

Back on the manufacturing map: Planned Toyota battery plant and potential for supersonic airplane maker spark hopes for major economic revival in Triad

Richard Craver – December 11, 2021



Dec. 6, 2021 announcement by Governor Roy Cooper that Toyota will build an automotive battery plant near Greensboro

Manufacturing fired the economy of North Carolina for more than 145 years.

Furniture, textiles and tobacco production served as economic engines for decades before the emergence of the financial services industry in Charlotte and the healthcare research and innovation sectors of the Triangle.

Yet, much of the 21st century hasn't been kind to Triad manufacturing.

There's been the licking of wounds as massive amount of production was shipped to lower-cost options offshore, leading to losses of tens of thousands of jobs. Employment shrank further from automation, consolidation and poor corporate business planning.

That's likely why there was more of a celebratory feeling — beyond just pats on the back — with last week's news that Toyota Motor North America Inc. had chosen the Greensboro-Randolph Megasite for a \$1.29 billion production plant with 1,750 employees initially when production begins in 2025.

Toyota Battery Manufacturing N.C. will build lithium batteries for hybrid and electric vehicles in what could be the biggest single capital investment in state history.

That's also heightened optimism for a potential airplane manufacturing plant at Piedmont Triad International Airport — identified as Boom Supersonic in media reports and by local elected and economic officials — that could produce another 1,750 jobs and at least a \$500 million capital investment between 2025 and 2029.

It's more than a back-to-the-future feeling for a Triad relying on aerospace, advanced manufacturing and logistics to complement its traditional sectors.

It's also a palpable sign that a manufacturing revival isn't just a dream, but is grounded in reality.

Bridesmaid no longer

For nearly 30 years, the Triad and North Carolina have been bridesmaids among southeastern states when it comes to landing an automotive manufacturing plant — the most coveted of economic-development projects because of their ample spillover impact.

Even though the Greensboro-Randolph Megasite was the only runner-up for the Toyota-Mazda joint venture plant in January 2018, it left a substantial impression on Toyota North America executives.

Toyota described the mega- site as a “shovel-ready site featuring the ideal combination of strategic location, world-class workforce and unparalleled transportation infrastructure.”

Chris Reynolds, Toyota Motor North America's executive vice president for corporate resources, cited North Carolina's “extensive and well-maintained infrastructure, four international airports and two seaports, its consistent ranking as one of the top states to do business, its world-class education system and, importantly, its outstanding and diverse workforce.”

The plant will have four production lines, each capable of delivering enough lithium-ion batteries for 200,000 vehicles a year.

A second phase for the joint venture could involve an additional 3,875 jobs and an additional \$3 billion in capital investments. With two additional production lines, the plant could produce enough batteries for up to 1.2 million vehicles annually.

Foremost among the state's advantages has been its lithium sector, including the world's largest provider of lithium to the EV battery industry, the largest known hard rock lithium deposit in the U.S., and the highest concentration of advanced lithium-processing experts outside of China.

Those elements, Toyota said, make North Carolina "the ideal location for companies entering and operating in the EV ecosystem."

"It's clear the world is beginning to embrace a clean energy future and today's decision puts North Carolina front and center."

Transformational

During the Dec. 6 celebratory announcement, Gov. Roy Cooper, legislative and economic officials, and Toyota representatives invoked some form of the "T" word — transformational — to describe the potential magnitude of the project.

"Transformational is a hefty term, but one that I do believe characterizes the \$1.3 billion Toyota project coming to the Triad," said John H. Boyd, a national corporate site-selection expert based in New Jersey.

"After being a finalist over the years competing for internal combustion-engine vehicle plants of BMW, Volvo, Mercedes, and Toyota itself, North Carolina becomes a huge winner and on the right side of history as the auto industry makes its historic shift to electric power.

"Timing is everything in economic development, and timing is certainly a friend to North Carolina as it makes its mark at the cusp of a new era for the North American auto industry," Boyd said.

The Toyota plant could be as transformational for the Triad "as IBM was for the Triangle and Bank of America for Charlotte," said Michael Walden, an economics professor at N.C. State University.

"The Triad was attractive for Toyota due to the region's quality transportation — rail, interstates, airport, access to labor and training, an attractive cost-of-living (10% under the national average), and a ready-to-go site.

"As the Triad develops a core level of transportation-related firms and skilled labor, the region will be attractive for similar investments in the future," Walden said.

Long-planted seeds

The Toyota project represents the first fruits on long-planted seeds involving the Greensboro-Randolph Megasite, according to Keith Debbage, a joint professor of geography and sustainable tourism and hospitality at UNCG.

“Megasites take time to assemble, and are complex and high risk with a lot of upfront public investment,” Debbage said.

“But, the return on investment can be substantial. That has now happened in the case of Toyota.”

Debbage said there are promising odds that Toyota “will quickly move to build an electric vehicle plant adjacent to the battery factory in the immediate years to come.”

“Such an evolution would place the Triad on the cutting edge in carbon neutral automobile production in a market that is likely to explode in demand in the coming years.”

Debbage said he briefly worked on the Greensboro-Randolph Megasite Foundation in its early stages.

He said he’s amazed that the project has become reality in part because of how the megasite and a potential automotive manufacturing plant initially were received by neighbors to the site.

“A large group of Randolph County residents that had organized a ‘No Megasite’ campaign packed the public hearing which lasted well over five hours before the commissioners finally voted to buy several hundred acres in the megasite region,” Debbage said.

“It was no normal presentation, I can tell you.”

When Debbage refers to transformational, he says it is in the context that the Triad has struggled mightily to develop a new economic identity” over the past 10 years.

“It seems we are about to turn a corner and build a new economic niche grounded in aerospace, transportation and logistics, particularly in Guilford County,” Debbage said.

“Additionally, both the Toyota and PTI megasite developments are in sectors of the economy — automobile production and aerospace — that typically generate income and employment multipliers of three to five jobs or dollars generated offsite by related suppliers and buyers.”

Boyd said not to discount the influence of putting a plant in North Carolina for Toyota, giving it the ears of two more U.S. senators and soon-to-be 14 more U.S. representatives.

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

Missed opportunities

North Carolina has been painfully aware for nearly three decades that it has been shut out when it comes to having an automotive manufacturing plant.

A site in Mebane was pitched as an advantageous plant site to BMW and Mercedes Benz in the early 1990s.

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.

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

But in both cases, South Carolina and Alabama outbid North Carolina in incentives. BMW went to South Carolina and Mercedes went to Alabama.

"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," Hunt said.

That site in Mebane eventually was turned into a Tanger Factory Outlet complex.

Other near misses followed over the next 28 years, including Toyota twice, along with Volkswagen and Volvo.

Finding a path

The near-miss in 2017 with the Toyota-Mazda plant likely stung the most, but the postmortem period appears to have brought some clarity to the pursuit of a major automotive manufacturing presence in North Carolina.

When Huntsville, Ala., won the competition for a \$1.6 billion Toyota-Mazda auto-production plant, there was an understandable level of despondency and frustration.

After all, the state seemingly threw the economic version of the kitchen sink — including incentives valued at \$1.5 billion — into snagging a major auto facility and still fell short. The offer was nearly five times the \$380 million in incentives committed by Alabama.

Some wondered if it might not be possible for North Carolina to make up for the 29-year infrastructure and supply-chain head start that Alabama and South Carolina enjoy.

Yet, North Carolina continued to stay in the game in part because of its manufacturing heritage and coveted worker-training programs.

“North Carolina had all the pieces, but needed to land a marquee plant to prove that the state is a viable site for automotive manufacturers,” said Mark Vitner, senior economist with Wells Fargo Securities.

“The timing on this announcement is also likely fortuitous. The EV business appears set to take off in coming years, and there is good chance Toyota will follow through with an expansion in coming years.

“EVs are going to account for a growing share of light vehicles over the next few years, and we are also like to see pop-up assembly plants for delivery vehicles and small buses,” Vitner said.

Boyd said the Triad may have benefited in a way from not having a major manufacturing presence of gasoline-powered automobiles.

“The EV industry site selection requires a whole different set of suppliers and skill sets than internal combustion engine manufacturing,” Boyd said.

“It’s ones that the Triad can easily access, along with its logistics strengths of being able to serve the U.S. huge consumer market stretching from New York to Atlanta.”

Ripple effects

As invigorating as having between 1,750 and 5,625 Toyota jobs sounds, the real key to the project will be unlocking the housing, retail and other socioeconomic ripple effects.

After all, without single- and multi-family housing springing up like daisies near the 1,825-acre site, most workers would face a significant commute from Greensboro, High Point, Asheboro and Forsyth County.

Greensboro and Randolph economic officials could not be reached for comment about whether the water and sewer lines that will be created for the Toyota plant will be branched out to support housing and retail.

Yet, recalling Debbage’s experience with anti-megasite advocates, it may be a tough sell convincing more people to sell more farmland and other family- owned tracts for the purpose of residential developments filled with hundreds of homes.

Boyd said that Toyota is known for hosting suppliers within its assembly plant campuses with San Antonio being a good example.

“Look for the megasite to be housing suppliers of Toyota as well,” he said.

Vitner said the Toyota battery manufacturing plant is likely to encourage other corporations, including outside the automotive sector, to give North Carolina another look.

“Success also breeds success,” Vitner said.

“I expect to see a substantial increase in economic development announcements in coming years. Businesses are striving to build resiliency to their supply chains, which means we should see more reshoring of manufacturing operations.

“The Triad is well-positioned to benefit from this, as it is a relatively low-cost place to do business and has seen considerable investment in its highway infrastructure, which has increased access to the rest of the country.”

Debbage said that “it’s hard to overstate the magnitude of this recent news regarding the potential economic opportunity these developments (Toyota and the PTI project) will likely provide Triad residents.”

“The likely spillover and spinoff effects of both these developments and the branding and renewed identity this provides our region is substantial.”