# Mercedes move could rev up auto suppliers across Upstate

## Daimler's plans to build sedan in Alabama may add jobs here

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Upstate automotive parts makers heard some good news from Germany, but this time it didn't come from Munich, the home of BMW.

Rather, it was the decision by Daimler AG in Stuttgart, BMW's biggest rival, to send some of Mercedes Benz's C-class sedan production to its Alabama plant, which some Upstate parts makers have been supplying for years. It's a decision that could benefit the South Carolina suppliers, automotive experts told *The Greenville News*.

Like BMW, which is expanding at its Greer plant, Daimler said it wants to take advantage of a growing U.S. market and lower costs while avoiding currency fluctuations.

BMW has emphasized from the time of its 1992 announcement that it was building a plant in South Carolina because it needed to produce in the United States, the world's largest auto market. The U.S. site also provides a natural hedge against currency fluctuations, Norbert Reithofer, chairman of BMW AG, has said.

And they're not alone.

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Honda and Toyota recently announced plans to increase their U.S. capacity, and Volkswagen plans to build a plant in Tennessee.

Two South Carolina economists said they don't expect the Daimler announcement to cause changes in BMW's production line but said it could have a positive impact on auto suppliers in the state.

"I sort of doubt there would be a competitive response by BMW that says, 'Oops, our competitor Mercedes has made this move, we need to make a counter move," said Bruce Yandle, dean emeritus of Clemson University's College of Business and Behavioral Science. "I think they (BMW) already had their plans made with an expectation about what Mercedes would do."

Reithofer said the day of the Daimler announcement that BMW made the decision to increase U.S. production "two years ago already."

Nearing completion of a $750 million expansion of the Greer plant, BMW added the BMW X6 hybrid to its product mix this year and plans to add the next generation X3 sports activity vehicle in 2010. The plan also builds the X5 SAV and the X6 sports activity coupe.

Next year, the X5 and X6 will be built on one line in the existing plant and the X3 on a separate line in the new facility, said Bobby Hitt, spokesman for the plant.

When construction is completed, the plant will have the capacity to build more than 200,000 vehicles a year, up from a peak of nearly 170,000.

"We are a highly flexible plant. We have the ability to build what the market demands and what the board wants," Hitt said. Besides being able to produce any car made by BMW, the plant has the ability to ramp up to produce 240,000 vehicles "relatively quickly."

But the plant isn't looking at adding new models now, he said, but is concentrating on the X3 SAV.

Many auto-suppliers in South Carolina provide components for multiple carmakers, with some already supplying Mercedes' U.S. plant.

Increasing business for any of BMW's supplier network is good for the suppliers and strengthens the network, Hitt said.

Doug Woodward, director of research and an economics professor for USC's Darla Moore School of Business, said more than 40 auto suppliers in the state that feed BMW and other manufacturers "will benefit from this."

"We'll have multiplier effects spill over from Alabama," he predicted.

"We're going to look forward to seeing if we could supply the new car," said Bryan Johnson, spokesman for ZF Lemforder, which has a plant in Alabama as well as in Duncan.

The Alabama facility is dedicated to making axle systems for the vehicles now made at that plant, he said. The Duncan plant produces complete systems for the X5 as well as components, some of which are for the X6. And "we're ramping up for BMW's next car," he said.

"With the increased volume in Alabama, I would assume all the suppliers would have a chance" to become suppliers for the new C-class car, he said.

"I think we are within the service range of the plant in Alabama," said Fred Suggs, an attorney with Ogletree, Deakins, Nash, Smoak & Stewart who works with many regional auto suppliers and is president of the state Bar Association. "I think this could be good for us."

Although many carmakers "want you to be close enough to be a just-in-time supplier," a distance of half a day actually is close enough, he said. And that includes the Upstate.

Yandle said that while Daimler's decision could affect Upstate auto suppliers in changing their products, he doesn't believe it will significantly increase the amount of business.

"Instead of doing dashboards and headliners and so forth for the SUVs, they change the mix so that the total output would be about the same," he said.

And not all suppliers expect to be affected by the new Mercedes production.

Michelin North America doesn't anticipate any impact from the Daimler decision, said Lynn Mann, company spokeswoman.

Daimler said production of the new generation C-class, which includes a sedan, coupe and wagon, should begin in 2014.

The U.S. market is expected to grow, Daimler

said, making it "essential to have production facilities of the C-class close to the market. The sedan version of the series is already the best-selling Mercedes-Benz model in the U.S. market."

"I think worldwide there is an excess of supply" of vehicles, Suggs said, and Mercedes must hope the U.S. market will fare better than some markets.

"It's still the strongest market in the world," Hitt said of the United States. "It has been under stress in the last year or so and probably will remain so for a time. You have to look into the future and take some risks."

Currently, the Alabama plant builds the R-Class, M-Class and GL-Class vehicles, all SUVs or SUV-like vehicles, and will continue to do so.

The plant in Vance has expanded several times over the past decade. But the crashing U.S. market for SUVs has left the plant underutilized for the past two years, according to *Automotive News Europe*.

The production move could add about 1,000 at the 2,800-worker plant, Rainer Schmueckle, Daimler's chief operating officer, said in a conference call.

Suggs said the announcement seems to show Mercedes has confidence in both its work force and its suppliers.