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To:

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Subject: ICYMI: Anyone thinking U.S. has lost its manufacturing chops hasn't been to S.C.

IN CASE YOU MISSED IT

Wall Street Journal: U.S. Manufacturing, Defying Naysayers

By John Bussey

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Here's a pop quiz:

Where did French tire-maker Michelin, in an announcement last week, say it will build a new global factory—China, Mexico or South Carolina?

Answer: South Carolina.

What state is about to become the biggest manufacturer of tires in the U. S.?

Answer: That would be South Carolina, too.

Anyone still thinking the U.S. has lost its manufacturing chops hasn't been to this part of the country. Yes, South Carolina still has a high unemployment rate. And new factories are automated and don't employ as many workers as old ones did.

But for a hopeful look into America's future, just visit the Greenville/Spartanburg corridor, a good example of the type of manufacturing "hub" powering growth throughout the U.S.

Drive by the big BMW auto plant, the General Electric GE +0.21% gas-turbine factory, Michelin's North American headquarters, and the scores of suppliers, chemical companies, and fabricators sprinkled along Interstate 85. Observe the close coordination between these companies and the local colleges that, for years, have supplied the engineers and machinists who run the factories.

BMW has numerous tie-ups with colleges in South Carolina. Above, BMW's Spartanburg, S.C., assembly plant.

In March the ISM manufacturing index indicated expansion for the 32nd month nationally, and it shows here. The Greenville Area Development Corp. is working with 30 companies that are interested in moving into or expanding in the area. That number is roughly back to pre-economic crisis levels.

Michelin's new plant in nearby Anderson County and growth at its facility in Lexington will cost \$950 million and employ an additional 800 or so people. Other tire makers in the state are also expanding. And the port of Charleston down the road is adding capacity to handle cargo going in and out of the area.

"Ten years ago, everyone thought Mexico would be the place for expansion," says Pete Selleck, who heads Michelin's North American operations. "But we can't tolerate the level of instability there." As for China, labor costs are rising quickly, he says, and "there's still concern about protecting intellectual property."

A new survey of 106 big U.S. manufacturers by the Boston Consulting Group, to be released Friday, picked up a similar sentiment. Thirty-seven percent of the companies said they plan to bring production back to the U.S. from China, or are actively considering it. Seventy percent said sourcing in China is more costly than it looks on paper.

BCG also sees some additional interest in the U.S. from manufacturers in Europe. It says they are attracted to higher productivity here and a cheap U.S. dollar.

"There was an outsourcing overreaction because wages were so low abroad," says Hal Sirkin of BCG, "and now the pendulum is swinging back."

Academics have for years been writing about the unique vitality of manufacturing hubs or "clusters"—the co-location and interconnection of related industries and schools. Silicon Valley is a prime example. So too the tech corridor in upstate New York, aircraft design in Seattle, chemicals in West Virginia, and advanced engineering in Prince George County, Va., where Rolls-Royce and a group of universities recently tied up.

Michael Porter of Harvard, in a 1998 paper "Clusters and the New Economics of Competition," wrote: "Paradoxically, the enduring competitive advantages in a global economy lie increasingly in local things—knowledge, relationships, and motivation that distant rivals cannot match."

The Greenville area was a hub for the textile industry before textiles moved abroad. Left behind was a pool of skilled workers that Michelin tapped when it built its first plant there in 1975. The company's latest decision to expand went this way: In the plus column, the region's technical schools, nonunion workforce, infrastructure (highways, airports, major port), \$9.1 million in incentives from the state, and an effective supply chain. In the minus column, America's higher corporate taxes and wages.

"We knew from our previous experience here that the probability that we will get the productivity and quality we want is very high," says Mr. Selleck.

The area's manufacturers have built a symbiosis between factory and school. Walking through GE's gas-turbine plant some months back, I asked the factory manager how she coped with the nation's shortage of engineers. "We don't have a shortage," she said. She gets plenty from Clemson University, Greenville Technical College and other regional schools.

Charles Wilson, who teaches at Greenville Tech, says GE is priming the pump with a new apprentice program. Students will study at the school and work at GE, and the company will pick up the tab. GE also sends some of its new hires to the college for a crash course in hands-on manufacturing, he adds. "They don't understand how small 1/10,000 of an inch really is. So we show them how to build things."

Over on Clemson's Greenville campus, students work alongside BMW engineers at the BMW Information Technology and Research Center.

BMW is like other big manufacturers in the area. It has educational tie-ups with the University of South Carolina and South Carolina State University in such areas as finance and supply-chain management; with the College of Charleston on transportation and logistics; with Spartanburg Community College, Greenville Technical College, and Tri-County Technical College, where it funds apprenticeships; and with the University of South Carolina Upstate, where it sponsors a two-week summer camp on lean manufacturing

for high-school students.

"It's not always done with the expectation we hire somebody," says Max Metcalf of BMW. "It's for five years down the road, keeping that talent coming through for BMW and our suppliers in the area."

Given where manufacturing in the region appears to be headed, that's a smart bet.

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