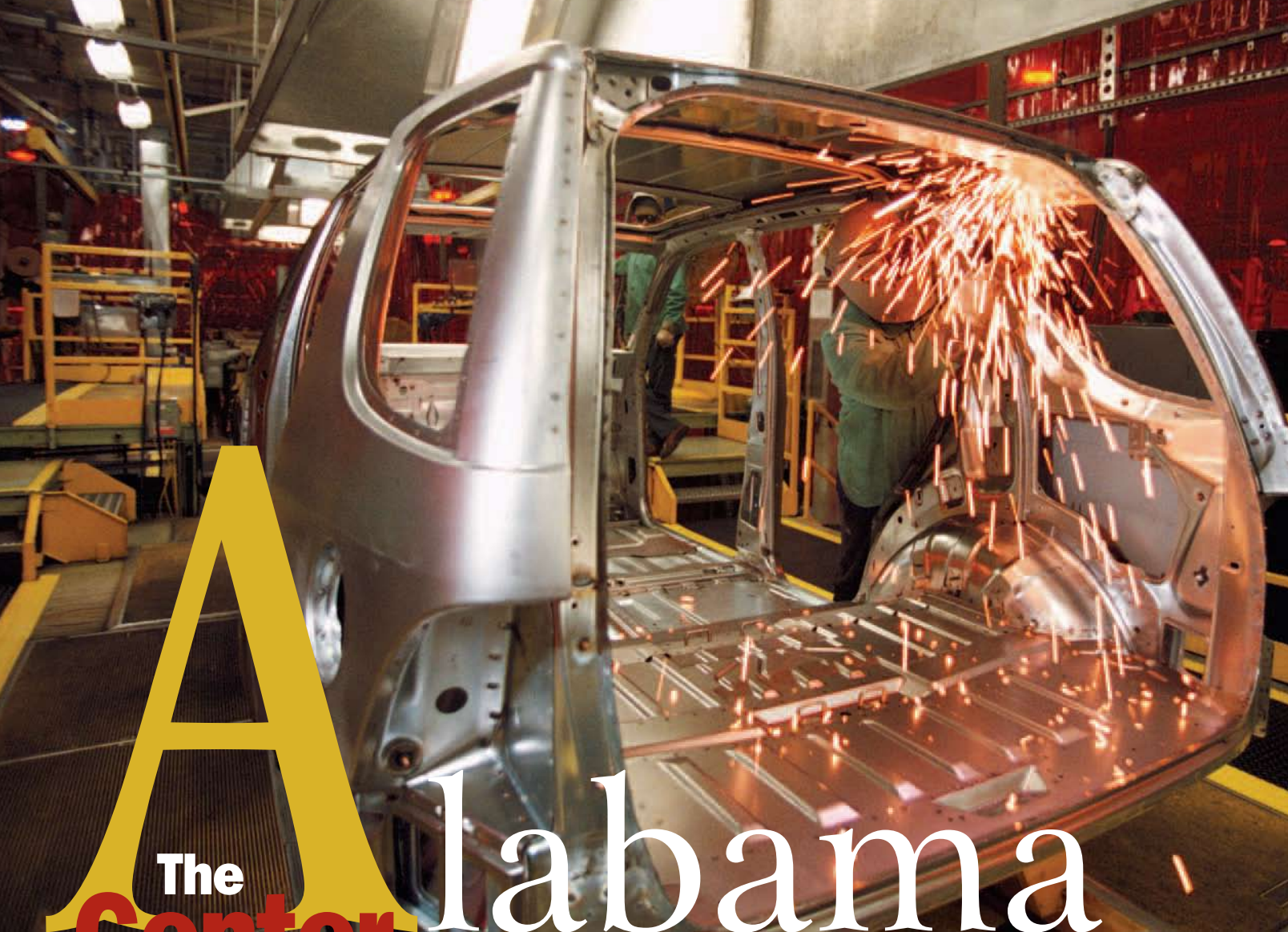


A Alabama

The
Center of the New
Automotive Universe



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The Alabama Center of the New Automotive Universe

For nearly a century, America's automotive universe revolved around the Midwest, but in the past 15 years, that universe has been inching toward the Southern Automotive Corridor.

The South has become the fastest growing automotive region in North America and it's getting bigger every day. Both OEMs and suppliers have discovered the South offers wide open spaces, abundant skilled labor and positive relationships with government to get things done. Most of all, it offers the highest profitability of any region in the U.S.

While many southern states offer outstanding automotive advantages, Alabama has a unique claim to fame. If you stand in the middle of the state of Alabama, in virtually every direction there is an automotive OEM, or soon will be. To the north are Toyota, Nissan and Saturn, to the South is Hyundai, to the west Mercedes, to the east Honda, to the southeast there's Kia, and soon to the northwest will be Toyota. There are few, if any, states or territories that can say that about the automotive industry. That makes Alabama the center of the NEW Automotive Universe.



ALABAMA'S AUTOMOTIVE INDUSTRY
IS EVEN LARGER THAN IT APPEARS.

Already, we're home to Mercedes, Honda, Toyota, and Hyundai. And not only have these four leading manufacturers chosen our state as home, but today they're growing, expanding, and attracting dozens of new suppliers - companies that have also discovered the considerable advantages Alabama offers. We're now America's most vibrant new auto manufacturing corridor, in the center of the nation's fastest growing auto production region. So all the reasons that made Alabama so compelling in the first place, now make more sense than ever. **Alabama.** We're Moving Here.

For more information, contact the Economic Development Partnership of Alabama at 800.252.5453, fax 205.943.4703 or info@edpa.org.

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Honda Manufacturing of Alabama had the 1 millionth vehicle roll off the line on November 3, 2006.



Hyundai facility under construction in Montgomery, Ala. in 2003.

From Zero to 800,000

By Laura Hendrix Corbin

ALABAMA WENT FROM ZERO TO 800,000 IN LESS THAN 15 YEARS. **in less than 15**

Before Mercedes-Benz selected Alabama in 1993 as the home of its first North American manufacturing facility, no automobiles had ever been produced there; now, in 2007, more than 800,000 cars will come off assembly lines for Mercedes, Honda and Hyundai in this state that has become the center of the new automotive universe.

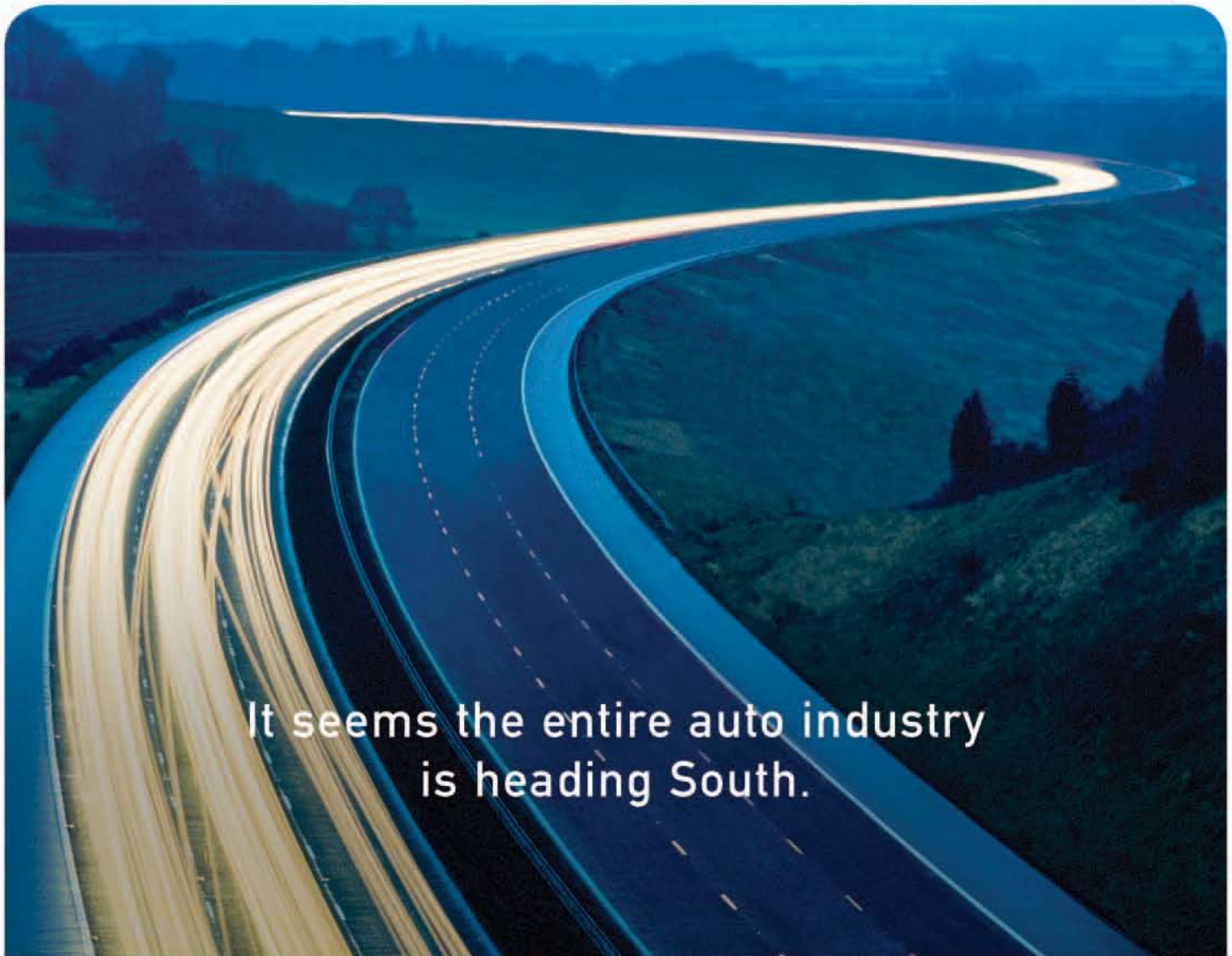
As the Great Lakes Region, home to the big three domestic automakers, looks on, the Southern Automotive Corridor con-

tinues to enjoy a shifting of the industry focus. The big names in the international automotive manufacturing arena continue to land here – bringing along a supplier network that shows no signs of slowing down, much less stopping.

“The industry has grown exponentially over the past 10 years,” Dr. Samuel N. Addy, director and associate research economist for the Center for Business and Economic Research at the Culverhouse College of Commerce at the University of

Alabama, says. “The first vehicle from Alabama’s automotive industry, the Mercedes M-Class, was produced in 1997. Over the past 12 years, the industry has gone from vehicle production to making parts, engines, and several different models, some of which are solely produced in the state. We make SUVs, sedans and a mini-van. Commercial truck production is coming soon. Expansions are going on at the OEMs and there’s talk of more prod-

(continued on 56)



It seems the entire auto industry
is heading South.



Mercedes. Honda. Toyota.
Hyundai. Ford. GM. Nissan. Kia.
There's been a change in the
automotive landscape, and all
these companies now call the
South home.

At the center of the shift
is Alabama. And why not?
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workforce, a vast supply of

industrial buildings and sites, and an array of incentives and support for new or expanding businesses.

Contact us for a free, confidential site selection service or to learn more about the many opportunities for expansion that exist here in Alabama.

ALABAMA FACTS

- Over 3.5 million automobiles were produced in the Southeast in 2006
- 699,388 automobiles were manufactured in Alabama in 2006
- Alabama ranks 8th in U.S. car and light truck production



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THE CENTER OF THE NEW AUTOMOTIVE UNIVERSE

Automotive Industry Continues to Grow in Alabama

While Alabama obviously hasn't landed every automotive-related facility that has located in North America, it has been considered for most since being selected in 1992 by Mercedes-Benz for the international automaker's first North American manufacturing facility.

Mercedes put the "Good Housekeeping Seal of Approval" on Alabama, says David Hutchison, director of the recruitment division of the Alabama Development Office. In effect, Mercedes has made the site selection decision for numerous other automotive manufacturers and auto-related companies, including Honda and Hyundai.

These manufacturers are finding success at every turn, it seems, and that has led to increases in production, investment and job creation.

Mercedes' Tuscaloosa County site has seen two expansions since beginning production in 1997, the most recent a \$600 million investment completed in early 2005 to double the plant size and production to 160,000 units. The total investment in the Alabama facility now represents \$1 billion and 4,500 workers. When it reaches full capacity over the next two years, the plant will account for a fifth of the Mercedes Car Group's total revenues.

Production on the award-winning Honda Odyssey minivan began in November 2001 – six months ahead of schedule. After two expansions, Honda has doubled production capacity to 300,000 engines and vehicles per year and total investment reached \$1.2 billion. A second assembly line began mass production of the Pilot sports utility vehicle and engine in April 2004 and in August of that year, all Odyssey production in North America shifted to Alabama. Also in 2004, Honda announced a \$70-million, 100-job expansion at the facility to machine low-tolerance engine components. Today, the facility employs 4,500 people, and in October 2006 it was announced that Honda Manufacturing Alabama also would become the sole production source of the Pilot.

Hyundai's \$1.1 billion, 2 million-square-foot complex, which employs 2,700 people, produced the 2006 Sonata sedan and the next generation 2007 Santa Fe sport utility vehicle. At peak production, 300,000 vehicles and engines will be produced each year.

The success of these big automakers hasn't gone



unnoticed, evidenced by the increasing automotive cluster in and around Alabama. "When Alabama has not been selected for an automotive-related facility, it seems the sites selected still are close enough to us so that Alabama still has benefited," Hutchison points out.

Kia, for example, chose Georgia for its manufacturing facility – a site that's only about two miles from the Alabama state line. Toyota's Tupelo, Miss., facility is within an hour's drive of the line.

This automotive cluster provides opportunities – synergy – for the supplier network, bringing investment and jobs to the entire region.

The automotive supplier network itself is a draw for more such facilities.

"The network has expanded, and some of the companies that originally supplied Mercedes exclusively, for example, now have expanded to take advantage of supplying the other OEMs in the state," according to Lamar Smith of Alagasco, Alabama's largest natural gas utility. "Alabama is home to many of the household names in terms of automotive suppliers. With so many OEMs in and surrounding Alabama, the opportunities are still unlimited."

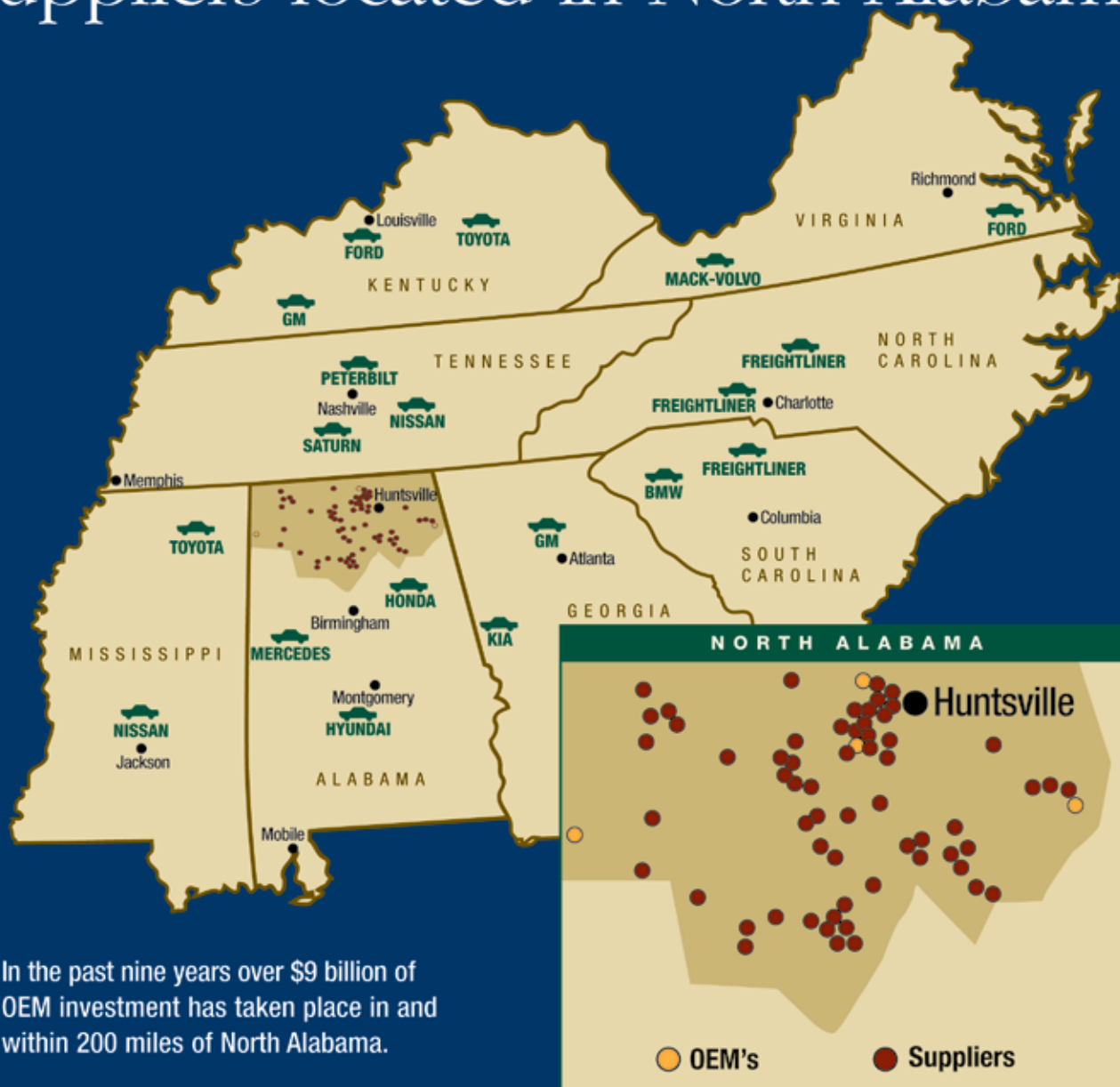
Dr. Samuel N. Addy, director and associate research economist for the Center for Business and Economic Research at the Culverhouse College of Commerce at the University of Alabama, agrees: "The industry is nowhere near maturity. Every single plant has room to grow. In fact, one industry expert is projecting production of more than 1.2 million vehicles in Alabama by 2012. I will not be surprised if we have another OEM by then, too. In that case, we could surpass 1.2 million automobiles."

Getting automotive research and development, including design, and marketing components, would complete the industry for Alabama, Addy says. "The cluster is forming with growth of the industry as related industries form and grow."

Alabama has extended itself in many ways to help its automotive companies succeed, experts note. The proof is that Alabama – and other states across the South – are attracting competitors because the business climate (in addition to the weather) is so favorable.

The future of Alabama, the new center of the automotive universe, will continue to shine as the stars in the automotive industry align for a bright future.

Come join the 60+ automotive suppliers located in North Alabama



- In the past nine years over \$9 billion of OEM investment has taken place in and within 200 miles of North Alabama.
- Alabama's vehicle production in 2006 was 760,000 units, making motor vehicles Alabama's top export at more than \$2.1 billion.
- With national recognition as innovators in economic development, NAIDA and TVA can show you why North Alabama should be your next home.

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ucts. Capacity was at three-quarters of a million in 2005; two new products – the Hyundai Santa Fe and the Mercedes GL – were begun in 2006.”

In addition to the assembly plants for Mercedes-Benz, Honda and Hyundai, other automakers have chosen Alabama to build their engines, including International Diesel, which produces advanced technology diesel engines in the state. When Toyota built its first V-8 engine facility outside of Japan in 2003, it selected Alabama.

**Motor vehicles
were Alabama's
top export
in 2006
totaling 35
percent of the
state's total
exports at
more than
\$4.9 billion.**

Over the past 10 years, the automotive industry has invested more than \$7 billion and created more than 45,000 new direct jobs and 80,000 indirect jobs, accounting for a payroll of nearly \$5 billion in Alabama.

“It all started with Mercedes in the early 1990s, with Honda announcing in 1999 and Hyundai following in 2002,” David Hutchison, director of the recruitment division of the Alabama

Going International

When visiting Alabama, you might detect an accent – one that isn't necessarily indigenous to the Deep South.

With the growing automotive industry locating in this state, the influx of international influences cannot be ignored – and who would want to? The industry itself is being driven by the biggest names in the world in vehicle manufacturing.

Mercedes-Benz, Honda, Hyundai – all three have auto manufacturing facilities in Alabama – while Toyota has an engine production plant.

It's something no other state has – four major international names in the automotive industry.

In fact, Alabama is “where foreign carmakers are redefining the auto industry in America,” according to the New York Times in a 2005 article, “Foreign Makers, Settled in South, Pace Car Industry.”

“Automakers from overseas first began building manufacturing plants in this country in the 1970s largely as a defensive response to protectionist threats,” the article reads. “But even as General Motors and Ford have been announcing thousands of job cuts, the foreign automakers are aggressively building new factories and expanding plants they opened not long ago.”

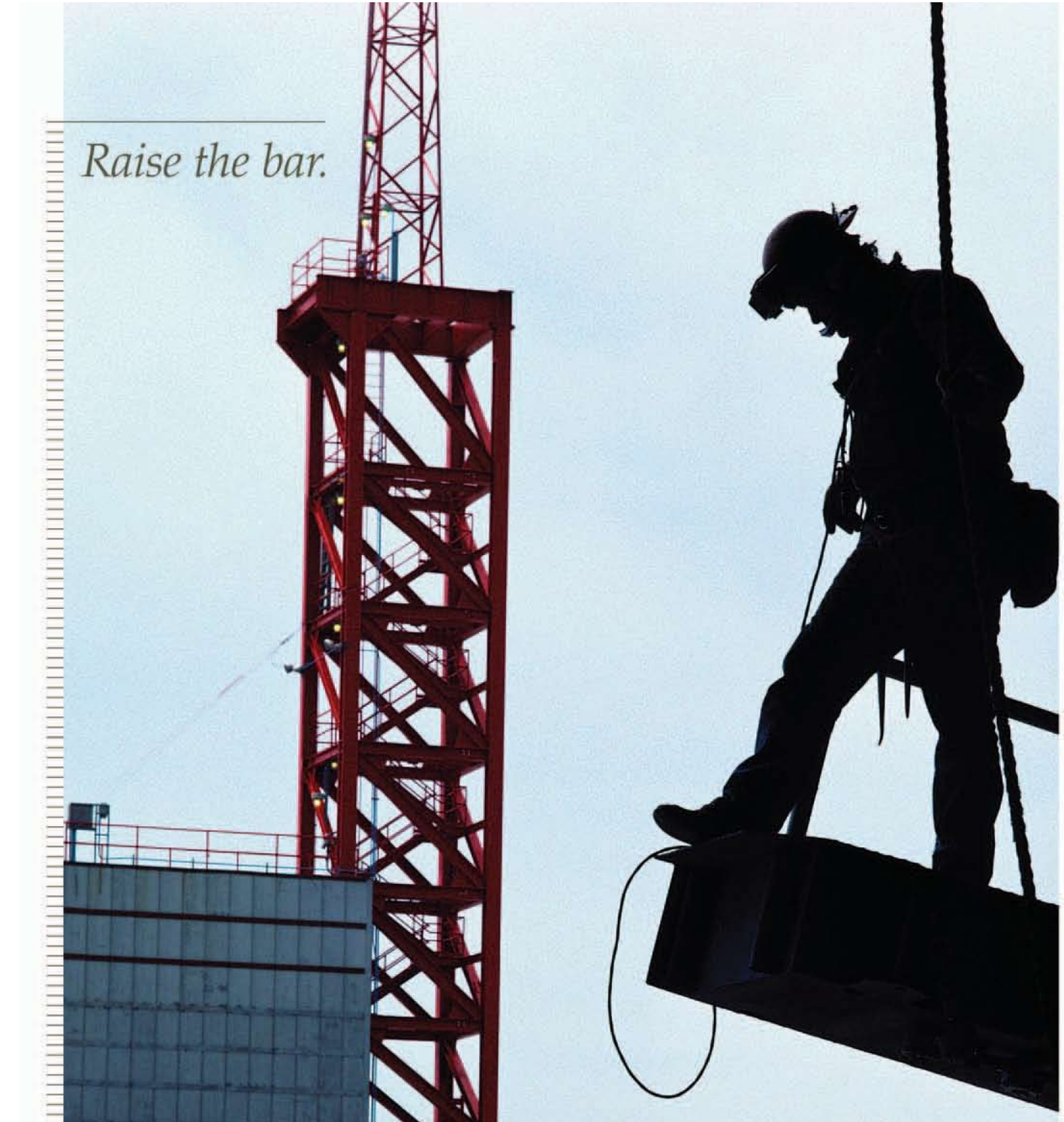
Specifically, the Times points to the Alabama facilities of Mercedes, Honda and Hyundai, plus Toyota's engine plant. In the case of the auto industry, “the competition has been brought right to Detroit's doorstep as the strongest foreign companies are moving to states eager for their investments, most of them in the Deep South, and hiring workers seeking the stability that home-grown companies can no longer offer.”

These international automotive firms join some 200 foreign-based manufacturers – representing 23 countries and accounting for more than \$14.5 billion in capital investment – in Alabama, according to the Alabama Development Office.

Alabama has many advantages attractive to foreign investments.

The Alabama State Port Authority operates a full-service port on the Mobile River, 33 miles from the Gulf of Mexico. The Port of Huntsville is an innovative and unique inland port composed of Huntsville International Airport, the International Intermodal Center and Jetplex Industrial Park. Also, six Foreign Trade Zones (FTZs) and numerous sub zones operate in Alabama, located in Anniston, Birmingham, Dothan, Huntsville, Mobile and Montgomery.





Raise the bar.

SO YOU CAN CALL ALABAMA SWEET HOME

Making plans to do business in any new location is a huge step. For over a century, Bradley Arant lawyers have helped national and international companies make that step into Alabama. We've successfully negotiated complex incentive packages with the State of Alabama and local governments to locate billion dollar projects employing thousands, and we've drafted legislation and agreements that have paved the way for the automotive industry in the New South. It's our role to help you know the local issues, know the local players, and know what it takes to get where you want to go. *We call that raising the bar.*

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Alabama's Governor Riley addresses workers at Honda's Lincoln facility. Today the company employs 4,500 associates there.

Development Office, says. "We were fortunate to get Mercedes. Otherwise, we wouldn't have the strong automotive industry cluster we're enjoying now, and that continues to grow. Without Mercedes, I'm not sure Honda would have looked at Alabama. Honda essentially said, 'Mercedes made our decision,' and Hyundai just solidified our position."

Mercedes has enjoyed success from minute one in Alabama. The plant in Vance manufactures the second-generation M-Class All Activity Vehicle and the new four-wheel-drive, six-passenger R-Class Grand Sports Tourer sports wagon. In April 2006, the company introduced its third new Alabama-made automobile – the GL-Class, a seven-seat, full-sized luxury sports utility vehicle.

Honda has enjoyed similar success since announcing in 1999 its \$440 million, 1,500-employee manufacturing facility in Lincoln. Today, the facility employs 4,500

Car and truck engine manufacturing in Alabama started in 2001. By 2006, the combined engine production capacity at Honda, Hyundai, Toyota and International Diesel reached 1.2 million engines annually.

people, and in October 2006 it was announced that Honda Manufacturing Alabama also would become the sole production source of the Pilot.

Hyundai solidified Alabama's position as the center of the new automotive universe in April 2002 when it announced the selection of Montgomery as the site for the company's first U.S. automotive manufacturing facility. The \$1.1 billion, 2 million-square-foot complex, which employs 2,700 people, produced the 2006 Sonata sedan and the next generation 2007 Santa Fe sport utility vehicle. The new Hyundai subsidiary, Hyundai Motor Manufacturing Alabama, includes a general assembly facility, an engine machining and assembly plant, stamping shop, welding shop, paint shop, and a 2.3-mile test track. At peak production, 300,000 vehicles and engines will be produced each year.

In addition to the vehicle manufactur-

"The biggest advantage we've seen in Huntsville is the workforce; very impressive in terms of work ethic and ingenuity. Our team responds with a passion and dedication to safety, quality and teamwork recognized around the world."



Jim Bolte
senior vice president
TOYOTA
Motor Manufacturing
Alabama, Inc.

"Boeing's long legacy in Alabama can be directly attributed to our talented workforce. Huntsville is home to some of the most dedicated people and technologically advanced minds in the country, and this strength will enable continued growth and development of this area's economy."



Chuck Allen
vice president, business operations
The Boeing Company
Huntsville

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Alabama's Governor Riley with Mercedes team members



ing facilities in Alabama, the state has attracted other automotive-related facilities, including International Diesel of Alabama's \$350 million plan in Huntsville to build a new generation of advanced technology V-6 and V-8 diesel engines. Production started in 2002, and V-6 engine production began in early 2005 with the start-up of the Low Cab Forward Joint Venture with Ford. In 2007, the plan will manufacture "Clean Diesel" technology engines to meet strict new environmental emissions standards.

In 2001, Toyota Motor Corp. announced the selection of Huntsville for its first plant outside of Japan to build 120,000 V-8 engines each year for the full-size Tundra pickup truck. Toyota Motor Manufacturing Alabama Inc. invested \$220 million and began with 350 workers. The facility opened in the spring of 2003, and a \$20 million expansion was announced in July of that year, bringing 150 more jobs. In 2004, a second major expansion was announced, with an investment of \$250 million and an additional 300 jobs, plus more than double V-8 production while increasing the annual capacity to 400,000 units.

"The automotive momentum in Alabama shows no sign of slowing up," says Lamar Smith of Alagasco, the largest natural gas utility in Alabama. "Alabama is continuing to see significant announcements of tier 1 and tier 2 suppliers. We're a long way from reaching the saturation point. Alabama still has an available work force that's ready to apply for automotive industry jobs, and the state has a wealth of good sites and industrial parks as well as available land and available buildings.

"With so many OEMs in and surrounding Alabama, the opportunities here are tremendous," Smith adds.

Smith says the industry has been "Alabama's salvation, with the continuing closing of textile and apparel plants. Automotive has kept Alabama's economy vibrant. What's interesting is the impact on the small towns and rural communities, such as the ones where Mercedes and

(continued on 63)

Mercedes Stays Loyal to Tuscaloosa

Daimler-Benz AG (now DaimlerChrysler) announced in April 1993 that it would build its first passenger vehicle manufacturing facility in the United States. It was all part of a globalization strategy, one that would bring the company's manufacturing processes closer to its customers and markets. After a six-month site selection process, the company awarded the \$300 million plant project to Tuscaloosa County, Ala. Mercedes-Benz U.S. (MBUSI) was born to produce the Mercedes-Benz M-Class SUV for the worldwide market. The first vehicle rolled off the line in the fall of 1997.

In 1993, original projections were for 65,000 M-Class vehicles to be built at the Tuscaloosa plant each year. Construction of the plant was completed in July 1996. Production began in January 1997, and the first M-Class vehicles went on sale in the U.S. in September of that year. Overwhelming demand drove MBUSI to invest an additional \$80 million in 1998 and 1999 to expand the plant and increase annual production by 20 percent to 80,000. During the first eight years of production, some 350 vehicles a day came off the line, in two shifts.

As a result of the worldwide success of the M-Class, DaimlerChrysler AG announced in August 2000 plans for a \$600 million expansion of the Tuscaloosa facility. The expansion doubled production capacity annually for the second generation M-Class, R-Class, and GL-Class, doubled the work force to 4,000, and doubled the size of the plant. Daimler-Benz AG's total investment in Alabama to date is more than \$1 billion.

MBUSI alone is responsible for more than 10,000 direct and indirect jobs in the region, and has an annual economic impact of more than \$1.5 billion. In addition, MBUSI has become the state's largest exporter, with more than \$1 billion exported each year throughout the world. MBUSI's economic impact is expected to increase when the plant is producing at full capacity.

"I can say firsthand that our success is due to the strength of our team members and the great support we've received from the state and our local communities," Bill Taylor, president and CEO of MBUSI, says. "It's no surprise that, today, Alabama has several automotive manufacturers and hundreds of suppliers. I am sure they, too, found that Alabama has a strong work force and is a great place to do business." ■



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Finding the perfect site sometimes has its ups and downs. Alagasco's economic development staff will make it as easy as a Sunday afternoon drive. We'll help you find a site convenient to railways, waterways and interstates. Let us help you drive the point home in Alabama.



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Mercedes Benz Visitor's Center in Vance, Alabama



Since Mercedes-Benz U.S. International first selected Alabama to be the home of its first North American Manufacturing facility in 1993, the company has enjoyed continued success and growth. The total investment in the Alabama facility now represents \$1 billion and 4,500 team members.



THE CENTER OF THE NEW AUTOMOTIVE UNIVERSE

HONDA AND ITS ALABAMA ASSOCIATES:

So Happy Together



Honda's manufacturing plant in Lincoln, Ala. has the capacity to build more than 300,000 Odyssey minivans, Honda Pilot sport utility vehicles and V-6 engines every year.

Honda Manufacturing of Alabama (HMA) reached a significant milestone at its Lincoln facility in November 2006: the 1 millionth Honda vehicle and V6 engine rolled off the production line. That significant milestone comes less than five years after the November 2001 start of mass production at the \$1.4 billion facility.

"Our associates' impressive ability to reach this production milestone so quickly has enabled Honda to meet the needs of a record number of customers," Rick Schostek, HMA senior vice president, says. "Even more impressive has been their commitment to provide these customers with products of the highest quality."

Honda first announced plans to build a plant in Alabama in May 1999. It started out as the sole North American production source of the Odyssey minivan on a 1.7-million-square-foot assembly line, but, in

2004, the new assembly line was built to produce the first Alabama-built Honda Pilot sport utility vehicle. The new assembly line represented a 1.3 million-square-foot expansion of the Lincoln facility. The start-up of HMA's second assembly line boosts Honda's capital investment in Alabama to more than \$1 billion and to more than \$8 billion in North America.

Altogether, the company employs more than 4,500 associates to man production on the two assembly lines at its 3.2-million-square-foot facility in Alabama. Current production capacity exceeds 300,000 vehicles and V-6 engines a year. The Alabama location became the first Honda auto plant in the world to assemble vehicles and engines under one roof. To achieve greater efficiency and synchronization in manufacturing, the V-6 engine and Odyssey final assembly lines are located together in the HMA facility.

In November 2004, Honda assigned its Alabama plant even greater responsibility for engine production. Billing itself as an "engine company," Honda announced a \$70 million, 100-job expansion to enable the Lincoln facility to machine low-tolerance engine components, which replaced decades-old facilities in Ohio and Japan. Construction was recently completed on the new expansion to add precision machining of crankshafts and connecting rods to HMA's existing responsibilities of casting and machining V-6 engine blocks and cylinder heads. Additional construction is now under way on a \$64.5 million expansion to add steel blanking operations in support of HMA's two body-stamping lines. That construction is expected to be completed in late 2008.

Over and over again, Honda officials have made it clear how impressed they are with Alabama's work force. Masaaki Kato, president and CEO of HMA, reports plans to continue building on the success the company has achieved in Alabama with its growing team of enthusiastic and capable associates. "I am thankful for the warm embrace we have received from this community," he says. "It is this relationship that has sustained us through the challenges we have faced thus far. Now, our continued growth means more people in Alabama will find employment as Honda associates, and it means opportunities for our associates here today to continue growing with the company." ■



THE CENTER OF THE NEW AUTOMOTIVE UNIVERSE

Honda are located and others. Their economies have been transformed. These are communities that were primarily about textiles and apparel that saw drastic job reductions because of outsourcing in that industry.”

In fact, it's those workers – displaced by dying textile plants – that have lead the way for the automotive industry to transform Alabama's economy. “We, like a lot of southern states, lost a tremendous number of textile jobs through the years,” says Hutchison. “We've been fortunate to be able to trade those jobs for these automotive jobs. We probably lost 20,000 textile jobs over the past five to seven years, and in that time we've added 35,000 to 40,000 automotive jobs. It's been a good transformation for us, just like it has been for South Carolina, Tennessee, Kentucky and Louisiana, and the work ethic of the textile workers has benefited these automotive companies. They're one of the best incentives we have.”

The automotive industry is providing high-wage jobs, replacing those lower wage and lower skilled jobs the state has and is losing, says University of Alabama's Addy. “The industry is still growing here, and it has helped Alabama gain positive visibility that can lead to attracting even more industry, unrelated or marginally related to the automotive industry. For example, ThyssenKrupp recently announced that it has selected Alabama for its \$2.9 billion steel plant.”

The industry also has contributed to the fact that recent unemployment rates in Alabama are among the lowest in the state's history, with even rural areas benefiting – no county had an unemployment rate higher than 6.8 percent as of April 2007 and the state rate hovered at a mere 3.3 percent.

A lot of factors have placed Alabama in the driver's seat in the automotive industry, not the least of which is its consistency in putting together the right team for recruitment and assistance to new plants, Hutchison says. “Consistency is something Alabama has done a great job of – agree-


ments and announcements have been made under one governor, and plants have opened under another one, but any and all commitments have been kept and followed through. We've never wavered. We put together a good team – from the local, state


and federal levels. It takes a team effort.”

The industry gets the benefits of such a commitment, in addition to a world-renowned worker training program and a skilled, available work force that has the work ethic needed to drive the industry. ■

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The automotive industry provides over 45,000 jobs for Alabama's economy and will produce over 700,000 vehicles this year. Shelby County, one of the nation's fastest growing counties, sits at the center of it all. Automotive suppliers, manufacturers, distribution companies, and corporate headquarters have discovered that Shelby County's accessibility and growth make it a natural choice for commerce and industry. When looking for a location for success, start in the center – Shelby County, Alabama.

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THE CENTER OF THE NEW AUTOMOTIVE UNIVERSE

ALABAMA'S AUTOMAKERS AND THEIR SUPPLIERS:

A Winning Combination



Alabama Governor Bob Riley visits Mercedes

By Kimberly A. Norton

Where there's Alabama football, you will find plenty of fans ready to cheer on the players. Similarly, where there are automakers, you will find an abundance of suppliers eager to support them. In fact, Alabama boasts more than 350 auto-related manufacturing plants, giving the state a leading position in the fast-growing Southern Automotive Corridor.

Before the opening of the first auto assembly plant, Alabama had a number of tire plants and a few suppliers, such as Delphi, Johnson Controls and Chrysler Electronics (now Siemens), that supported the traditional automakers. However, the real birth of the state's supplier network took place when the original equipment manufacturers (OEMs) located in the state – Mercedes in 1997, followed by Honda in 1999, and Hyundai in 2002.

The supplier base in Alabama has been developing quickly over the past 10 years. According to Steve Sewell, executive vice president of the Economic Development Partnership for Alabama (EDPA), "When Mercedes came, tier 1 suppliers followed,

In the past decade, the automotive industry has invested more than \$7 billion and created more than 35,000 new jobs in Alabama.

and it wasn't long before the tier 2 and 3 suppliers followed suit. Those suppliers have generated other tier 2 and 3 suppliers in Alabama."

According to the Alabama Automotive Manufacturing Association (AAMA), 98 new manufacturing plants opened between 2000 and 2005. Of those, 29 opened in 2004-2005. In addition, the number of plants in Alabama involved in the auto

business increased more than 125 percent in the same time frame, with a 27 percent increase in 2004-2005 alone.

Why the dramatic growth?

Greg Barker, Alabama Power's vice president of economic development, says: "It's simple. Suppliers follow market opportunities and there has been a ground swell of market opportunities. Tier 1 suppliers can take advantage of the OEMs in Alabama, Tennessee, Mississippi and Georgia. Tier 2 and 3 suppliers also enjoy opportunities to serve Kentucky and the Carolinas and perhaps even Texas."

Sewell adds: "All of the OEMs have experienced significant expansions. The growth of the supplier network is a result of the growth of the OEMs. As more vehicles have been produced in the state, more suppliers have followed. Furthermore, many of the existing suppliers have expanded their operations to keep up with the growth of the OEMs."

Of course, there are also companies that existed prior to the explosion of the Southern Auto Corridor that have adapted their business operations. Companies that specialize in plastics, rubber and glass already were working in Alabama, but were able to grow and expand to take advantage of the automakers. Other companies that have been able to capitalize on the growing auto industry include plastics, metal-stamping, injection-molding and supply chain logistics.

Dr. Bernard Schroer, executive director of the AAMA, offers an additional reason for the growth: "The OEMs require 'just in time' and 'just in sequence' delivery. Therefore, most suppliers must be located close to the OEMs to satisfy the customer."

Maturation of the industry

Although the OEMs are now operating at capacity, Hyundai is adding another engine plant, which will increase employment. Furthermore, the Kia assembly plant

(continued on 67)

Toyota Motor Corporation announced in February 2001 that it had selected a 200-acre site in Huntsville for its first plant outside of Japan. Today the facility has an annual capacity of 400,000 units and supplies all of Toyota's planned V-8 engine needs for North America.



Toyota Engine Plant Revs in Huntsville

Toyota Motor Manufacturing of Alabama (TMMAL), which opened in 2003, now employs nearly 1,000 people in Huntsville and produces 400,000 engines per year. The plant,

housed in the North Huntsville Industrial Park, is Toyota's first and only V8 engine manufacturing facility outside of Japan.

In addition to the two V8 lines producing engines for the Tundra full-size

pickup and the Sequoia full-size SUV produced in Texas and Indiana, TMMAL also has a V6 production line for Tundra and Tacoma pickups produced in California and Mexico. In February 2007, TMMAL celebrated the launch of Toyota's first 5.7 liter V8 for the all new full-size Tundra pickup truck.

"We chose Huntsville for several reasons, primarily an available work force. We've been very fortunate and very pleased with the work force in north Alabama," says TMMA spokesperson Stephanie Deemer. "Huntsville offers us good transportation routes to our other U.S. plants. Alabama has a very favorable business climate, and the city of Huntsville and the county and city officials were very cooperative in bringing us here." ■

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What Happens When Old Meets New



Here's how one small company in Leeds, Ala., decided to reinvent itself with the advent of the Southern Auto Corridor.

AmPro's dynamic history goes back almost 30 years to 1978. The company started as an injection molder making promotional products for the advertising specialty and retail markets. The company enjoyed success throughout the '80s and '90s, but with promotional products going offshore, AmPro had a decision to make. Did it continue as a molder, or did it want to start importing its products from China and simply become a printer?

Company officials opted to stick with what they knew – molding. So five years ago, AmPro brought in state-of-the-art molding machines and robotics, and started knocking on doors looking for new customers. “A business needs customers that need them,” Burns Roensch, AmPro president, says. In 2003, the company received its first automotive manufacturing order. Now, as a tier 2 supplier, the company sells parts to every OEM in Alabama, as well as to Nissan in Mississippi.

The decision to change industries has been a good one. According to Roensch, “We're a radically different

business than we were five years ago. We've grown from 60 to 275 employees. We've gone from very traditional molding to lots of automation, and from machines that average 20 years old to machines that average three years. We use completely different materials. We couldn't be any more different from a business standpoint.”

AmPro is not the only thing the auto industry has transformed. Roensch says it's also brought a tremendous amount of cultural diversity to the state. “Now there's a German bakery in Tuscaloosa, Korean restaurants in Montgomery and dozens of Sushi bars in Birmingham,” he adds.

With 95 percent of its business now focused on the auto industry, AmPro is now five times larger than it was five years ago from a volume standpoint. In July 2005, AmPro acquired a state-of-the-art facility located in Anniston, Ala. Now the company boasts that both of its facilities are strategically located along the 1-20 corridor within a couple of hours of every major auto manufacturer in Alabama. AmPro is just one example of many companies that are expanding their markets to succeed in the new automotive South.



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on the Georgia-Alabama line and the Toyota plant in Tupelo will rely on many of Alabama's existing suppliers. Schroer says, "We are already seeing some new plants opening in Alabama that will supply the Kia plant in Georgia."

With the number of auto and engine assembly plants in the area, it's no wonder so many suppliers have made the move to Alabama. Many are looking for a place where they can serve multiple car makers, and Alabama definitely fits the bill.

Why the Southern Automotive Corridor?

Like any other business, suppliers aren't just looking for a customer. They are looking for a great place to set up shop; a place that has a strong business climate and a great work force. Alabama offers these and many other advantages. Here are a few:

- Well-designed infrastructure to get products to market
- Lack of constraints and predominance of right to work laws
- State-funded worker training initiatives
- Favorable incentives to offset costs and reward growth
- State and local government committed to helping automotive companies succeed

According to Barker, "Alabama will continue to be a logical location for auto suppliers, because not only do we have a logistical advantage in the automotive south, we also offer local and statewide programs focused on making suppliers successful in the long term."

He's right. When you start looking at maps and tracking major interstate corridors in the South, the vast majority cross in

Alabama making it a cost-effective place from which to ship products. That's just the beginning.

Both Sewell and Barker point out that Alabama is committed at the state, county and city level to ensure suppliers enjoy long-term success. Sewell says, "We are really focused on supporting our existing supplier base to make sure they have everything they need to be successful."

Barker adds, "We're aggressively working to make sure we are providing the right environment for existing and new suppliers to the state."

Alabama continues to provide fierce competition to other states because all the factors that are important to an auto supplier are readily available: a plethora of customers, an advantageous tax structure, a low overall cost structure, a top-notch work force, and a well-positioned transportation infrastructure. ■

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Hyundai Heating Up in Montgomery



In 2002, Hyundai Motor Manufacturing of Alabama chose a 1,744-acre site in Montgomery for the company's first U.S. automotive manufacturing facility.

Hyundai, the world's sixth largest automaker, has been expanding steadily in Montgomery, Ala., since it opened its first assembly plant there in 2002. The Montgomery plant was also the Japanese automaker's first U.S. facility, representing a \$1 billion investment and 2,000 jobs.

Hyundai officials say the decision to build a plant in the U.S. reflect their commitment to the American consumer. The company chose Montgomery, specifically, because of its high-quality work force, its strategic location in proximity to American population centers, the superb automotive parts supply chain available in the region, and the commitment shown by the state of Alabama and the city of Montgomery, which provided the best environment for the new plant, according to Mong Koo Chung, chairman of Hyundai Automotive Group.

The plant opened its doors in 2005 with the capacity to assemble 300,000 vehicles a year. Hyundai had two models in mind when it built the facility: Sonata sedans and Santa Fe SUV models, but there is plenty of room to grow. The 2-million square-foot manufacturing plant resides on 1,744 acres of land and includes a stamping facility, paint shop, vehicle assembly shop, a two-mile test track and an engine shop, where the Hyundai 3.3-liter V6 engine is produced. In March 2007, Hyundai announced plans to build its second engine plant in Montgomery. The \$270 million, 349,440-square-foot facility will produce four-cylinder engines for Hyundai and for the new Kia plant in West Point, Ga. Mass output is expected to begin in fall 2008 with about 520 new jobs being created.

All of Hyundai's knowledge in the areas of quality and productivity has been applied to the production techniques in

operation at the new Alabama plant. The innovative plant is reaping rewards for the company today. In May 2005, the facility marked the official start of production with its first saleable 2006 Sonata. Now, nearly two years later, the company is considering building a third model at the Alabama facility. Though the company has not yet disclosed which model, Hyundai Motor Corp. CEO Dong-Jin Kim hints it would be a mid-sized vehicle.

Hyundai's investment in the southern city totals \$1.4 billion and 3,100 jobs. By 2008, when the company's second engine plant opens, it could add as many as 920 jobs to the area between Hyundai and its suppliers. In fact, if you include all the suppliers who serve the southwest Montgomery plant, it adds another 6,000 jobs to the grand total, according to the Montgomery Area Chamber of Commerce. ■



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15 Years of Excellence:

The Growth of Alabama's Automotive Industry



- | | |
|-------------|--|
| 1993 | Mercedes-Benz announces its choice of Tuscaloosa as the location where its new M-Class will be built. |
| 1999 | Honda chooses Alabama to build its Odyssey minivan and engines. |
| 2000 | Mercedes announces a \$600 million expansion. |
| 2001 | Honda increases its total investment in the state to \$1 billion. The company announces that it will increase production at its Alabama plant and add a second \$425 million assembly line.
Toyota Motor Corp. chooses Huntsville as the location where it will produce 120,000 V-8 engines per year. |
| 2002 | Hyundai selects Montgomery for its first U.S. manufacturing facility, investing \$1.1 billion. |
| 2003 | Toyota announces that it will also build a V-6 engine for its Tundra pickup trucks and Tacoma, raising the company's total investment in Alabama to \$240 million. |
| 2004 | Toyota announces it will supply all of its planned V-8 engine needs for North America from its Huntsville plant. To accommodate that growth, the company announces that it will invest another \$250 in Alabama.
Honda invests \$70 million more in its Alabama V-6 engine facility to produce parts that were being made by the company in Japan and Ohio. |
| 2007 | Hyundai announces plans to construct a second engine plant at its Montgomery production facility. |



International Diesel Grows in Alabama



International Diesel of Alabama opened a plant in Huntsville in 2002 to launch its International VT 275 V-6 diesel engine for International trucks and Ford trucks and vans. The company has built more than 375,000 V-6 and V-8 diesel engines since then.

Now, parent company International Truck and Engine Corp., the principal operating subsidiary of Navistar International Corporation, is building a new modern Class 8 "big-bore" diesel engine facility there. The engines will serve the Class 8 truck market, the largest commercial truck segment in North America.

Full production at Huntsville will begin in spring 2008 and more than 175 employees are expected to work at the new facility.

"Huntsville was selected to produce these new 'big-bore' truck diesel engines because of our strong work force in Huntsville and its clear track record of building high-quality engines at a competitive cost," says Dan Ustian, chairman, president and chief executive officer, Navistar International Corp. ■

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GROWING THE AUTO INDUSTRY IN ALABAMA:

HOW THE STATE PUT ALL THE RIGHT ELEMENTS
IN PLACE TO BECOME THE HUB
OF AUTO MANUFACTURING IN THE SOUTH

By Rick Farmer

Competitors from outside the state might have been able to convince themselves that Alabama landing the \$1 billion Mercedes plant in 1993 was little more than a fluke. They might have even been able to brush aside the subsequent

influx of Mercedes suppliers that followed in the late 1990s.

With the acquisition of a \$440 million, 1,500-job Honda plant in 1999 and a \$1.1 billion, 2,500-job Hyundai facility in 2002, any remaining doubts had to have been silenced. Finally, envious competitors who had chased the same projects had to admit



Former President George Bush, Alabama Governor Bob Riley, and Hyundai leaders from Korea mark the grand opening of the company's Alabama facility in 2005.

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Economic Development Agency

that maybe Alabama was doing all the right things.

Of course, anyone familiar with the state's economic development machine knew well before Honda and Hyundai that Alabama was a state that had its act together. It had the leadership, the vision, the infrastructure and the determination to go full bore at its goal: to be the hub of automotive manufacturing in the South.

A VISION FOR THE INDUSTRY

It wasn't long after the Alabama Crimson Tide football team claimed its 12th national championship in early 1993 that the state's business and political leaders took a gamble analogous to a Hail Mary pass — a bold, and at least on its surface, desperate attempt to create forward momentum. The \$253 million incentives package the state offered Mercedes was criticized by some as dangerously risky; such a low-percentage pass can't possibly be completed unless everything goes right, and unless everyone is unified in purpose.

Alabama knew what it was doing, though. It was birthing a cluster.

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Alabama



Alabama Automotive Industry Keeps on Truckin' with Another Marquee Name: Isuzu

News emerged in April 2007 that Isuzu Manufacturing Services of America Inc., a subsidiary of Japan's Isuzu Motors Ltd., has purchased the 300,000 square-foot former Del Monte Corp. distribution center in Birmingham's Pinson Valley. Details were scarce at the time of this printing, but the company reportedly bought the facility for future business activities in North America, including possibly setting up a vehicle assembly plant there. Currently, almost all of Isuzu's vehicles sold in the U.S. are imported from Japan.



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Even before the Mercedes win, “virtually everyone shared the vision for the auto industry, what it meant for the state’s economy and future,” says Steve Sewell, executive vice president of the Economic Development Partnership of Alabama, a private-sector group formed to assist the state in landing new jobs and investment.

“The successes we’ve had since then all go back to the boldness of the leadership and the unity the state had, the single-mind-

edness necessary to make this happen. We wanted to be a significant player and benefit from the investment and jobs that the leadership knew would follow (Mercedes),” Sewell says.

Through the past decade and a half, since before Mercedes’ announcement to today, Alabama has enjoyed consistent economic development leadership that transcended political parties and powerful personalities, Sewell says.

LAYING THE FOUNDATION: BUILDING INFRASTRUCTURE FOR SUCCESS

Alabama has several natural advantages that it has maximized in the creation of its growing automotive cluster: a central location in the South along the I-65, I-59 and I-20 corridors; a hungry, non-union work force eager for employment and training; and ready access to ports.

As energized in the vision as the state was, it ultimately needed a hand from one

(continued on 78)

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Spirit of Cooperation: The Alabama Automotive Manufacturers Association

Although still young by most standards, the automotive cluster in Alabama long ago reached the critical mass necessary to create its own gravitational pull. Today the industry is an undisputed economic powerhouse in The Heart of Dixie.

While the state has been pushing hard to realize its goal of becoming the auto capital of the South since well before the Mercedes win in 1993, groups such as the Alabama Automotive Manufacturers Association have proven time and again to be key partners in developing opportunities for investment and job creation.

"Our vision was then, and is now, to help provide better jobs and better opportunities for the people of Alabama," says Steve Sewell, a board member of the AAMA and executive vice president of Economic Development Partnership of Alabama (EDPA).

EDPA was a founding partner in the Alabama Automotive Manufacturers Association, joining with the Alabama Development Office (ADO), Mercedes, Honda, Toyota, International Diesel, Delphi,



the Governor's Office, Alabama Industrial Skills Training and the Business Council of Alabama. Since its inception in 2001, the AAMA has grown to include more than 450 members -- virtually every company in the state with a stake in auto manufacturing.

Founded to "promote growth and continuous improvement of the automotive industry

in Alabama," AAMA is a unique advantage in the competition for automotive projects. AAMA is a network of existing industries that has created programs of real substance, all designed to sustain and improve the industry in the state.

AAMA means the membership shares best practices, of course, but it does much more. For instance, AAMA offers student scholarships to promote careers in the state's automotive industry. It also offers workshops in lean manufacturing to help its members get the most out of their efforts.

"There's a certain spirit of cooperation in Alabama" with regards to the auto industry, Sewell says. "We're all at the same table working on issues of concern to the automotive industry."

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BREAKING STEREOTYPES: How Alabama's Workforce Overcame Perceptions



Economic development professionals in the South, especially the rural South, often find that prospects from around the world expect less from southern workers. But with deep roots in agriculture, textiles and wood products, the southern work force has not lacked skills, but rather has lacked challenge.

In a little more than a decade, the state of Alabama has turned those misperceptions around and shown the international automotive industry that its workers are hungry, motivated and more than capable of handling the advanced technology necessary in modern auto manufacturing.

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"That stereotype definitely did exist," says Dara Longgrear, executive director of the Tuscaloosa County Industrial Development Authority. Tuscaloosa stakes its claim as the birthplace of Alabama's auto industry as it is home to Mercedes, the state's first major automotive manufacturing facility.

Longgrear, who has been with the local agency since 1986, says the German prospects who came to town needed convincing. "Demonstrating the capabilities of our work force was a big part of satisfying Mercedes," he adds.

Ed Castile, director of Alabama Industrial Skills Training, says he had encountered the stereotype as well. It's never been true that southern workers are less capable. The only shred of truth behind this myth is that specialized skills not currently in demand are usually not currently in supply.

"At the end of the day, a good work force is not only about skill, but about attitude and trainability," Castile says. "The workers of Alabama have proven time and again they're capable of producing a top-quality product, but a few years ago we didn't have the jobs that required the technical skills" that modern auto manufacturers needed.

"As we continue to grow manufacturing jobs, we continue to grow the skills of our work force to meet the industry's demand," he adds.

It's obvious, Castile says, that the industry has shaken any misperceptions and embraced the Alabama work force in a way most thought unimaginable. He believes the industry's continued investments in Alabama "busts" the myth.

"I think we've proven the perceptions have changed," he says. "We've answered the call. Alabama's work force is capable of competing with any work force in the world."

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of the smaller players to make things happen. With a site at the intersection of I-59 and I-20, Alabama had just enough to get its foot in the door with the Mercedes project.

"All we really had was an option on the core of the property," says Dara Longgear, executive director of the Tuscaloosa County Industrial Development Authority, who has been in Tuscaloosa since 1986. The city of Tuscaloosa stepped up to foot the bill for 11 miles of water and

sewer lines to make the deal work. This kind of cooperation was one of the things that helped seal the deal, he says.

"One of the things Mercedes really liked was the cooperation and collaboration that had to happen," Longgear says. "There was universal support from the Alabama team; there was clear evidence everyone was on the same page."

SUPPORTING THE WORK FORCE

While cooperation among governments and a commitment to physical infrastructure are a good start, Alabama could not have grown its auto cluster without a like commitment to its people. Fortuitously, Alabama had begun that more than 20 years before Mercedes.

Alabama Industrial Skills Training is a statewide program "to provide quality work force development for Alabama's new and existing businesses, and to expand the

opportunities of its citizens through the jobs these businesses create." While most states fielded some kind of worker training program, AIDT's focus as a customer-driven organization was well ahead of the competition.

Obviously, AIDT offers job-specific, customized training programs at no cost to major new employers, but it does more than the rudimentary training. It screens applicants for customers, and offers safety and industrial maintenance assessments as well.

"We take citizens of Alabama and match them to the jobs," says Ed Castile, executive director of AIDT. "Our job is not only to train workers, but to be an incentive to new companies looking to locate or expand in Alabama."

Additionally, AIDT offers a certification program. By the time a worker completes this comprehensive program, he becomes a "certified Alabama worker." Castile says this certification offers employers an easy way to determine the skill levels of their prospective workers.

HOLDING THE LEAD

It might be tempting for Alabama to rest on its laurels now that the cluster has taken root, but leaders don't get where they are through complacency. The Alabama Development Office continues to recruit automotive manufacturers and suppliers aggressively, much to the dismay of their competitors.

"The state played a huge role back in 1993" in the hunt for Mercedes, Longgear says. "They play an even bigger role now."

Fourteen years after Alabama announced its first major auto operation, the successes of the Heart of Dixie are now obvious. Any critics or detractors have long since moved on, and Alabama's competitors remain envious.

The growth of Alabama as the hub of the Southern Automotive Corridor is no fluke, Castile says. It's what happens when people commit to being the best at what they do.

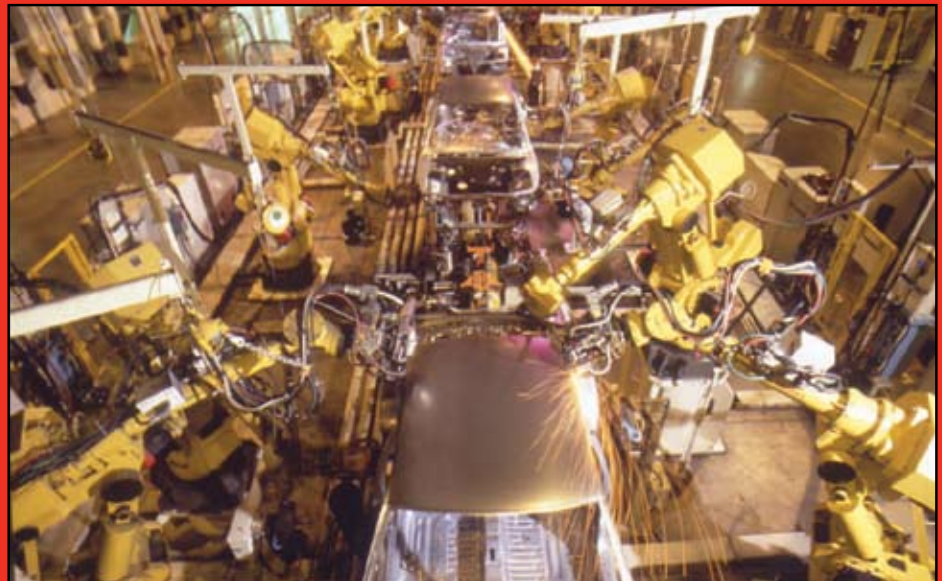
"Our people get it," he says. "They understand how important (the auto industry) is to Alabama. And we're certainly not finished." ■

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