BUSINESS
NORTH CAROLINA

Toyota's choice hurts, so what's next for North Carolina?

By David Mildenberg - January 10, 2018

The Triad area is licking its wounds today because of the disappointing news that Toyota and Mazda chose Alabama for a $1.6 billion auto-manufacturing plant that many thought was headed to North Carolina.

We asked economic-development consultant John Boyd to discuss the decision. His New Jersey-based company has advised dozens of businesses in site-selection decisions. His comments are edited for clarity and brevity.

What should North Carolina think about the decision?

I'd say take heart that you were the finalist and a proud bridesmaid in this coveted search. The center of gravity of the auto industry has shifted from Michigan and the Rust Belt to the Deep South. It's not just the South, but Mississippi, Alabama and Georgia. That's where there's been a vast migration of that industry's supply chain, technical support and talent.

South Carolina has a big auto industry now with BMW established and Volvo coming into Charleston. But that is as far north as it goes right now in the South.

It was just a bridge too far for N.C. to compete with Alabama because there are several other auto manufacturers already in that vicinity.

How should North Carolina respond?

There are still some big-picture trends that will work for North Carolina. You have a very positive business climate, a more than competitive cost profile and there is migration of offshore manufacturing coming back to the states. There are many projects out there to be had.

The state needs to expand its horizons beyond auto manufacturing. I'd point to promising areas including medical devices and aerospace, both of which are high-growth industries. The Obamacare tax on medical devices is just kicking in, and that is a very onerous tax that the industry has fought for years. It is forcing device makers to focus on their costs, and North Carolina's intellectual capital in pharmaceuticals and health care and the state's low operating costs would be attractive to the medical device companies. Many of them are operating in high-tax places like Minnesota, California and the Northeast.

And prospects for aerospace are great because there is such tremendous demand for new aircraft in the developing nations of Asia and the Middle East.

OK, but the decision still hurts. Anything else to add?

You need to remember that Asian companies do not like to be pioneers. They feel comfortable where there is a precedent of that industry and they feel very comfortable in the Deep South. Alabama was an easier choice for them to make.