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'Megasites' are key in luring auto plants

TVA's economic development plan for region draws rave reviews

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A young program to recruit automotive companies to the Tennessee Valley appears to be giving the region an edge over other parts of the South in recruiting new industry, in the latest twist in the state-versus-state scramble for economic development and jobs.

The effort to certify "megasites," large tracts of land that have the infrastructure to handle auto assembly plants, steel mills and other capital-intensive manufacturing operations, appears to have helped make cities in Tennessee, Alabama and Mississippi the finalists in recent competitions to land new manufacturing plants from Volkswagen and Toyota. And other industries may be examining projects for at least some of the remaining sites.

Some economists say overdependence on the program could lead Tennessee and other states in the program to become too dependent on the heavy manufacturing sector for jobs in the long term. But recent successes have won raves from economic development professionals here.

"It's probably the best economic development project in the last decade," said John Bradley, senior vice president of economic development at the Tennessee Valley Authority, which began certifying megasites in 2004. "That's not bragging."

Backing that claim are some quick successes. Of the nine megasites that have been identified over the past four years, four have been transferred to heavy manufacturers:

- The 1,600-acre Chattanooga site that will be transferred to Volkswagen for a new assembly plant that could employ 2,000 people.
- A 1,700-acre site near Tupelo, Miss., that went to Toyota for another assembly plant.
- An 1,800-acre site in Columbus, Miss., that has been sold to Paccar for a truck engine plant.
- A 1,400-acre site, also in Columbus, that has been sold to SeverCorr for a steel mill.

"Obviously, being a TVA-certified, shovel-ready site was integral to attracting Volkswagen," said Mark Drury, assistant commissioner of the Tennessee Department of Economic and Community Development. "All of the megasites in the Southeast get a lot of looks from companies, and a lot of the discussions among site selection consultants is about the relative merits of the various megasites."

Other megasites also have been finalists for major plants. A site in Limestone County, Ala., for instance, was the runner-up to Chattanooga in the Volkswagen deal. Meanwhile, a megasite near Clarksville, Tenn., is in the running for a Dow Corning plant that would make a material used in semiconductor chips and solar panels.

Meanwhile, only one megasite has fizzled — a 1,600-acre tract in Crockett County called the West Tennessee Auto Park. It was forced to withdraw from the program in December when real estate options on the land fell through, making the site less than mega.

Auto remains top focus

The megasite program grows out of a concerted effort to attract one particular industry to the seven-state Tennessee Valley region — namely, automotive companies.

After being winnowed out early in several competitions for assembly plants, including Nissan's 2000 decision to open a plant in Canton, Miss., TVA officials decided to launch a search that would find the best sites in its jurisdiction with the best chances of securing an auto plant.

In March 2004, it agreed to pay \$450,000 to a consulting firm that specializes in finding sites for auto companies, Greenville, S.C.-based McCallum Sweeney Consulting, to scour a list of 26 candidates.

TVA and McCallum Sweeney decided to call those that made the cut "megasites" to send the message that they were large enough — at least 1,000 acres — to hold a major manufacturing operation. To qualify, the land also had to be immediately available; have all environmental and geological tests completed; be situated close to major highways, rail lines and auto suppliers; and have plenty of labor.

"We knew having these sites wouldn't guarantee you a location. All it guarantees is at least they'll consider you," TVA's Bradley said. "And that's all we wanted, just to be in the game."

Nine sites were eventually chosen as megasites, but even those had to be improved before they could make the final grade. Chattanooga and Hamilton County, for instance, had more than 1,200 acres available in an area called Enterprise South, but it wasn't rectangular enough to hold a plant.

McCallum Sweeney advised officials to go through with a deal to buy an additional 1,800 acres from the U.S. Army for \$12.5 million. A portion of that land was added to the megasite that Volkswagen eventually picked.

"The fact that we had to go through the process of becoming megasite-certified helped us identify ways we could improve," said J. Ed. Marston, vice president for marketing and communications for the Chattanooga Area Chamber of Commerce. "Since we did that, we got looks from two major automobile makers."

Returns have multiplied

The decision to primarily chase automotive companies, instead of, say, biotechnology, semiconductors or other lighter industries, was based on TVA's calculation that those prospects held the best potential for the region.

Automotive companies generate six to eight outside jobs, mostly with suppliers, for every one within the plant itself, TVA executives estimate. Automotive companies also have shown an eagerness to invest in the Southeast, where they believe they can find a labor force that's willing to work harder and for less money than in other parts of the country. By focusing on one particular sector, the TVA was able to quickly spread the word about its program.

"You don't win an automotive project with just a certified site," said Mark M. Sweeney, a senior principal at McCallum Sweeney. "You have to have a strategy."

The main risk of such a strategy, however, is that it will make the region too dependent on one sector, said Karl Kuykendall, a regional economist at Global Insight, a Lexington, Mass.-based economic forecasting firm. "There's always the risk that you will get oversaturated in one industry, and you can see the fallout from that in the Northern states. Michigan is being devastated," he said. "For now, that's not dangerous, but down the road it could be dangerous."

Leveling the playing field on sites also does not diminish the feverish drive by states and cities to compete with one another for manufacturing jobs. It may even make other considerations, such as the makeup of the labor market or the willingness of local governments to offer incentives, more

important to the process, said Peter Morici, a professor of business at the University of Maryland and the former chief economist at the U.S. International Trade Commission.

"Other factors come into play," he said. "It's really a little bit in the eye of the beholder."
