

Source: \$1.6 billion Toyota-Mazda plant planned for Alabama

10 January 2018, by Tom Krisher



In this Aug. 4, 2017, file photo, logos of Toyota Motor Corp., bottom, and Mazda Motor Corp., top, are placed prior to a news conference in Tokyo. Japanese automakers Toyota and Mazda have picked Alabama as the site of a new \$1.6 billion joint-venture auto manufacturing plant, a person briefed on the decision said Tuesday, Jan. 9, 2018. (AP Photo/Eugene Hoshiko, File)

Japanese automakers Toyota and Mazda are expected to announce Wednesday that they have chosen Alabama as the site of a coveted \$1.6 billion joint-venture auto plant that will employ about 4,000 people, a person briefed on the decision said.

The companies are planning an afternoon announcement about the plant and Alabama Gov. Kay Ivey has scheduled a news conference at the same time to make what her office described as a major economic development announcement.

The manufacturing plant is to be built in the Huntsville area not far from the Tennessee state line, said the person, who asked to remain anonymous because the site hasn't been officially announced.

Alabama and North Carolina apparently were finalists for the huge factory, which is expected to begin operating in 2021. It will be able to build 300,000 vehicles per year and will produce the Toyota Corolla compact car for North America and a new small SUV from Mazda, the companies have said.

Toyota and Mazda are forming a capital alliance and splitting the cost for the plant equally. The Huntsville area already has a Toyota engine factory that employs nearly 1,500 people. The decision to pick Alabama is another example of foreign-based automakers building U.S. factories in the South.

To entice manufacturers, Southern states have used a combination of lucrative incentive packages, low-cost labor and a pro-business labor environment since the United Auto Workers union, is stronger in Northern states. Alabama was tied with Tennessee as the fifth-largest producer of vehicles in the country last year, according to the Center for Automotive Research, an industry think tank in Ann Arbor, Michigan. The state produced 9 percent of the cars made in the U.S., the center said.

"Alabama won a first place trophy today in being selected for that plant," said Dave Sullivan, product analysis manager at AutoPacific Inc., an automotive research company. Sullivan said the factory itself is a huge asset for the state, but it will also cause economic ripples by bringing spinoff jobs at suppliers and service companies in the area.

After reassessing the market, Toyota Motor Corp. has changed its plan to make Corollas at a plant in Guanajuato, Mexico, now under construction, and instead will produce Tacoma pickups there, the company has said.



In this Aug. 4, 2017, file photo, Toyota Motor Corp. President Akio Toyoda, left, and Mazda Motor Corp. President Masamichi Kogai shake hands after a press conference in Tokyo. Japanese automakers Toyota and Mazda have picked Alabama as the site of a new \$1.6 billion joint-venture auto manufacturing plant, a person briefed on the decision said Tuesday, Jan. 9, 2018. (AP Photo/Eugene Hoshiko, File)

President Donald Trump had criticized Toyota for taking auto production and jobs to Mexico. With the investment, both automakers hope to prove their good American corporate citizenship and appease the Trump administration's concerns about jobs moving overseas.

But during the summer, Toyota President Akio Toyoda denied that Trump's views influenced his decision.

"We have been reviewing the best production strategy for our business," he told reporters in Tokyo at the time.

Toyota and Mazda Motor Corp. also plan to work together on various advanced auto technology, such as electric vehicles, safety features and connected cars, as well as products that they could supply each other, they said.

It's difficult to predict auto sales in three years, but at present, Toyota may not need the factory for Corolla production.

U.S. sales of small cars fell nearly 10 percent last

year as buyers continued a massive shift toward SUVs and pickup trucks. Corolla sales fell 14 percent for the year, to just under 309,000, according to Autodata Corp.

Still, Toyota and Mazda have said their collaboration will respect mutual independence and equality. Toyota, which makes the Prius hybrid, Camry sedan and Lexus luxury models, already provides hybrid technology to Mazda, which makes compact cars for Toyota at its Mexico plant.

The sheer cost of the plant also makes a partnership logical, as it boosts cost-efficiency and economies of scale. Working together on green and other auto technology also makes sense as the segment becomes increasingly competitive because of concerns about global warming, the environment and safety.

Alabama started on the road to becoming an auto manufacturing hub in 1993 when Mercedes chose it as the location for a manufacturing plant after the state offered a then-eye popping \$250 million incentive package. Honda and Toyota followed by putting engine plants in the state. In 2002, Hyundai announced an assembly facility in Montgomery.

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