

# Automotive News

## SOUTHERN STRATEGY

# Public, private sectors unite, lure auto plants with a recruiting juggernaut

**Lindsay Chappell**

Automotive News | April 23, 2012 - 12:01 am EST

GREENVILLE, S.C. -- Speaking from her car on the way home from Columbia, S.C., the state capital, Suzanne Dickerson can reveal only part of what she has been working on.

She has just introduced a contingent of international automotive executives to state government officials to help their company set up a plant in the state. She declines to identify the company.

Dickerson, as manager of business development for the Clemson University International Center for Automotive Research here, is technically in the education business. But the way it works in South Carolina these days -- and, really, all around the South -- is that when it comes to recruiting the auto industry, everybody's in the economic development business.

"They originally wanted to talk to us about office space," Dickerson says of her visitors. "But they've now decided they want to add manufacturing."

Southern states have had tremendous success by drawing players such as Dickerson into broad teams to attract auto plants. Now, with a new wave of plant decisions in the works, that strategy will be tested again in an effort to keep companies from choosing Mexico for North American factories.

Dickerson, a fluent German speaker who spent 12 years in BMW management, calls her side trip to the capital "offering assistance." But it is also part of a subtle strategy that for years has trumped economic recruiters in traditional U.S. auto corridors such as Michigan and Ohio.

Several Southern states have recognized that eager governors and state agencies are not enough to lure auto jobs from Europe and Asia. To attract auto factories, it takes a whole choir of organizations singing from the same songbook. It requires time, money and people from power companies, banks, railroads, insurance companies, universities and even manufacturers in unrelated businesses.

There are other nitty-gritty reasons to explain why the South has attracted plant investments. Unions have been weaker in Southern states than in the industry's traditional Rust Belt home, which has meant that employers have had much lower labor costs and more unilateral power over work rules than at UAW-represented plants. Undeveloped land is readily available. And states have been generous with public incentives to help offset plant investments.

But those observations could be made about much of the continental United States. And renegotiated UAW pacts have narrowed the labor-cost gap and given manufacturers more leeway on work rules.

"What the South has going for it is that everybody's on the same page," says Glenn Stevens, vice president of sales and membership for the Original Equipment Suppliers Association, the trade group in suburban Detroit. "It's not just a case of the states being good at recruiting. It's everybody in the state. It's the governor, it's the local people, it's the colleges and people in local business.

"You hear the same message. It's pro-business and pro-economic development. It's 'How can we help you? What can we do to support your project?'"

That Southern approach will be tested repeatedly in the next few years as the North American auto industry returns to expansion mode. Southern economic development teams will have to compete not only with other states but also with a resurgence of interest in building auto plants in Mexico.

Audi, for example, announced last week that its first North American plant will be in Mexico. Honda, Mazda and Nissan are building large assembly plants there.

But other projects are likely to total billions in investment and thousands of jobs. Hyundai Motor Co. is believed to be considering another North American plant. Volvo has confirmed that it is looking. Nissan North America is on a sales trajectory that could max out its U.S. plants in 24 months. Nissan CEO Carlos Ghosn has said he wants to move Infiniti production out of Japan.

And there is a new urgency to re-source components to factories outside Japan, where the strong yen is making them uncompetitive. And European automakers BMW and Mercedes-Benz want more dollar-based suppliers in their chains.

If the South remains competitive, it will be partly because so many people are trying to help.

Charlie Gatlin, who directs economic development for Electric Cities of Georgia, one of the state's three power companies, says: "We learned a few years ago here in Georgia that in order to bring the auto industry into the state we needed to stop competing with each other and instead work together."

"All the power companies agreed that it really doesn't matter which one of us gets the plant -- if Georgia grows, we all grow. And unless Georgia grows, none of us will either."

In the late 1990s, big interests from around Georgia put aside their rivalries enough to create a public-private marketing entity called Georgia Allies. The members include all three competing power companies, the state's large banks, local law firms, state and local government leaders -- even the Georgia state lottery.

The coalition's function? To pony up money to pay for business recruiting, to conduct ad campaigns, to send representatives on auto-recruiting trips, and to fill in where state officials would not be permitted to go or lack the budget to do so. Georgia Allies has a marketing budget of \$1.3 million this year.

"Public money can't be spent on certain things. That's where we come in," Gatlin says, talking on his cell phone after stepping away from a tour of Georgia plant sites he is conducting for a busload of prospects. In the past few years, for example, Georgia Allies has treated auto industry executives to weekends at the Masters Golf Tournament in Augusta.

Gatlin, who says the pace of site visits has heated up in the past six months, leads bus tours for his own power company. But he says the three power competitors now cooperate on scheduling tours so prospective manufacturers can see sites in the other companies' territory.

Georgia Allies has been instrumental in bringing together a supply chain around Kia Motor Co.'s assembly plant in West Point, Ga. According to a spokeswoman for the state's Department of Economic Development, it was never a foregone conclusion that Kia suppliers would locate in Georgia, and Georgia Allies was influential in those decisions.

The South is courting the auto industry ...

New auto assembly plant projects seem likely as the industry reawakens.

- Hyundai threatens to outstrip the capacity of its sole U.S. plant in Montgomery, Ala. A second plant could be in the works.
- Nissan is expanding factories in Tennessee and Mississippi and has a big new plant planned in Mexico. But Nissan has more production issues to work out, including a desire to move Infiniti production out of Japan.
- Volvo has focused on creating capacity in China. But Volvo also intends to build a North American assembly plant.

... **but low-wage Mexico is a strong rival**

Recent assembly plant projects have bypassed the United States in favor of Mexico.

- Audi, after spending months looking at U.S. locations, announced last week that its first North American

plant will be in Mexico. The exact location will be determined this year.

- Honda is constructing an \$800 million plant in Celaya, Mexico, to build the subcompact Fit.
- Mazda is fighting for a comeback in the United States and plans to use Mexico as a world production source for the 2 series and 3 series small cars.
- Nissan said this year that it will build a \$2 billion vehicle and powertrain plant in Aguascalientes.

If there is a template for such collegial automotive recruiting, it is Alabama. Early in the 1990s, dismayed by the absence of an auto industry in the state, business interests embraced a radical strategy of using private resources to pitch Alabama to the world auto industry. The result was the Economic Development Partnership of Alabama, a nonprofit that markets the state and fosters automotive growth.

In the course of a decade, the partnership helped recruit a Mercedes-Benz plant to Tuscaloosa, a Honda plant to Lincoln, a Toyota engine plant to Huntsville, a Hyundai plant to Montgomery and 130 parts suppliers around the state.

The partnership also took a lead role in forming the Alabama Automotive Manufacturers Association, a network of almost 500 companies -- many of them competitors -- that meet regularly to share ideas about material sourcing, to orchestrate technical training and conduct friendly competitions to boost factory efficiency around the state.

The 75 companies that finance the partnership include natural gas companies, banks, telecommunications providers and construction companies.

"We've never really formalized what our role is versus what the state's role is," says Steve Sewell, executive vice president of the Alabama development partnership. "We just do whatever we can. A lot of it is about fostering an industrial mind-set in Alabama in hopes of making our economy grow."

Part of that requires laying aside parochial interests. In 1999, to win the bid to put Honda Motor Co.'s light-truck plant in Lincoln, on Alabama's eastern edge, five counties and 17 municipalities contributed cash to the incentives package.

"Their attitude was that, wherever the plant was, it was going to benefit everybody," Sewell says.

Big incentive packages long have dominated the discussion of why auto companies keep putting plants in the South. And there have been whoppers. Georgia's incentives package to reel in Kia in 2006 totaled \$400 million.

But incentives are hardly unique to the South. In 2009, Michigan gave General Motors a \$779 million package to build subcompact cars in Orion Township.

For Ludger Reckmann, CEO of ZF Transmissions Greenville, selecting a site in South Carolina for his \$430 million automatic transmission plant had to do with proximity to future customers. But considering that Chrysler Group in Michigan is one of those customers, "proximity" was open to interpretation.

"We looked at 17 potential sites," Reckmann says. "My management in Germany asked me, 'Why don't you build the plant in Mexico?' But there is much more to this decision than geography and real estate. How hard is a location to reach by truck? How easily can our colleagues reach us by plane from Germany? You even have to consider whether it's a nice place for your employees to live -- are there good restaurants?"

Then came Reckmann's encounter with Clemson University. Clemson's auto research center -- referred to as CU-ICAR -- showed Reckmann its program for turning out graduate students with advanced degrees in automotive engineering. CU-ICAR is itself a statement of cross-industry cooperation, having been created by multimillion-dollar endowments from local employers, BMW, Michelin North America, Sun Microsystems, Timken and other manufacturers.

"We're here now in part due to what ICAR can do for us," Reckmann says. "Most of our engineering will be done back in Germany. But we're going to need access to engineering talent locally as we grow. We like the idea of being in a center where people are focused on assisting you with your needs."

Imtiaz Haque, executive director of CU-ICAR's graduate engineering program, says other suppliers have come to South Carolina after looking over CU-ICAR -- including the unidentified company just assisted by Haque's colleague,

Suzanne Dickerson.

Another is Proterra Inc., a zero-emission bus manufacturer that has set up operations on the CU-ICAR campus. Koyo Bearings USA has opened a prototyping, product testing and manufacturing process development center on the campus. Several others also are there, and CU-ICAR is preparing to construct a building to house more firms on the 250-acre campus.

"We set out to supply the auto industry with skilled people, to be of service to companies in this region or companies that are moving to the South," Haque says.

"We've ended up becoming an economic development magnet in ourselves.

#### Aces in the hole

In the South, governors and state agencies aren't the only ones chasing auto industry investment. Here are some of the other players.

- Clemson University's International Center for Automotive Research: A 250-acre campus of office space, prototyping labs, research centers and classrooms, financed by auto industry interests to turn out advanced-degree automotive engineers and attract auto business to South Carolina.
- The Economic Development Partnership of Alabama: A private-sector agency set up and financed by Alabama businesses to go after industry and make deals happen.
- The Georgia Allies: A public-private consortium of agencies, utilities and businesses to help recruit industry in circumstances in which the state of Georgia may not be able to act.
- Tennessee Valley Authority Economic Development: On a separate mission from the public power company and independent of any state, the TVA group has been assisting communities in Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee and Virginia recruit auto plants and other industrial projects.



Two of the South's recent auto recruiting victories: the Volkswagen plant, shown, in Chattanooga; and Toyota's assembly plant in Tupelo, Miss.

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