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Toyota moving Tacoma production to S.A.

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FREMONT, Calif. — Toyota Motor Corp. officially confirmed Thursday that it will relocate production of the Tacoma pickup from a plant in Northern California to its state-of-the-art manufacturing facility in San Antonio by next summer.

The announcement came hours after the Japanese automaker ended its relationship with a joint venture plant in the San Francisco Bay area as part of an effort to reduce excess production capacity at plants around the globe and return to profitability.

As part of the plan to shift Tacoma production to San Antonio, Toyota will stop making vehicles at the New United Motor Manufacturing Inc. plant — its first manufacturing facility in the United States, which started in 1984 as a 50-50 business deal with General Motors — in March 2010.

San Antonio and Bexar County officials estimate 100,000 Tacomas, about 50,000 less than NUMMI is capable of producing at peak capacity, will be pumped out annually following a \$100 million retooling at Toyota's San Antonio campus.

The Tacoma line not only will diversify the plant with a second vehicle but also is expected to add as many as 1,100 new jobs to the facility over time and will rev its 21 on-site suppliers back up to capacity and employ hundreds of new workers.

San Antonio and Toyota officials, however, say the true impact won't be known for some time.

Equally important, the relocation will return work at the San Antonio plant — which has the capacity to build about 200,000 Tundras annually — back to two shifts for the first time since it shuttered for three months last summer to sell off excess inventory.

“This is what we wanted, a dual line to alternate with the Tundras,” said Ramiro Cavazos, the chief executive of the San Antonio Hispanic Chamber of Commerce, who played a key role in luring Toyota to the Alamo City in 2002 as the city's economic development director. “We had thought several years ago it might be the Highlander hybrid, but this plant and its workers have the flexibility to keep jobs strong there.”

Temporary plant workers who had been laid off in San Antonio or those who applied for Tundra work and didn't get the job could be first in line for the new positions, Bexar County Judge Nelson Wolff said.

It wasn't immediately clear if Toyota would offer jobs to any of the 4,700 NUMMI workers who will be unemployed next year as a result of the plant's closure.

“This is really a big shot in the arm, especially when you consider that the jobs multiplier is five, and I think that is conservative. By next year, we'll be running pretty darn strong. We're already doing well relative to other parts of the country,” Wolff said.

Toyota's decision to end its 25-year relationship with the NUMMI plant, which also produces the Corolla, came nearly two months after GM said it was pulling out of the joint venture.

Since then, rumors had swirled about what Toyota would do, but industry observers had speculated the auto giant would move production to other plants.

It marks the first time the Japanese automaker has moved to shutter a plant, either at home or abroad.

Analysts say Toyota's decision to pull out NUMMI is a smart move for the company in the long run, as sales continue to dwindle amid the global economic downturn.

In San Antonio, local and state leaders rejoiced at the announcement, which will bring a much needed shot in the arm to the South Side plant.

“San Antonio is emerging as an economic powerhouse. This demonstrates the talent of the work force and the low cost of doing business in San Antonio, as well as a high level of public and private cooperation,” Mayor Julián Castro said.

The chief executive of the Greater San Antonio Chamber of Commerce also credited workers at the Tundra plant for paving the way for the announcement.

“This is a confirmation the community knows how to solve the manufacturing problem,” chamber CEO Richard Perez said. “The work force has proven its mettle to produce trucks Toyota is proud of. It's a special day.”

But in California, the move amounts to a supreme body blow to a state already reeling from financial and economic woes.

Thousands of production workers, each of whom earn about \$65,000 annually at the West Coast's lone auto plant, stand to lose their jobs and a network of more than 1,100 California-based suppliers that employ tens of thousands of workers will be affected. California officials estimate those suppliers employ about 18,800 workers who add a total of \$904 million annually to the state's payroll.

Employees at the California plant weren't notified until Thursday afternoon at a “state of the company” meeting.

Toyota executives said the decision was difficult “given the impact on employees and suppliers in California,” Ken Fukuta, president of Toyota Motor Manufacturing Texas, said in a statement.

“I don't think it's started sinking in yet,” said Ken Villegas, who was one of the first 50 employees hired at NUMMI. “When it starts sinking in, the finality is going to affect different people in different ways.”

The workers were told more information would come at a later date and that union management is negotiating the next phase of discussions.

“No one got boisterous or angry,” Villegas said. “It's not like we didn't know it was coming. The writing has been on the wall.”

San Antonio and Texas leaders also took notice as they started readying an incentives package weeks ago.

On Thursday, city and county officials said it includes a 10-year abatements on property taxes as well as state sales tax rebates on capital investments and new machinery to retool the plant, which could cost \$100 million.

Additionally, Toyota could receive a \$2,500 credit for every new hire from a “designated disadvantaged zone.”

Business Writer David Hendricks and the Associated Press contributed to this report

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