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Subject: ED LS: BMW's success spurs NC to lure automaker

BMW's success story spurs North Carolina officials to lure an automaker

By Ely Portillo

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By Ely Portillo The Charlotte Observer

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More Information

- [BMW Greer, SC plant 20th anniversary](#)
- [BMW's not bringing North American HQ to Carolinas](#)
- Automakers look to Southeast

Foreign automakers have built factories throughout the Southeast in recent decades – but never in North Carolina. Here's a look at states that have major auto plants.

South Carolina

- BMW plant in Greer, opened 1994

Tennessee

- Nissan plant in Smyrna, opened 1983
- Volkswagen plant in Chattanooga, opened 2011

Alabama

- Mercedes-Benz plant in Vance, opened 1997
- Hyundai plant in Montgomery, opened 2005
- Honda plant in Lincoln, opened 2001

Mississippi

- Toyota plant in Blue Springs, opened 2011
- Nissan plant in Canton, opened 2003

Georgia

- Kia plant in West Point, opened 2009

Kentucky

- Toyota plant in Georgetown, opened 1988

Staff writer Ely Portillo; Source: Automakers' published information

GREER, S.C.

North Carolina officials are revving up their efforts to attract an automaker, with massive tracts of land assembled and teams of marketers sent to Asia and Europe. And if you want to understand why they're pushing so hard, take a 90-mile drive south on Interstate 85, where BMW is churning out 1,100 luxury cars a day. The German automaker opened its first U.S. factory 20 years ago in an ambitious bet on making cars in the Southeast. Now the plant is embarking on a \$1 billion expansion that will make it the largest BMW factory in the world.

Getting an automaker to build in North Carolina could bring thousands of jobs to the state. And though the prospective sites are more than 90 miles from Charlotte, the city could see plenty of ripple effects. Think suppliers bringing jobs to town, new autos passing through Norfolk Southern's airport rail yard on their way to Charleston for export, and Central Piedmont Community College training workers.

But North Carolina faces tough competition from other states, which have typically offered hundreds of

millions of dollars in public incentives. Low-cost Mexico has also emerged as a formidable competitor, landing five auto plants in just the last two years.

“North Carolina’s not going to be handed an auto plant without competing for it,” said Mark Sweeney, a Greenville, S.C.-based senior principal with site selection specialists McCallum Sweeney. “This is the major leagues of economic development.”

Officials have been racking up the miles in their quest to lure a factory. In September, N.C. Commerce Secretary Sharon Decker led a delegation to Japan to drum up interest in pre-selected sites identified for automakers. The Charlotte Regional Partnership sent a delegation to Germany last week to talk to prospects, including automakers, about locating their businesses in the Charlotte region. And Charlotte-based Duke Energy is supporting the effort, helping identify and market sites to potential companies.

Decker said the state is prepared to compete, and is talking with car manufacturers.

“We’re in conversations with a number of manufacturers that are based in Europe,” she told the Observer.

“We’re looking worldwide.”

Driving the automakers’ expansion is pent-up demand: People are buying more cars as the recession’s effects fade. Even now, the average age of Americans’ vehicles is almost 11 1/2 years – a record. Some experts predict automakers will announce as many as half a dozen new North American factories in the coming years to meet stronger demand.

Automakers have built plants across the Southeast in recent decades, attracted in part by nonunion workforces. Besides South Carolina, factories have sprung up in Tennessee, Georgia, Alabama, Mississippi and Kentucky. Mike Randle, publisher of trade magazine Southern Business & Development, in a recent [article](#) called North Carolina “the longest running bridesmaid of them all” in the automaker race.

Economic developers still bristle at North Carolina’s near-miss in 1993: The state almost landed a Mercedes-Benz plant for a site in Mebane, but the German automaker instead chose Alabama.

“We were close. Got to the altar, couldn’t seal the deal,” said John Geib, Duke’s director of economic development for North Carolina.

Decker said such a factory would be “transformative” for North Carolina, because of the supplier and logistics jobs that come with such a facility. BMW’s South Carolina plant employs more than 8,000 workers – almost as many as teachers working for Charlotte-Mecklenburg Schools.

BMW’s presence indirectly created 23,000 jobs at more than 40 suppliers around the state, a 2012 University of South Carolina study found. That includes nearby shops that stamp out metal pieces for the car bodies, and a factory that makes seats.

The sites North Carolina is pitching to automakers include an 1,800-acre parcel in Chatham County and a nearly 1,400-acre site in Randolph County. At the Chatham County site, about 105 miles northeast of Charlotte, the private owners have agreed to keep the property available for two years. The Piedmont Triad Partnership has assembled the Randolph County site, roughly 90 miles northeast of Charlotte. Such “megasites” are vetted and approved with plans detailing roads, utilities and other infrastructure, so buyers can move fast without surprises.

Moving fast may be key: Geib said now is the critical moment, with automakers poised to expand and ready to choose sites.

“My personal belief is it will be over in three years. It’s going to happen pretty quickly,” he said. “Once that capacity is built, then the need for new capacity won’t happen again for – well, you pick the number of years.” Geib said the state has talked with automakers but wouldn’t give specifics. Sometimes, even recruiters don’t know which companies they’re recruiting, because of the secrecy that typically surrounds high-stakes economic development prospects.

“I can say that we have spoken to specific automakers. I can’t say who,” he said. “In some cases, I don’t know who.”

From cow pastures to car-building

BMW’s 5.6 million-square-foot plant rises from the rolling hills halfway between Greenville and Spartanburg, a cluster of mammoth white buildings tucked at the end of a tree-lined road off I-85.

Inside, the assembly lines snaking through the plant are nearly as quiet as an office, punctuated by showers of sparks and the pop of welding guns.

Robots resembling giant orange arms deftly lift car frames, doors, hoods and trunks, spinning and fusing them together in a synchronized ballet. Humans do more delicate tasks, such as pulling wires through the vehicles’

interiors. They also tap the iconic blue-and-white BMW logo into place onto each vehicle's hood with a rubber mallet – a maneuver the workers call “spanking the baby.”

The plant builds BMW's line of X-series “crossovers” – vehicles that blend the features of a car and SUV. They carry starting price tags of anywhere from \$38,500 to \$72,900.

After the latest expansion, for which BMW plans to hire 800 workers, the company will assemble up to 450,000 vehicles a year in South Carolina.

About 70 percent of the vehicles that roll off the factory floor – more than 700 a day – are driven out the back door and on to waiting trains. From there, most of them go to Charleston, where they're loaded onto cargo ships and sent around the world, mostly to Europe and China. The other 30 percent are sold in the United States.

It's a big change from 20 years ago, when BMW began production at its new plant with a few dozen vehicles a day under the watchful eyes of German trainers.

Brenda Shell, who has lived near Greenville her whole life, was one of the company's first workers on the new production line. She now preps vehicles for auto reviewers.

“What used to be cow pastures – it's not cow pastures anymore,” Shell said. “I never imagined it would be this big.”

Ben Haskew, president of the Greenville Chamber of Commerce, called the plant “the economic gift that keeps on giving.” He was with the Spartanburg Chamber in 1992, when leaders began recruiting BMW.

South Carolina's Upstate had auto suppliers and some name recognition already, Haskew said. Michelin had started making tires at its Greenville plant in 1975, and at its Lexington, S.C. plant in 1981. But the region still depended heavily on textiles, and that business was moving overseas.

The plant gave some textile workers refuge in a new field. John Masciarelli, who lives in Hendersonville, had worked in textiles for 20 years as a manager for a former division of Fletcher. Masciarelli said when his plant closed, “They gave me two choices: China or Rhode Island. I said thanks, but no thanks.”

Masciarelli has worked at BMW for 15 years now. He's a technician, working on robots that install panoramic sunroofs.

Haskew and other supporters make the case that South Carolina's initial \$150 million worth of incentives was money well spent: USC's study estimates the plant generates almost \$1.8 billion worth of annual payroll from BMW's jobs and its suppliers.

The factory also helped insulate the Upstate against some of the recession: BMW decided to continue with an expansion in 2008, despite the downturn, keeping about 1,000 construction and related jobs in place.

Beyond the jobs created, BMW's presence has given the region other benefits as well. The company supports events such as the annual BMW Charity Pro-Am golf tournament and donates to local charities. BMW gave \$10 million to endow a Clemson University graduate school and International Center for Automotive Research in Greenville, which now has hundreds of students and researchers.

BMW executives shuttling back and forth to Munich sustain Charlotte's nonstop flight on Lufthansa, the German national carrier.

And the Greenville region has more than its share of German food, such as the Hans & Franz Biergarten, Schwaben House and the Bavarian Pretzel Factory.

“The attraction of a major international brand really was a huge thing for the area,” said Haskew. “It had a huge impact.”

North Carolina's hurdles

Site selection experts say North Carolina has already overcome one of the biggest obstacles to landing a large project: Assembling the land. Many automakers want to move fast when they decide to build, closing a deal in 6 to 12 months, and not having a site ready to go can knock a state out of the running.

Another hurdle could be harder to overcome: Incentives. North Carolina has historically been unwilling to offer the mega-incentives automakers generally require in the form of land and tax breaks. When Chattanooga, Tenn., landed a Volkswagen plant, which opened in 2011, the state and local governments awarded the company \$577 million worth of incentives.

North Carolina lawmakers have said they plan to address incentives in the legislative session next year, and have signaled more willingness to consider large incentives grants for big projects. But the state's incentives program remains in flux. The legislature adjourned in August without adding money to the state's main incentive fund, and didn't approve giving Decker a flexible “closing fund” to seal the deal with companies. Gov. Pat McCrory said last week that he would call the legislature back for a special session to consider

incentives if there were an urgent need.

The state showed it was willing to spend big last year in hopes of luring a Boeing jet plant, as economic development officials offered the company incentives worth up to \$683 million. But Boeing ultimately decided to build the plant in Washington, which offered an \$8.7 billion incentives package.

Sweeney, the Greenville site-selection specialist, said North Carolina's incentives history could give an automaker pause. "There might be some uncertainty," he said. "Will North Carolina be there at the end? They certainly have a lot going for them ... but as you get deeper in the project, the incentives become more important."

Decker said that the state's pitch isn't entirely dependent on incentives and that she's also emphasizing the state's manufacturing workforce, recent cuts in corporate taxes and good access to rail, highways and ports. "Incentives are important to winning opportunities, but incentives don't make a bad deal good," said Decker. "We're very focused on their long-term operating costs."

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Read more here: <http://www.charlotteobserver.com/2014/11/14/5315726/why-are-nc-officials-so-intent.html#storylink=cpy>

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