

WEST MICHIGAN VIEWPOINT

450 Miles

Four hundred and fifty miles is the average distance a semi truck can travel in a day. More importantly, it appears that this distance defines whether or not an auto/truck parts producer qualifies as a just-in-time supplier to an auto assembly plant. Since west Michigan houses several of the world's most successful auto suppliers but does not have an auto assembly plant, the daily reach of trucks is extremely important. Fortunately, according to research conducted by Thomas Klier, a Senior Economist with the Federal Reserve Bank of Chicago, over half of the nation's auto-assembly plants are still within a day's drive from west Michigan.

Nevertheless, with Toyota's recent announcement that it is building its new full-size truck plant in Texas, it is clear that an increasing portion of the auto industry is out of the reach of the region's auto suppliers. Indeed, the list of recent plant openings in the deep south is rather impressive and continues to grow. Along with the Toyota truck plant in Texas, Nissan opened a plant in Mississippi in 2000. Hyundai and Mercedes-Benz operate plants in Alabama, and BMW has a plant in South Carolina. Unfortunately, all of these assembly plants are clearly out of the reach of west Michigan suppliers.

The southern movement of the industry could have major repercussions on our regional economy. As shown in the table below, using our economic model for each of the major urban areas in west Michigan, the employment impact of 100 auto supplier jobs is substantial. In Kent County, for example, 100 new automotive jobs would generate, on average, a total of 440 jobs (including the original 100 jobs) in the greater west Michigan region. Three hundred of the indirect and induced jobs created would be located in Kent County across a variety of industries including retailers, financial services, consumer services, business services, and second- and third-tier manufacturing suppliers. An additional 40 jobs would be created in the neighboring urban areas of Battle Creek, Benton Harbor, Holland, Kalamazoo, and Muskegon. One hundred new hires in the Holland area

(Ottawa and Allegan Counties) would generate a total of 340 jobs in the west Michigan region. Clearly, if more assembly plants are built outside a 450-mile trucking radius, the negative employment impact will be felt regionwide, and in industries such as retail and insurance, which appear to have no connection with the automotive industry.

Indeed, the southern states are boasting about the growing number of auto suppliers that are trailing these newly sited assembly plants. For instance, nine major auto suppliers, including Tower Automotive, Visteon, and Johnson Controls, recently announced that they are setting up shops in Mississippi. While some of us may break a smile upon hearing that Nissan is struggling to find industrial maintenance technicians in Mississippi, the southern movement is a serious threat to our automotive base.

It may be time to broaden our perspective on regionalism, several-fold. A new assembly plant in Ohio, Ontario, or even northern Kentucky can help support and expand our existing auto suppliers, while a new plant in Georgia clearly will not. A multi state strategy warrants consideration. The Great Lakes states still house more suppliers than any other region and have an experienced and well-trained workforce that includes industrial maintenance technicians and solid logistic support. If the state economic development departments of Michigan, Ohio, Indiana, Illinois, Wisconsin and, of course, the Province of Ontario could work together on this particular issue and present a clear argument why the region continues to be a solid location for auto production, current industry trends may be reversed. This would be a marked improvement over the current strategy of competing amongst ourselves (e.g., Michigan vs. Ohio) for a decreasing number of auto suppliers. In short, I think it would be great if Toyota chose west Michigan as the site of its next plant, but I think there would be reasons to celebrate an Ohio or Indiana location as well.

Employment Impact of 100 New Automotive Jobs in West Michigan			
100 new auto jobs in:	Area indirect and induced jobs	Regional indirect and induced jobs	Total regional impact (inc. 100 direct jobs)
Benton Harbor	150	20	270
Kent County	300	40	440
Kalamazoo	100	40	240
Battle Creek	90	40	230
Muskegon	160	60	320
Holland	160	80	340

Source: W.E. Upjohn Institute REMI Model