

NC's lack of automaker plant presence may boost chances at landing Toyota-Mazda project

By Richard Craver Winston-Salem Journal – August 14, 2017



David Rolfe/Journal

What may have been North Carolina's biggest economic missing link for decades — a major automobile manufacturing plant — could prove to be its top selling point as the next game-changing project drives up.

On Aug. 4, officials from Toyota Motor Corp. and Mazda disclosed plans for a \$1.6 billion, more than 4,000-employee U.S. plant that likely could include electronic vehicles — Corollas for Toyota and crossover vehicles for Mazda. The goal would be to start production in 2021.

Multiple media reports list at least 11 states in contention for the project, including some Southeast states already with one or two foreign automaker plants.

North Carolina is likely to be a front runner for the plant because of the absence of another automaker in the state, according to John H. Boyd, a principal in The Boyd Co. Inc., a New Jersey site-location consulting company.

“The plant will be a new-generation plant housing state-of-the-art, emerging technologies in artificial intelligence and auto connectivity,” Boyd said. “Electric and autonomous cars are vehicles of the future — and not the distant future, either.”

The governors of Alabama, Kentucky and Tennessee have wasted little time pursuing the project, touting current successes of plants in their states.

Meanwhile, analysts, local and state economic officials expressed confidence last week that the timing is right for North Carolina.

State Commerce Secretary Tony Copeland told The News & Observer last week that state officials are “having discussions with all the interested parties that would be involved with this project.”

“We’re actively involved with this. Everyone is being briefed and kept in the loop from the executive on down through Commerce.”

North Carolina’s pluses include:

- Four megasites, including the Greensboro/Randolph County site near Liberty, two near the Triangle and in Rocky Mount;

The Greensboro-Randolph site has 1,774 acres dedicated to the project, while the Chatham-Siler City site has at least 1,800 acres, and the Moncure site outside Wake County has 2,285 acres.

“An auto plant is such a ‘crown jewel’ that the excitement and positive publicity over it would, I think, generate support for a generous incentives package,” said Michael Walden, an economics professor at N.C. State University.

- Enhanced infrastructure, including railroad and interstate connections;
- The dissipation of much of the economic shadow from the House Bill 2 transgender restroom law;
- Renewed and bipartisan legislative commitment toward committing tens of millions of dollars in annual economic incentives toward a megaproject, and;
- Perhaps most important, the political prowess held by the nation’s ninth largest state and a Republican-leaning congressional delegation without any current automaker loyalties.

“North Carolina, and the area in central North Carolina in particular, is perfectly situated, and prepared, to compete for and win the next manufacturing facility for Toyota/Mazda,” said Stan Kelly, president and chief executive of Piedmont Triad Partnership, which serves as a point group for economic recruitment.

“We have assembled megasites and invested in their planning and infrastructure. Our workforce is focused on manufacturing, and our training partners are prepared to sharpen the skills in our workforce pipeline.”

Local and state election officials “are prepared to meet the needs of a transformational employer,” Kelly said.

Southeast auto plants

The following are manufacturing plants operated by foreign automakers in the Southeast:

- BMW Group — South Carolina (BMW X 3, 4, 5, 6 and a planned 7)
- Daimler AG — Alabama (Mercedes-Benz GLE, GLS, and C Class); South Carolina (Mercedes-Benz Sprinter and Metris (CKD. reassemble only)
- Honda — Alabama (Honda Odyssey and Pilot, and Acura MDX)
- Hyundai — Alabama (Hyundai Elantra, Sonata, and Santa Fe)
- Kia — Georgia (Kia Optima and Sorento)
- Nissan — Tennessee (Nissan Leaf, Altima, Maxima, Rogue, and Pathfinder, and Infiniti QX60)
- Toyota — Kentucky (Toyota Camry and Avalon, and Lexus ES350); Mississippi (Toyota Corolla); Texas (Toyota Tacoma and Tundra)

Source: Larry Hungerford research

Timing

Given the state’s rich manufacturing heritage, including the HondaJet plant in Greensboro and Thomas Built Buses and Freightliner plants in the Triad and Rowan County, it seems to defy economic common sense for North Carolina to have struck out to date on an automotive manufacturing plant.

Copeland said there are nearly 300 auto manufacturing enterprises in the state.

Walden has labeled North Carolina as “a bridesmaid state” because of its lack of success despite a number of finalist appearances.

The Triad has been here before as recently as 2007, when what is now known as I-85 Corporate Center in Davidson County emerged as one of four finalists for a Toyota plant that at that time would have made 150,000 Corollas a year.

However, Davidson economic officials were unable to secure all of the 2,400 acres; Toyota chose to build in Blue Springs, Miss., what became a Tundra truck production plant.

The industrial park landed its first major tenant July 24 when Austrian furniture and flooring industry supplier Egger Wood Products committed to a \$700 million, 770-job project. The first phase, which is expected to take six years, will include 400 jobs and a \$300 million investment.

The other best opportunities for a Triad-based automotive plant was connected to a site near Mebane in Alamance County pitched to BMW and Mercedes Benz in the early 1990s.

In both cases, the state that won the project (South Carolina for BMW and Alabama for Mercedes Benz) outbid North Carolina in economic incentives.

In both examples, North Carolina elected officials from Gov. Jim Hunt on down were reluctant to provide a record incentive package with the state economy in full recovery mode from the 1991-92 recession.

Hunt said in a July 2005 interview with the Winston-Salem Journal that Mercedes-Benz executives told state officials that the project would not be driven by incentives, and that it viewed the state's business and educational climate favorably.

"But it proved to be driven by incentives, and we were outbid," Hunt said.

"We knew then that we were not competitive in incentives and didn't have the tools to attract highly capitalized companies that offered the potential for industry clusters."

The Mebane golf course now serves as a Tanger Factory Outlet development.

This time around, the Republican-controlled state budgets for 2017-18 and 2018-19 committed up to \$50 million in economic incentives toward a "transformative" project that would require a \$4 billion capital investment and 5,000-employee commitment.

The budget allows state economic officials to commit to offering up to \$35 million for a high-yield project. Those projects would require at least \$200 million in capital investments be made by a recipient and at least 2,000 full-time or full-time-equivalent jobs created.

A political perspective

For foreign automobile manufacturers, operating a plant in North Carolina could be advantageous from a political perspective since it has 13 U.S. House representatives, 10 of which are Republican, Boyd said.

"Make no mistake about it — companies are increasingly thinking about their clout in Washington," Boyd said.

“They are motivated to expand in states where they currently do not have a physical presence — and encourage their suppliers to do likewise — all in order to gain the ears of two additional U.S. senators and House members in order to help influence tax, trade and regulatory policies, as well as to gain an edge in winning federal contracts.”

Boyd said foreign auto manufacturers typically like to operate in right-to-work states.

Boyd said what distinguishes the Moncure site from the other N.C. sites is its dual rail (CSX & Norfolk Southern) capabilities and its presence near the Triangle.

“What it may like come down to — other than the political access angle — is how Toyota and Mazda executives view these areas as an attractive place to relocate and recruit top technical talent at startup and in the years ahead,” Boyd said.

Mark Williams, board chairman of Site Selectors Guild, also considers North Carolina to have a good chance of winning the project.

“North Carolina is more competitive than ever before as it relates to their business tax climate based on the latest ratings from the Tax Foundation and the continuing lowering” of the state’s corporate tax rate.

Since 2013, the Republican-controlled legislature has reduced the state’s corporate tax rate from 6.9 percent in 2013 to 3 percent in 2017 — the lowest in the country for states that have a corporate tax rate. There are plans to reduce the rate to 2.5 percent by 2019.

“Skilled talent will drive location,” Williams said. “Where Toyota has facilities now, the regions have strong vocational-technology partnerships with Toyota.”

North Carolina helped convince Caterpillar Inc., Dell Inc. and Honda Aircraft Co. to build major production plants in Winston-Salem in part because of skills training offered by Forsyth and Guilford Technical community colleges.

“Very important, Toyota is very tactical, as are most globally based companies, on spreading the wealth with the U.S. congressional delegations,” Williams said.

“That will be analyzed by the team to see where they need to shore up congressional support.”