



LEADING UNITED STATES

TENNESSEE'S POTENTIAL ROLE

by Lamar Alexander

I believe that Tennessee is poised in the next decade to become the leading state for auto parts suppliers in America. That's an enormous change from 30 years ago when I became governor and Tennessee had almost no auto jobs. Back then, in 1979, the center of the automobile industry was in the part of America where the car was first produced: the Midwest. Since most of the auto assembly plants were there, so were most of the auto parts suppliers because they didn't want to be too far away.

This produced an enormous money advantage for those states. I remember going to Michigan in 1980 in the midst of a national recession and hearing people in the suburbs of Detroit complaining about the recession. But I was thinking about how well off they were because they had so much more money there than we did in Tennessee. They had more money to pay their teachers, they had more money to build great universities, and they had research institutions such as those in Dearborn that had spun off from the auto companies.

Carlos Ghosn, CEO of Renault and Nissan, told me once that at least half the profits on cars and trucks in the world are made in the United States. When most of those cars and trucks in the U.S. were made in a small region of our country, you can just imagine how much money flowed into those cities and towns and how much of an advantage that was.

What was an advantage for Michigan and Ohio and other Midwestern states was a big disadvantage for Tennessee. Thirty years ago we had almost no auto jobs. We had the third lowest family incomes in America. The only states lower were Mississippi and Arkansas.

Then, in 1980, Nissan came to Tennessee. The Japanese automakers did something the U.S. automakers had not done. They took a fresh look and noticed two things.

The center of the U.S. market was not in the Midwest—it was in Kentucky and Tennessee. That makes a difference in the location of an auto plant because if you're making 500,000 vehicles a year and transporting them somewhere, and if you save a few miles on each truck, that adds up to a big cost difference.

Then they looked at Kentucky and Tennessee and found an important difference: Tennessee had a right-to-work law and Kentucky did not. Nissan wanted the better labor relations environment that a right-to-work law created. So Nissan came to Tennessee.

Then, in 1985, Saturn looked around the United States and built an auto plant just a few miles from Nissan for many of the same reasons.

Those big auto plants produced maybe 12,000 auto jobs, but that wasn't the real auto story in Tennessee. What started to happen was that suppliers began to follow not only Saturn and Nissan but other auto assembly plants that were being built in the South: Toyota in Kentucky, BMW in South Carolina, Mercedes in Alabama, and many others.

In noticing that, I remember asking the General Motors officials how auto companies and suppliers chose to locate a new facility. I was told they did it by computer and the site was rejected if a good four-lane highway access wasn't nearby.

So in Tennessee we doubled our gasoline tax and enacted three major road programs. By the end of the 1980s we had built the third great advantage of our state: the best four-lane highway system in the country.

Now fast forward to 2007. Tennessee has grown from virtually no auto jobs to having one-third of its manufacturing jobs in the automotive industry. Almost all of those jobs are not at Nissan or Saturn; they're at nearly 1,000 different large and small auto parts suppliers in almost every county in Tennessee. Today we find ourselves the fourth largest state in terms of new car production and fifth in terms of overall light-vehicle production.

That is why I believe over the next decade Tennessee will move to the No. 1 spot in auto suppliers. The same factors will cause it to happen:

- **Location.** An increasing number of auto assembly plants in the South and Southeast will mean more suppliers will move to be close to them. (Nissan has opened a big new plant in Canton, Mississippi; Toyota has opened one in Mississippi and one in San Antonio; and more are on the way.)

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- **The right-to-work law.** In a more competitive globalized world where every penny counts, the right-to-work law makes an even bigger difference.
- **The four-lane highway system.** This is still a great asset.

In addition, President John Peterson of the University of Tennessee is working to align our university and research facilities with the growing number of auto suppliers. Dr. Peterson became familiar with a pioneering program on this when he was at Clemson University in South Carolina, and he's importing those ideas to Tennessee.

Auto parts suppliers are good for Tennessee because there are many different types of plants, ranging from the large Denso plant in Maryville, which employs 2,500 people, to smaller auto suppliers in smaller counties that may employ only 25 or 30. There are many plants, spread out in many places.

The other big advantage is that for most of these plants, labor costs represent only 15 to 20 percent of their total costs, so it's not as tempting for them to take their jobs to Mexico or Germany or some other place in the world. In other words, the jobs are more likely to stay in Tennessee for a longer period of time, particularly because of the opportunity to stay close to the customers: the big auto assembly plants.

So Tennessee has changed remarkably. Our family incomes during the 1980s, because of the arrival of the auto industry, became the fastest-growing family incomes of any state in America. That's leveled off somewhat today, but families in Tennessee still have more money today because of the auto parts suppliers.

If I were a county mayor or a local economic development official, and if I were looking for a way to broaden the economic base in my community, I would go to the nearest large auto supplier and ask for its help in bringing more suppliers to my community. They're headed south, and there's no reason they shouldn't come to Tennessee. ■

Lamar Alexander is the senior U.S. senator from Tennessee, recently elected chair of the Senate Republican Conference. He served as Tennessee's governor from 1979 to 1987 and as U.S. Secretary of Education from 1991 to 1993.

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