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With room to expand, giant Toyota-Mazda plant signals big win for U.S. Southeast

by John Lippert - Bloomberg - Jan 11, 2018



Toyota Motor Corp. President Akio Toyoda speaks at a news conference Wednesday in Montgomery, Alabama, where automakers Toyota and Mazda announced plans to build a \$1.6 billion joint-venture plant in Huntsville that will eventually employ about 4,000 people.

CHICAGO – The prized \$1.6 billion car factory awarded to Alabama by Toyota Motor Corp. and Mazda Motor Corp. could be an even bigger win than expected, as the site’s size leaves plenty of room for future expansions.

The 2,500-acre (1,000-hectare) Huntsville location announced Wednesday is more than twice as big as the 1,100 acres the partners targeted initially, according to Bob Carter, Toyota's sales chief for North America.

"We always like to have plans and options for the future," Carter said, when asked if the bigger parcel is intended to accommodate expansions. He said the company has no additional announcements to make at this time.

The automakers had been narrowing the list of locations for months before choosing the site just 14 miles (around 22 km) from Toyota's nearby engine plant. The final location in the mostly nonunionized South also came with tax credits, abatements and training worth \$370 million, said Jerry Underwood, a spokesman for the Alabama Department of Commerce. The factory is expected to create 4,000 new jobs, which President Donald Trump praised during his November trip to Tokyo.

The city of Huntsville will vote on more incentives Thursday, Underwood said. The details aren't final yet, but the combined total will be less than the \$1 billion in incentives Toyota and Mazda targeted at the beginning of the process, he said.

A workforce already well-versed in the industry also helped contribute to the site selection. The Huntsville area has 50,000 auto-related jobs, Carter said, calling the new plant an "additive to an already-robust manufacturing sector in northern Alabama."

The shared factory, set to open in 2021, is the only new auto assembly plant to be announced under Trump, who has pressured Toyota and other carmakers to make more of their vehicles in the U.S. It will be Toyota's 11th assembly plant in the U.S. — its biggest market — and Mazda's first. Mazda will produce crossovers alongside Toyota Corolla compacts at the facility.

Once the factory begins output, the state will pass Kentucky to become the South's biggest automaker, a forecast from IHS Markit shows. The following year, it will edge out Indiana to become No. 2 in the country, behind only Michigan.

Alabama ranked 44th out of 48 mainland U.S. states in overall manufacturing costs last year, contributing to its appeal, said John Boyd, a site selection specialist based in Princeton, New Jersey, who didn't work on this deal. Alabama and its neighbors have also pioneered the development of state-run worker training programs, he said.

"The center of gravity for the U.S. auto industry is in the Southeast right now," he said. "The Toyota-Mazda announcement really puts an exclamation point on this."