

More car manufacturing jobs move south -- to Mexico

Alisa Priddle and Brent Snavey, Detroit Free Press 12:06 p.m. EDT June 15, 2015



(Photo: Susana Gonzalez/Bloomberg)

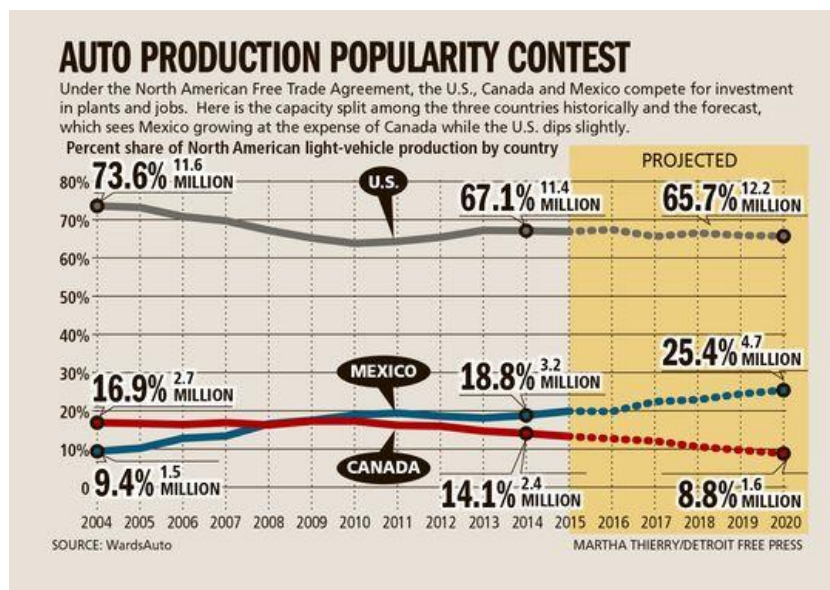
The auto industry is looking south for new factories, and the farther south, the better.

Canada is struggling when it comes to retaining auto jobs, the U.S. is a house divided with most of the new automotive investment and jobs headed south of the Mason-Dixon line and Mexico is the auto industry darling.

The three countries are a united trading block under the North American Free Trade Agreement, or NAFTA, but they're fierce rivals in the boardrooms where auto executives decide where to invest in the latest equipment and additional jobs.

Of the vehicles built in North America last year, Mexico produced about one in five, or double the rate from 2004. WardsAuto, which tracks production data, expects the rate to increase to one in four by 2020.

"The U.S.' South and Mexico are winning the battle," said Dennis DesRosiers, president of DesRosiers Automotive Consultants near Toronto. "Over half the capacity and 80% to 90% of investment dollars are going to the U.S. South or Mexico."



Auto production popularity contest (Photo: Martha Thierry Detroit Free Press)

Conversely, he sees the Canadian auto industry dwindling to five automakers with a single assembly plant each over the next decade or two — or about half its current manufacturing footprint.

The United Auto Workers union is keeping a close eye on the flood of automotive investment migrating to Mexico. The issue is especially critical for the UAW this year as it seeks product commitments from the Detroit Big 3 automakers in negotiating a new contract for about 140,000 U.S. autoworkers.

The auto industry is global, but increasingly companies want to build in the region where they sell. Which means chances are your new vehicle will continue to be built in North America but may not be made in the U.S.A.

Back in 2004, 11.6 million vehicles were built in the U.S., or 74% of the 15.8 million industry total. Canada built 2.7 million, or 17% of the capacity; and Mexico contributed only 1.4 million vehicles, or 9%, according to WardsAuto.

In 2014, signs were evident the tide had turned.

Mexico's production had more than doubled to 3.2 million units, or 19% of the 16.9 million industry total. It came at the expense of the U.S., which dipped to 11.4 million units, or 67%; and Canada, which was down to 2.4 million, or 14%.

MEXICO'S SURGING AUTOMOTIVE INDUSTRY

From 2013 through the rest of the decade, almost every major automaker is adding plants, capacity and jobs in Mexico. Among them:

| MANUFACTURER | COST | JOB | LOCATION | PRODUCTS |
|-------------------------------------|----------------|-------|--|--|
| General Motors | \$5 billion | 5,600 | Toluca, Ramos Arizpe, Silao, San Luis Potosi | Not identified |
| Ford | \$2.5 billion | 3,800 | Chihuahua and Guanajuato | Small gasoline engines, transmissions |
| Toyota | \$1 billion | 2,000 | Guanajuato (central Mexico) | Corolla |
| Mazda | \$800 million | 4,600 | Salamanca | Mazda3, Mazda2 and Scion iA for Toyota |
| Honda | \$1.27 billion | 4,700 | Celaya | Honda Fit, HR-V, transmissions |
| Volkswagen | \$1 billion | 2,000 | Puebla expansion | 3-row Tiguan compact crossover |
| Audi | \$1.3 billion | 3,800 | San José Chiapa | Q5 crossover |
| BMW | \$1 billion | 1,500 | San Luis Potosi | Potentially the 3-Series |
| Kia | \$1 billion | 3,000 | Nuevo Leon, near Monterrey | Forte and Rio small cars |
| Daimler-Nissan joint venture | \$1.4 billion | 5,700 | Aguascalientes | Mercedes and Infiniti compact cars |
| Nissan | \$2 billion | 3,000 | Aguascalientes | Sentra |
| Chrysler | \$1.23 billion | 1,570 | Saltillo | Ram ProMaster, Tigershark engines |

SOURCES: Auto companies, Detroit Free Press research by ALISA PRIDDLE

MARTHA THIERRY/DETROIT FREE PRESS

Mexico's surging automotive industry (Photo: Martha Thierry Detroit Free Press)

And the trend will continue. Wards forecasts new plants will add 1.2 million units of capacity in North America by 2020 and it is not evenly split.

Virtually every automaker is adding capacity in Mexico, including [General Motors](#), [Ford](#), [Toyota](#), [Honda](#), [Volkswagen](#), [Audi](#), [BMW](#), [Hyundai](#) and [Mazda](#).

The country is a "massive untapped market" that could grow by another 1 million to 2 million vehicles a year, DesRosiers said.

By 2020, Mexico is expected to build one in four vehicles in a North American industry of 18.6 million units. The U.S. will hold its own at two-thirds of the output, or 12.2 million vehicles. Canada is the big loser, down to 1.6 million vehicles and 9% of the output.

In 2014, automakers announced \$18.25 billion in additional investments in North America. The breakdown: almost \$10.5 billion for the U.S., \$7 billion in new projects for Mexico, and a single \$750-million project for Canada, according to the Center for Automotive Research in [Ann Arbor](#).

That is on top of the 18 plants already in Mexico, and there are least five more planned or under construction. Mexico has seen a 40% increase in auto jobs since 2008 to 675,000 last year while the U.S. saw only a 15% increase in the same period to more than 900,000.

MEXICO'S AUTO PLANTS



SOURCES: Auto companies, Detroit Free Press research by ALISA PRIDDLE

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Mexico's auto plants (Photo: Martha Thierry Detroit Free Press)

The supply base also has improved its quality, said Haig Stoddard, industry analyst for WardsAuto. "The litmus test was when Toyota said it would build there," a reference to the company's strict standards.

The domestic market continues to grow, and Mexico's ports and its trade agreements with 45 countries have helped establish it as a strong export hub to Europe and South America as well as the rest of North America. By contrast, the U.S. has about 20 trade agreements, and Canada also has but a fraction of Mexico's pacts.

"Mexico bested us on trade agreements," said [Sandra Papatello](#), a former Canadian politician who now oversees business development for PwC Canada in Toronto as well as the Windsor-Essex Economic Development Corp. "They quietly have been negotiating trade agreements with the world."

In the U.S., northern states are gaining third shifts at existing plants while the South is getting investment in new plants and the thousands of jobs that come with them.

By 2019, the U.S. South will have about 5 million units of capacity, almost catching up to the North, where the Midwest is not expected to grow much beyond the more than 6 million now, said Michael Robinet, managing director of IHS Automotive Consulting.

That is astounding given the history of how the auto industry developed.

The [U.S. auto industry](#) started in Detroit more than a century ago and the predominance of General Motors, Ford and Chrysler were such that they became known as the "Big Three."

Production was centered in the Midwest and Michigan in particular — spilling over into neighboring Canada. It wasn't until foreign automakers decided to build in the U.S. that a new manufacturing base was established in the South. States such as Alabama, Tennessee and Georgia used incentives and a nonunionized workforce to attract automakers seeking a manufacturing toehold in the U.S.

"The U.S. will be fine, at least over the next five years," said Stoddard. "Production will stay here, especially of larger vehicles. There will be a lot of new capacity in the South, and it is needed. The North will hum along at current levels for the next five years."

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