

# WEST MICHIGAN VIEWPOINT

This issue of *Business Outlook* examines a trend among auto consumers that has the potential to reshape the auto industry and the local economies that depend on the production of parts and the assembly of vehicles. Instead of the traditional sedan, the new shape in vehicle preference is likely to be a crossover vehicle (CRV) or a sport utility vehicle (SUV). Both fit on a car platform, but they are not a traditional sedan. Instead, they are more like a light truck, and so far consumers are willing to pay higher prices for them.

From Cars to Trucks: The Metamorphosis of the Michigan Assembly Plant	
Opened: 1957	First car produced: Edsel, 1957–1959
Area: Five million square feet of factory floor space	Last cars produced: Ford Focus, Ford C-Max Hybrid, both of which were discontinued in May 2018
Location: Wayne, Michigan	
Capacity: 5,300 units/week	
Employs: Approximately 2,000 workers	First retooled: In 1964 to produce a pickup truck, the first F-100
Number of suppliers: 179 in the United States; 200 more worldwide	Latest retool: In 2018 to produce a pickup truck, the reintroduction of the Ford Ranger for 2019. The reintroduction of the Ford Bronco SUV will follow in 2020.
Purchases: \$1 billion in parts from Michigan-based supplier companies, including 80 Michigan tier one suppliers	
Contributes: \$3 billion to the state gross product	Cost of previous conversion in 2009: \$550 million
Hiatus: Plant shut down in May and will reopen in October	Cost of 2018 conversion: \$850 million

On April 25, Ford Motor Company made the first move by announcing it will discontinue all cars in the North American market, except for the iconic Mustang and variations of the Focus, which will be manufactured in China. Gone from the lineup are the Taurus, once the best-selling car in the United States, the Fusion, the C-Max Hybrid, and the Fiesta. It’s likely that the high-end Lincoln brands will also disappear—these sedans include the MKZ and the Continental. It was only a few years ago that Ford eliminated its Mercury line of sedans. Perhaps the demise of Mercury was a precursor for this recent announcement.

To make the switch from sedans to light trucks (a.k.a. CRVs and SUVs), Ford will, for at least five months, idle its Michigan Assembly Plant near Detroit to retool for the reintroduction of the Ford Ranger, a light truck variety. The Michigan Assembly Plant, which opened in 1957 producing the legendary Edsel, employs about 2,000 workers, and before its scheduled shutdown in May it produced both the Focus and the C-Max Hybrid. Ford decided to convert the plant to light trucks even as the Michigan Assembly Plant produced 39 percent more vehicles in the first three months of this year than during the same time last year. However, previously, sales of the Focus and C-Max Hybrid had plummeted from a high of 331,000 in 2013 to 84,000 last year; the descent prompted layoffs of hundreds of workers a few years ago. When the plant reopens in October, it will begin production of the new Ranger, a midsized pickup, followed soon by the Bronco. Both are nameplates from the past, but the company hopes they will catch consumers’ fancy into the future.

What does this conversion from cars to trucks mean for West Michigan? Putting nostalgia aside, the region will benefit significantly from this shift, according to our estimates, which are based on the Upjohn REMI model (Regional Economic Models Inc.). Once the plant in Detroit is fully operational, we estimate that 1,140 net jobs will be supported in west Michigan, primarily through the expansive supply chain for trucks. While the demise of car production will eliminate 360 jobs in west Michigan, these jobs will be replaced by many more higher-paying jobs, averaging \$70,000 a year compared to \$56,000 for those jobs related to auto production. The reason for higher wages and more jobs is that trucks come better equipped, with more technology and amenities than the fairly basic and lower-margin cars. More content in a truck means more opportunities for suppliers in west Michigan.

Even though the Michigan Assembly Plant is across the state in Wayne, it has significant influence on the west Michigan economy. According to our estimates from the REMI model, additional jobs will pop up along the supply chain, including 220 in production and material handling, 120 in management-related occupations, 60 in health care, 30 in construction occupations, and another 20 in educational occupations and police and fire services. Many more jobs will be created to support the workers in these occupations and their families.