriding factor. However, as Steve Cannon, CEO of Mercedes-Benz USA stated, “If you make a decision to relocate based on
incentives then you have your priorities wrong... Tax incentives mean almost nothing when you are making a decision for the next 50 years and beyond. They have zero impact on the business case.”

In addition, the presence of a Mercedes plant in Alabama, a BMW plant in South Carolina, and a Nissan plant in Mississippi creates a manufacturing reputation in the South, prompting many other automakers and other advanced manufacturing companies to locate in the region. As Alabama Governor Robert Bentley noted at the Mercedes facility in Vance in September 2014, “Mercedes started it all. If not for Mercedes coming here in the 1990s, we wouldn’t have been able to recruit Airbus, Boeing or other high-tech industries to the state.”

Some of the major reasons for the location and expansion of existing auto plants in the South include: the ability to construct new manufacturing facilities—incorporating all the latest technologies—more efficiently and effectively at a Southern location, as opposed to reconfiguring older assembly plants in the Midwest; economies of scale created by the cluster effect with the growing number of automobile assembly plants and thousands of auto parts suppliers in close proximity to each other; low or nonexistent rates of unionization and the negligible level of interest among Southern autoworkers to unionize; attractive incentive packages—including tax breaks, infrastructure upgrades, worker training programs, an abundant labor pool and the ability to train a work force that has not worked in the auto industry previously—proffered by Southern states; and the extremely cost-effective intermodal transportation network in the region, spanning railways, highways, airports and, most importantly, ports.

Of these diverse reasons, it is appropriate to highlight two specific areas: ports and workforce development programs. The role played by a number of Southern ports specializing in automobile exports and imports is a key driver in the location and expansion decisions of automakers. The Port of Brunswick in Georgia has displayed outstanding growth rates in recent years and remains one of the nation’s leading auto ports. In fact, in 2014, the Port ranked as the busiest in the nation for the import of new vehicles and ranked second among all U.S. ports in total auto import-export trade. In spring 2015, the Port of Brunswick handled its five millionth vehicle, a list that includes Audi, Bentley, General Motors, Honda, Hyundai, Kia, Mercedes-Benz, Toyota and Volkswagen. Other SLC ports with strong auto exports activity include the Ports of Charleston, Galveston and Jacksonville. Similarly, with regard to workforce development programs in the automotive sector, the SLC region excels compared to other regions of the country. State policymakers have placed a great deal of emphasis on these training support programs and work closely with their community college system and their corporate partners to ensure that students receive the most up-to-date and comprehensive training to staff these demanding positions.

Several other attributes make the South attractive for automakers. Some of these additional factors are the weather, reduced cost-of-living, lower or no personal income taxes, free or inexpensive property on which to build assembly plants, along with other attractive quality of life attributes, all of which make Southern locations very enticing.

The unparalleled success of the automobile sector -- the ‘drive to move South’ -- a journey that began more than three decades ago when Nissan established a manufacturing operation in Smyrna, Tennessee, in June 1983, continues unabated and with increased vigor. The presence of these automakers has proven to be a boon, not only in economic terms, but also in precipitating a change in the perception of the region as an emerging base for an American manufacturing renaissance.
Endnotes

7) Ibid.
8) Ibid.
10) “U.S. Signals an End to Bailouts of Automakers . . .”
13) Ibid.
14) For a short history of the increasing migration of automobile manufacturing facilities to the Southern states that began about four decades ago, please see CanagaRetna, Sujit, The Drive to Move South: The Growing Role of the Automobile Industry in the Southern Legislative Conference States, 2003, pages 29-38.
27) “BMW Group Begins Construction . . .”
42) “Nissan, Board of Regents to Build $35M Training Facility,” The Tennessean, December 9, 2014.


78) "Ford will keep its Claycomo Plant Running Longer this Summer," The Kansas City Star, June 4, 2015.


83) "German Auto Supplier to Create 120 Jobs in Gwinnett Factory," The Atlanta Business Chronicle, May 6, 2015.

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This report was prepared by Fiscal Policy Manager Sujit Canagaratna for the Economic Development, Transportation & Cultural Affairs Committee of the Southern Legislative Conference (SLC) of The Council of State Governments (CSG), under the chairmanship of Senator Jeff Mullis of Georgia. This report reflects the body of policy research made available to appointed and elected officials by the Southern Office.

The Southern Office of The Council of State Governments, located in Atlanta, Georgia, fosters and encourages intergovernmental cooperation among its 15 member states. In large measure, this is achieved through the ongoing work of the standing committees of its Southern Legislative Conference and supporting groups. Through member outreach in state capitols, policy research, international member delegations, staff exchange programs, meetings and fly-ins, staff support state policymakers and legislative staff in their work to build a stronger region.

Founded in 1947, the SLC is a member-driven organization and the largest of four regional legislative groups operating under CSG and comprises the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

The SLC’s six standing committees provide a forum which allows policymakers to share knowledge in their area of expertise with colleagues from across the South. By working together within the SLC and participating on its committees, Southern state legislative leaders are able to speak in a distinctive, unified voice while addressing issues that affect their states and the entire region.