



Alabama auto suppliers rev up -- cautiously

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By **Dawn Kent** -- **The Birmingham News**



Steve Sewell. (Special)

Alabama's auto suppliers are ramping up their operations as the global industry recovers from a deep slump, aiming to keep pace with rebounding vehicle output in the state and elsewhere.

At the same time, suppliers are finding new business opportunities in new products, both on the Alabama assembly lines of Mercedes-Benz, Honda and Hyundai, as well as at factories just outside the state.

Suppliers are upbeat but cautious about the additional opportunities, said Steve Sewell, executive vice president of the Economic Development Partnership of Alabama.

"We're seeing growth, but deliberate growth," he said. "There is a lot of effort to be strategic in how they're growing their operations now, both to meet demand from current customers and also to diversify."

Most of the growth has been limited to hiring back employees and, in many cases, putting them on overtime, said Sewell, who also is on the board of the Alabama Automotive Manufacturers Association.

But suppliers remain wary when it comes to capital investment in their facilities, he said.

One local exception, however, is Birmingham auto parts stamper Kamtek, a unit of Canada's Magna International.

According to a recent building permit, Kamtek is doing a \$2.2 million addition at its plant on Sterilite Drive.

James Tobin, chief marketing officer and president of Magna Korea and Japan, said additions at the Birmingham plant are tied to work the company is doing for Mercedes-Benz and its redesigned M-Class SUV, due out later this year.

Tobin was in Birmingham last week for the AAMA's quarterly meeting, and during his keynote dinner speech, he talked about the global auto industry's comeback last year.

In 2009, the market saw 25- to 30-year sales lows, resulting in slashed production, job cuts and shuttered companies. In Alabama alone, auto production dropped nearly 30 percent from 2008 to 2009, evidence of the cutbacks.

Last year, however, brought a resurgence in demand that is carrying over into 2011. In 2010, Alabama's three automakers built more than 700,000 vehicles, nearing the all-time production peak of 740,000 vehicles, set in 2007.

"The one thing the industry has always done is prove its resiliency time and time again," Tobin said. "This time is no exception."

But prudence is key for suppliers as they ramp back up their operations, he added. They also must keep up with the continued market shift to smaller cars, along with electric vehicles, plug-ins and other alternative technologies.

For Magna in particular, there is an increased focus on producing more lightweight parts, an effort that will help automakers meet stricter fuel economy standards, Tobin said.

Suppliers

In Alabama, suppliers represent the lion's share of the state auto industry.

According to a 2007 AAMA survey, there were 195 Tier One, Tier Two and Tier Three supplier plants with 26,639 employees, representing 68 percent of all the automotive plants in the state and 55 percent of the sector's employment.

Those numbers have surely changed since the downturn, and AAMA is planning to do another survey, Sewell said. The state's Tier One suppliers -- those that send parts directly to an assembly plant -- held their own during the slump, but AAMA doesn't have as clear a picture on how the Tier Twos and Tier Threes fared.

The balance of the state's auto industry is made up of assembly plants and those that provide manufacturing equipment, repair and other services.

Sewell said suppliers in Alabama are looking to expand their business with multiple automakers, including those that are starting up factories in neighboring states, such as Volkswagen in Tennessee and Toyota in Mississippi.

Some suppliers, including Kamtek, already have landed business with Volkswagen.

Other new products on Alabama's assembly lines also should be a boost for the state's supplier base. For example, Mercedes is bringing the C-Class sedan to its Vance factory in time for a 2014 launch, and there is

a concentrated effort to recruit supplier business for that model.

"We hope to see some additional supplier activity there," Sewell said. "A new product certainly creates opportunities just as additional capacity creates opportunities."

At last week's AAMA meeting, ZF Lemforder Corp. of Tuscaloosa and EnovaPremier LLC of Montgomery were recognized as the organization's suppliers of the year.

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