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Mercedes to Move U.S. Headquarters From New Jersey to Georgia

By **PATRICK McGEEHAN** JAN. 6, 2015

In the latest blow to New Jersey, which is still staggering from the recession, Mercedes-Benz USA said on Tuesday that it would move its headquarters to Georgia from Montvale, N.J.

Mercedes, the German automaker, is the second-largest corporate employer in Montvale and one of the largest in Bergen County. The company said that the move, scheduled to begin in July, would affect about 1,000 jobs.

State officials attempted to dissuade executives of the automaker by offering “sizable” financial incentives to keep its headquarters in the state, said Assemblywoman Holly Schepisi, a Republican whose district includes Montvale. After turning down that undisclosed offer, Mercedes will join other large companies closing operations in New Jersey and moving jobs to other states, usually in pursuit of lower costs.

“Mercedes USA made one thing very clear about its decision to leave — the cost of doing business and the tax environment is just too high here to be competitive with a state like Georgia,” said Michael Drewniak, a spokesman for Gov. Chris Christie.

To retain and attract jobs, the Christie administration has made generous use of tax breaks and other incentives, promising companies a total of nearly \$1 billion a year, according to legislative staff in Trenton. But Mercedes, which received an incentive package from Georgia that corporate-relocation experts estimated was worth as much as \$50 million, decided to follow the trend of car companies moving to the Southeast.

“New Jersey has been a wonderful home to our U.S. operations for our first 50 years, and still is today,” said Stephen Cannon, president and chief executive of Mercedes-Benz USA. “The state has worked tirelessly with us as we evaluated our options. Ultimately, though, it became apparent that to achieve the sustained, profitable growth and efficiencies we require for the decades ahead, our headquarters would have to be located elsewhere. That brought us to Atlanta.”

Press reports in Atlanta said that the company was considering a site in Sandy Springs, a city north of Atlanta that has been the American base of operations for another German automaker, Porsche. Several foreign car companies, including Mercedes, have built factories in the Southeast in the past decade or so. Mercedes has a plant in Alabama that produces half of the vehicles the company sells in the United States.

Bergen County has long served as a base for North American operations of European carmakers; BMW and Volvo also have headquarters there. John Boyd Jr., who runs a consulting business in Princeton that advises companies on site selection, said New Jersey officials should be contacting BMW executives before it is too late.

But Mr. Boyd, a principal at The Boyd Company, added that “this doesn’t necessarily mean that BMW is going to pack up and leave next year.” Mr. Boyd said that New Jersey’s high taxes, particularly its tax on personal income, were a factor often cited by corporate executives in deciding whether to move or stay in the state. He said that he was “not as dire on New Jersey as many other experts are” and he praised the state’s incentives for economic development.

Still, the loss of the Mercedes jobs will only add to the difficulty New Jersey has had in recovering from the financial crisis that engulfed the country six years ago. New Jersey’s unemployment rate fell to 6.4 percent in November, still higher than the national rate of 5.8 percent.

The Montvale area continues to cope with the loss of the headquarters of Hertz, which announced in 2013 that it would relocate most of its 550 jobs to southwest Florida. Ms. Schepisi sounded downcast after hearing the news from Mercedes.

“It could be a very big deal because you are talking about an impact that goes beyond the loss of the jobs at Mercedes to the local vendors who service the company, your small business, your restaurants, your dry cleaners,” Ms. Schepisi said. “There were discussions to offer sizable incentives to retain Mercedes in its current form within the state. But you can’t go beyond a place where it doesn’t make sense from a net positive perspective for the state.”

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