



THE AUTOMOBILE INDUSTRY IN GEORGIA

Overview

Georgia's connection to the automotive industry goes back almost a 100 years, when Ford Motor Corporation set up operations in the state in 1909.¹⁰² Since that time, Georgia has consistently been in the forefront of automobile manufacturing, assembling and distributing parts. According to the Georgia Department of Industry, Trade and Tourism, there are five automobile production facilities in the state, 268 parts manufacturers and suppliers, and seven automobile company headquarters. The more than 46,000 Georgians employed in the industry ranks the state sixth nationally in

automotive employment and seventh in total vehicle production. (There are 9,000 Georgians currently employed directly by automobile assembly plants.) Furthermore, 83 percent of all U.S. car assembly plants are within 13 highway hours of Georgia's extensive, efficient and modern intermodal transportation network.

In terms of vehicle production, as noted earlier, Ford Motor Company has been in the state since 1909. Similarly, the Blue Bird Corporation, the world's largest producer of school buses, began manufacturing in Georgia in 1927, while General Motors has been manufacturing Chevrolet, Opel, Oldsmobile, and Pontiac automobiles at its Doraville plant since 1947. In addition to these manufacturers, Georgia also has an impressive line-up of parts suppliers, with such companies as Pirelli North America, Toyota Industries North America, Allied Signal, Caterpillar, Cooper Tire, Panasonic, and Siemens Automotive, all locating major operations within the state. In fact, Pirelli Tires' North America headquarters—and 500 jobs—relocated to Rome, Georgia, from New Haven, Connecticut.¹⁰³

State Facts

Percent of Total Workforce	5
Direct Employment	31,200
Auto-Related Employment	64,400
Auto-Dependent Employment	184,800
Wages	\$6.4 Billion
New Vehicle Dealerships	614
Dealership Annual Sales	\$21.7 Billion
Production Facilities	2
Vehicles Produced	441,957
New Registrations	530,909
Registered Vehicles	7,155,006
Publicly-Owned Vehicles	103,173
Licensed Drivers	5,316,000
Total Miles Driven	105 Billion

Source: 2002 Ward's Motor Vehicle Facts & Figures

The late 2002 announcement that DaimlerChrysler would establish a \$754 million plant in Pooler (near Savannah) to produce Sprinter and Vito minivans was greeted with a great deal of enthusiasm in the area and across the state. Unfortunately, less than a year later, in September 2003, DaimlerChrysler officials announced that the company had decided against building this facility due to currency fluctuations, a weak American economy and the \$1.1 billion second-quarter loss posted by its Chrysler Group unit as reasons for the decision.¹⁰⁴ The DaimlerChrysler project would have been the state's largest development project in history and the first auto plant to set up in Georgia since the 1909 Ford and the 1947 General Motors assembly facilities.

Another major aspect of the Georgia automobile industry is the role played by the Port of Brunswick. More than 200,000 vehicles move through the deep-water Port of Brunswick's domestic and international processing center each year, including vehicles for automakers such as Audi, General Motors, Land Rover, Saab, and Volkswagen of America. In addition, Toyota operates a major inland processing and distribution center northeast of Atlanta. In terms of distribution networks operating in the state, Ford, Advance Auto Parts, Robert Bosch, Pep Boys and Hella all have distribution facilities in Georgia. Furthermore, Genuine Parts, with the world's largest automotive distribution network, is headquartered in metro Atlanta and Decoma

International, a Mercedes-Benz parts supplier with 350 workers, is situated in Carrollton, Georgia.

A number of major automobile and automobile-related operations maintain their headquarters in Georgia. Specifically, Porsche relocated its North American headquarters to Atlanta in 1998, while other notable companies headquartered in Atlanta include BBS, Daewoo, Genuine Parts, Hella, Lotus, Panoz Auto, Saab and Siemens Electro-Mechanical Components. Finally, Road Atlanta, located less than an hour from Atlanta, is a world-class testing facility for passenger and racing vehicles, in addition to serving as an ideal location for product launches. In sum, the automobile industry remains one of the state's most important economic drivers, an industry that generates tens of thousands of jobs and hundreds of millions of dollars in income, revenue and economic effects.

Georgia's Advantages in the Automobile Industry

In touting Georgia's attractiveness to the automobile industry, the department of industry, trade and tourism lists two major advantages: superior infrastructure and high quality labor. While these two advantages can be sub-divided into further categories, they provide a useful starting point toward assessing the state's role in the automobile industry.

» **Infrastructure**

Atlanta, just as it has been a major transportation hub for more than 100 years, remains the center of the Southern automotive corridor. The state's extensive network of highways and railroads makes transportation seamless; 83 percent of all U.S. car assembly plants are within 13 highway hours of Georgia.

Georgia's coastline provides a tremendous boost to the state's transportation capabilities in the automobile industry. The two deep-water ports at Brunswick and Savannah and barge docks at Columbus and Bainbridge remain pivotal in this connection. As noted earlier, the Port of Brunswick processes more than 200,000 import and export shipments for more than 20 major automobile manufacturers.

Atlanta's Hartsfield-Jackson International Airport, the world's busiest passenger airport for the fourth consecutive year, is another important component of the state's infrastructure system. In 2002, the airport accommodated more than 77 million passengers and more than 730 thousand metric tons of air cargo.¹⁰⁵

All these aspects work in combination to elevate Georgia's infrastructure capabilities to a very high level and, consequently, not only have a number of automakers and suppliers located in the state, Georgia also is the choice of suppliers serving BMW, DaimlerChrysler, Honda, and other facilities in neighboring states.

» **Quality of Labor**

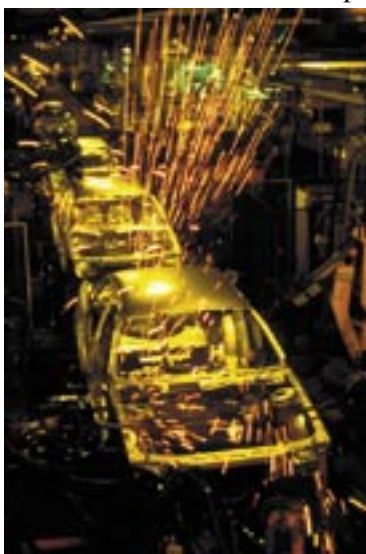
In the past decade and a half, Georgia has been on the top rung of the fastest growing states in terms of economic performance and population. Consequently, the state's labor pool remains another of its strongest assets. In addition, the state conducts a number of specific programs to further enhance this labor pool. For instance, *Quick Start*, the state's no-cost, employee training program, has trained nearly 300,000 employees for more than 2,850 businesses. The customized training is delivered at 34 technical colleges, 17 satellite campuses, and four associated university programs throughout the state.

Georgia's Automobile-Industry Related Operations

As alluded to earlier, a number of the world's automakers maintain manufacturing operations in Georgia, including Ford and General Motors alongside the Blue Bird Corporation, one of the nation's premier bus manufacturers. Myriad other major companies maintain parts manufacturing operations in the state, another factor that contributes significantly to Georgia's economic potential. Some of the highlights of these manufacturers and allied operations are listed below.

» *Ford Motor Company*

Ford's connection to Georgia is a lengthy one, going back to 1909, barely six years after the founding of the company, when Ford built the Model T in a small factory on Ivy Street in downtown Atlanta.¹⁰⁶ Its current plant in Hapeville, just south of downtown, off I-75, was established in 1947. The city of Hapeville is built around transportation ranging from the world's busiest airport, Atlanta's Hartsfield-Jackson International nearby, to the aforementioned Ford facility.



Ford Motor Facility at Hapeville, Georgia

The Hapeville plant, which employs 2,300 persons and extends over 128 acres (2.3 million-square foot plant), manufactures the Ford Taurus and Mercury Sable models. Both these models have been assembled at the Hapeville facility for almost two decades, since 1985. In recent times, Ford has spent \$380 million to upgrade the facility, and this plant is ranked among the most efficient in the auto industry. In fact, the facility has won a number of awards for quality and efficiency from such industry raters as J. D. Power & Associates and the *Harbour Report*. In calendar year 2002, the Hapeville plant turned out 190,000 Taurus cars and nearly 54,000 Sables. In October 2002, the Hapeville plant was the scene of a ceremony commemorating the 6 millionth Taurus to be sold.

The city of Hapeville's fiscal situation is integrally reliant on the Ford plant since the company's annual tax contribution is almost \$1 million, 10 percent of the city's \$10 million annual budget. In addition, the city assesses Ford a \$60,000 bill every month for water. However, according to reports, most of the plant's employees do not live in the city, with employees living in nearby Hampton and Griffin and other employees commuting from as far away as Macon and neighboring Alabama.

In spring 2003, Ford announced the introduction of a new line of mid-size cars called the Futura. The model will expand in the coming years to nine or 10 products, eventually reaching an annual North American volume of 800,000 units, and would start with the 2006 model year. The new Futura line, which will include some hybrid gas-electric models, will be aimed at consumers interested in the auto segment between the Taurus and less-expensive Focus. At that point, Ford also announced the phase-out of the Taurus and Sable lines, both of which are manufactured at its Hapeville facility.

During the time of the Futura announcement, there were "unofficial sources" at the company indicating that Ford was running out of space at its Hapeville facility and that it was considering moving to another Georgia city. Ford's goal was to construct a state-of-the-art facility, incorporating many of the recent technological advancements at a location unhindered by the constraints of space. There were two Georgia locations that were strongly considered during this evaluation period: Madison in Morgan County, off I-20, 60 miles east of Atlanta, and Greenville in Meriweather County, off I-85, 63 miles south of Atlanta. After much debate among policymakers at

the state, county and city levels, the company and residents, Ford made an official announcement in mid-July 2003, that the company would stay on in Hapeville, at least until the end of the decade. In addition, the company and union officials indicated that contrary to previously-released information, Ford would continue production of the Taurus through the 2009 model year.

A short while after this mid-July 2003 announcement, concerns about the future of the Hapeville plant and what vehicles might be built there re-surfaced with reports that Ford intended to build a new line of cars in Mexico and Canada.¹⁰⁷ According to these reports, Ford supposedly will build its mid-size Futura car line in Hermosillo, Mexico, starting in 2005, and sport wagons under the Ford and Lincoln names a year later in Oakville, Canada. Ford's Hapeville plant is one of the most productive car factories on the continent and in the most recent *Harbour Report*, a closely watched study of labor productivity in the automobile industry, this plant was among the five most efficient assembly plants in North America.¹⁰⁸

» *General Motors (GM)*

The GM plant in Doraville, a few miles from Atlanta's city limits, is another one of Georgia's long-standing automobile manufacturing facilities having also been in production since 1947.¹⁰⁹ This plant, which encompasses 3.6 million square feet, currently manufactures the Chevrolet Venture and the Pontiac Montana and, until 2001, the Oldsmobile Silhouette. Total payroll for the plant's 3,600 employees, 3,300 of whom are paid hourly, totaled \$220 million in 2002.

The Doraville plant is the sole producer of GM minivans (Chevrolet Venture and Pontiac Montana). In response to the growing demand for minivans, GM, in 1995 and 1996, converted this plant to make minivans, since it previously produced the Oldsmobile Cutlass Supremes. By August 2000, the Doraville facility had produced 1 million minivans. The Doraville plant's production figures for 2001-2002 are reflected in table 21.

Production figures—GM's Doraville Plant		
Year	Model	Production Level
2001	Chevrolet Venture	115,330
2001	Pontiac Montana	75,625
2001	Oldsmobile Silhouette	35,902
2002	Pontiac Montana	85,190
2002	Chevrolet Venture	130,028

Source: General Motors

As indicated in table 21, output at this facility totaled 226,857 in 2001, and 215,218 in 2002.

In early February 2003, GM announced that it would invest an additional \$150 million at its Doraville plant to pave the way for the production of a new generation of minivans. While the models currently made at the facility would be phased out, the injection of new funding will be used to renovate and retool the plant's body shop and general assembly areas in preparation for the production of new minivans from Chevrolet, Pontiac and, for the first time, Buick and Saturn. In fact, Doraville will be the only plant to build the minivans. While the new minivans are expected to resemble a cross between SUVs and minivans, neither their names nor the production numbers were disclosed. The four new minivans, to be released in 2005, will include the Buick Terrazza, Chevrolet Uplander, Saturn Relay and Pontiac Montana models.¹¹⁰ The Buick and Saturn models are the brand's first minivans.

General Motor's \$150 million expansion investment will result in greater economic benefits to the county, city and state. For instance, GM is expected to pay about \$5.5 million in property taxes, of which \$1 million is in addition to the amount paid prior to the expansion. Reports also note that DeKalb County (the county where Doraville is located) faced national competition for the new production line and that the county "provided enough incentives to help make this deal." While no major changes in personnel levels are expected at the plant as a result of the expansion and retooling effort, the retention of the plant at its current location remains of great economic import to the area.

Coincidentally, the GM renovation announcement was made around the same time that DaimlerChrysler made its own announcement regarding plans to construct a production facility in Pooler to build its own line of minivans (the Sprinter). (As explained at the outset, Daimler-Chrysler has decided against a plant in Pooler.) Even though sales of car, light trucks and minivans are expected to decline again this year, there is considerable pressure among the automobile manufacturers to compete aggressively for customers.

» *Blue Bird*

Blue Bird Corporation is yet another long-standing player in the industry, manufacturing school buses, commercial buses and motor coaches.¹¹¹ Founded in 1927, Blue Bird has nearly 3,000 employees and four facilities in three countries. In addition to a major location in Arkansas, Blue Bird maintains a manufacturing facility in Fort Valley, Georgia. Recently, Blue Bird Corporation, a subsidiary of the British-based Henlys Group, announced an additional investment of \$59 million for its Fort Valley facilities. This



Bluebird buses in Fort Valley, Georgia

additional investment is expected to generate 630 new jobs at the plant, raising the total of its employees to 2,130 at its Peach County, Georgia, location. To convince Blue Bird to proceed with this additional investment and the expansion effort, the state of Georgia provided a total incentive package of \$17 million to the company.

» *DaimlerChrysler*

In mid-October 2002, when DaimlerChrysler made a much-awaited announcement that it had chosen a site in Georgia to construct its acclaimed Sprinter passenger and Vito cargo van plant, Florida and South Carolina were eliminated from the competition to secure this facility.¹¹² While there was great enthusiasm in the state about the plan's expected economic benefits and symbolic significance, as mentioned at the outset of this section, in late September 2003, the company announced that it had decided against proceeding with the construction of the facility. According to DaimlerChrysler officials, their decision was the result of negative currency fluctuations, a weak American economy and the \$1.1 billion second-quarter loss posted by its Chrysler Group unit as reasons for the decision.¹¹³ Georgia officials were quick to indicate that they would aggressively pursue other potential clients to relocate to the 1,550-acre site Governor Perdue terms "world-class." The state already had spent \$60 million (\$24 million to acquire the site and another \$36 million to prepare it for the automaker), and the state's ownership of the property certainly enhances its future prospects.

Hence, even though DaimlerChrysler will not proceed with its proposed assembly facility in Pooler, the realm of economic impact information collated on the plant's impact remains relevant for the purposes of this report. This information provides an insight into the kind of positive economic impacts that might be realized if and when the state convinces another client to locate their operations at the site.

When Georgia won the bidding war against South Carolina and Florida to construct the \$754 million assembly plant in Pooler (12 miles west of Savannah), the expectation was that construction would begin in July 2003, “barring any unforeseen changes in the economy.” In order to secure this plant, Georgia offered \$320 million in incentives, or \$67,000 per job. While the state portion of this incentive package totaled \$220 million (an amount that would be paid back in 10 years according to state officials), the remaining \$100 million came through local governments.

The new plant was expected to create 3,000 new jobs with a payroll of \$155 million, or an average of \$47,000 per worker, and would generate an additional 700 jobs once parts suppliers located nearby. While the direct economic impact of the facility was expected to be about \$180 million annually, the average salary was expected to total about \$19 per hour. The factory would absorb 2.3 million square feet, on 1,560 acres, near both the Savannah and Brunswick ports and the Savannah airport. As indicated before, these important intermodal transportation links remain critical variables in the calculations of automakers to locate their assembly operations in a state.

Once the plant reached full capacity in 2010, it was expected to produce 110,000 vans per year. The Sprinter cargo van has not made inroads into the U.S. market, even though it is quite popular in other parts of the world. In 2001, DaimlerChrysler sold 2,000 Sprinters in the United States, less than 2 percent of the 120,000 sold worldwide. In the context of DaimlerChrysler’s decision to phase out Dodge Rams this summer, the 7-year old Sprinter line was perceived as the ideal replacement model. The Sprinter’s target audience is electricians, contractors, carpenters and plumbers, who value fuel-economy and large cargo areas. The Sprinter already had secured its first domestic, large-scale corporate order: 1,900 Sprinters by Federal Express. While General Motors and Ford retain the majority of the U.S. commercial van market (39 percent and 46 percent, respectively in 2001), DaimlerChrysler occupies the remaining 15 percent. DaimlerChrysler expects to retain this margin and preferably increase it with the introduction of the Sprinters.

In terms of sequence, DaimlerChrysler was supposed to invest a little over \$450 million and create 1,800 jobs in the project’s first phase while building the Sprinter vans. The project’s second phase was supposed to amount to a \$300 million investment and create an additional 1,500 jobs. This expansion would have been to produce Vito passenger vans.

In an effort to lure the automaker to its borders, South Carolina reputedly offered an incentive package that totaled \$346 million, a record for the state. Florida, the other state that was in the running for the plant, was prepared to set aside \$15 million—as part of a much larger incentive package—to help build a DaimlerChrysler job training center in Jacksonville.¹¹⁴ Florida was eliminated from the race earlier in the process. Despite the plant not locating in South Carolina, the state and Jasper County, South Carolina, just across the Savannah River from the proposed Pooler, Georgia, site, was expected to see significant “spillover” economic activity as suppliers set up operations in proximity to the facility.

In July 2003, DaimlerChrysler announced that it had decided to postpone construction at the Pooler facility even though the state had already begun preparing for the plant’s construction. The land tract, purchased for \$24 million last year, has already been cleared of trees in addition to filling ponds, laying drainage pipes and building other essential infrastructure, all at an additional cost of \$36 million. The expectation was that when DaimlerChrysler decided to go ahead with construction, the site would have been ready.

In response to the swirling uncertainty about DaimlerChrysler proceeding with the Pooler plant, news reports in August 2003 indicated that state officials had given the company until the end of 2003, to decide on the plant.¹¹⁵ State officials noted that if there was no commitment by the end of the year, they would begin looking for an alternate company to use the land that the state already had begun preparing. While stressing that the notice was not an attempt to “force the issue,” the Georgia Department of Industry, Trade and Tourism noted that it was “only a report of where the state was in preparing a site that the automaker has said it was considering.” Given the September 2003 decision by DaimlerChrysler not to proceed with the plant, the state has made clear that it would in fact pursue other corporate possibilities for the site. In the aftermath of this DaimlerChrysler decision, state officials hinted strongly that they would scour the globe for a replacement automaker, including discussions at the highest level during Governor Perdue’s fall 2003, East Asia trip with executives at Toyota, Honda, Hyundai.¹¹⁶

» *Audi*

In June 2003, Governor Perdue and other officials with the state’s department of industry, trade and tourism traveled to Germany to meet with DaimlerChrysler officials regarding the Pooler facility. During this German visit, Georgia officials also met with senior management at Audi AG in Ingolstadt, near Munich.¹³⁰ The goal of this meeting was to convince Audi officials that if and when they decide on building a North American facility, they should locate their plant in Georgia. Audi, a subsidiary of Volkswagen, AG, has for the last decade or so repeatedly considered building cars in the United States. Once again, the presence of a high-end, European car manufacturer like Audi establishing its North American operations in Georgia would be a tremendous boon to the economic potential of the state.

» *Mahindra USA*

In May 2003, Mahindra USA, the U.S. subsidiary of Mahindra & Mahindra Ltd., the Bombay, India, based tractor manufacturer, established an assembly plant and manufacturing facility in Calhoun, Georgia.¹¹⁸ Mahindra & Mahindra is one of the largest tractor and light commercial vehicle manufacturers in the world and began selling their products in the United States in 1994. The company’s 60,000 square foot facility, located about 70 miles north of Atlanta, is located in an industrial park close to I-75 and has a planned annual production capacity of 6,000 tractors. According to Mahindra company officials, Calhoun was chosen over several other cities (Charlotte, North Carolina; Jonesboro, Tennessee; and Jacksonville, Florida) as the location for the company’s newest assembly plant because of its easy access to interstate highways, ports and Hartsfield-Jackson International Airport.¹¹⁹ This superior transportation network and the logistics benefits that would flow to dealers and suppliers was termed the pivotal factor in the company’s decision-making to locate in Calhoun.

» *Toyota Industries Automotive Supplier Plant*

In July 2002, Toyota Motor Corporation announced that it would build a \$60 million parts plant in Jackson County, Georgia, that would create 120 jobs by 2005. This Toyota operation, a joint venture with Denso Corporation, Japan’s largest auto parts maker, will manufacture compressors for automobile air conditioners and is located an hour north of downtown Atlanta off I-85. The initial investment calls for a 185,000 square foot plant to be constructed on a 152-acre tract of land near Pendergrass, Georgia. The jobs will have an average salary of \$60,000 a year, an amount three times the average salary in the county.