

2012

Kentucky Automotive Industry

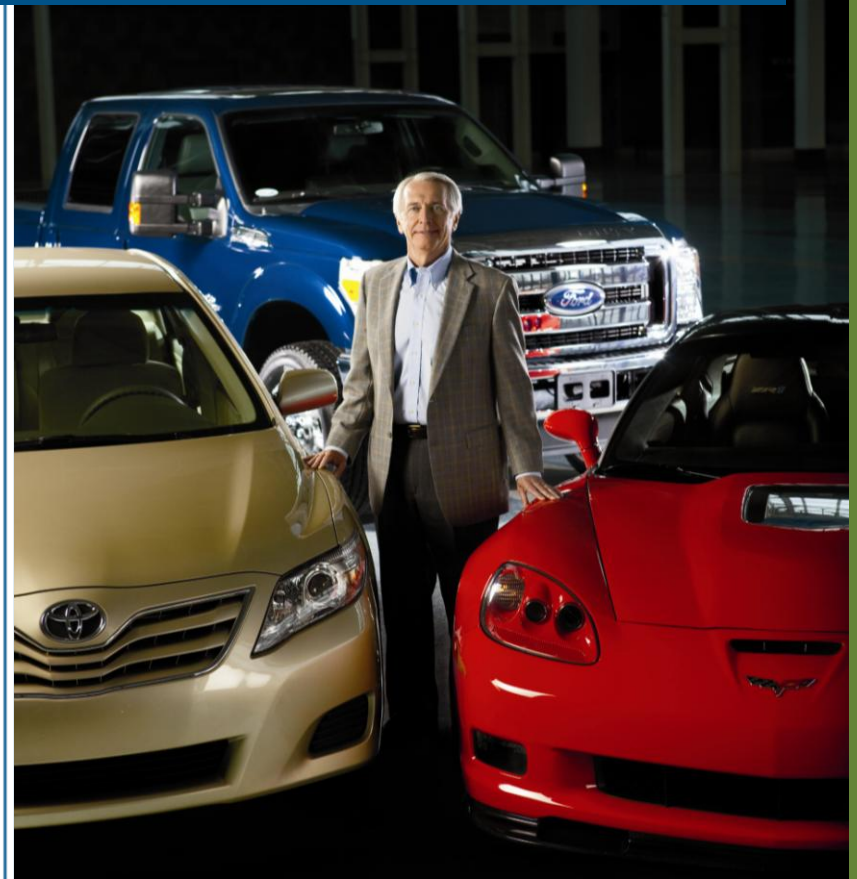


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Kentucky – Fueling the Automotive Industry

Auto manufacturers, along with their suppliers and dealers, provide a major driving force in the U.S. economy, with Kentucky's being no exception. According to the U.S. Bureau of Economic Analysis, 1.6 percent of the state's total employment in 2009 was in motor vehicles, bodies and trailers, and parts manufacturing. Moreover, in 2010, nearly 17 percent of the state's workforce employed in manufacturing was employed in the motor vehicles, bodies and trailers, and parts manufacturing sector. Kentucky's strength in the automotive industry can be attributed to many factors, including a productive workforce, central location, low cost of business, excellent workforce training programs and a pro-business government.

Quick facts on Kentucky's auto industry:

- Kentucky ranked 5th in light vehicle production in 2011.
- Kentucky is home to more than 440 automotive-related facilities, including four major auto assembly plants.
- In 2010, Kentucky had the nation's 3rd highest level of auto industry-related employment as a percent of total state employment in the United States.



Kentucky Auto Assembly Plants

Kentucky is the proud home of auto-manufacturing giants Ford, GM and Toyota. Following are brief histories of their manufacturing facilities in Kentucky:



Ford's Kentucky story began in 1913, when it manufactured the Model T in Louisville. Since that time, the company's two manufacturing plants - Louisville Assembly Plant and Kentucky Truck Plant – have produced some of the world's most popular vehicles. Today, Ford is beginning the next chapter in its storied history, with major investments at both plants. LAP will become Ford's most-flexible, high-volume plant in the world, producing the Escape. It will also have the ability to quickly adapt to meet the demand for several other vehicle platforms. The KTP facility is being modernized to produce the next generation F-Series Super Duty trucks, as well as the Expedition and Lincoln Navigator SUVs.



Toyota Motor Corporation began production at its first North American manufacturing plant in Georgetown in 1988. Today, Toyota Motor Manufacturing Kentucky (TMMK) is Toyota's largest production plant outside of Japan with two vehicle-production lines and a powertrain engine and axle facility. The plant, which represents a nearly \$6 billion total investment in Kentucky, manufactures the Camry, Camry Hybrid, Avalon and Venza. Toyota also has its North American Manufacturing & Engineering Headquarters based in Erlanger and its North American Parts Logistics Division in Hebron.



Bowling Green has been the exclusive home of the iconic Corvette since June 1981. The plant built nearly 16,000 Corvettes in 2010 and is currently undergoing a \$131 million expansion to produce the next generation Corvette. Adjacent to the plant is the National Corvette Museum, which attracts enthusiasts worldwide and celebrates the Corvette, preserving its past, present and future while also serving as an educational and research model.



Kentucky Automotive Facts & Accolades

- More than 440 motor vehicle-related facilities are in Kentucky, employing over 68,000 full-time workers. Visit www.ThinkKentucky.com/kyedc/kpdf/Motor_Vehicle_Related_Facilities.pdf to see the most current listing and map of the facilities.
- 639,542 cars and light trucks were assembled in Kentucky in 2011.
- In 2011, Kentucky ranked 5th in light vehicle production; 4th in car production, 8th in truck production and 2nd in worker productivity.
- 7.3 percent of all cars and trucks produced in the United States were made in Kentucky in 2011.
- 4,392 motor vehicle-related establishments in the U.S. are within 500 miles of central Kentucky.
- 53 percent of motor vehicle-related establishments in the U.S. are within 500 miles of central Kentucky.
- The best-selling car in the U.S. for 2011—the Toyota Camry—is manufactured in Georgetown. The Camry has been the best-selling car in the U.S. 14 out of the last 15 years.
- In 2011 Consumersearch.com named the 2011 Toyota Avalon a runner-up in the Best Large Car category.
- Sales of the top-selling U.S. luxury sports car—the Kentucky-produced Chevrolet Corvette—reached 13,164 in 2011.
- Ford F-Series is the best-selling and most-awarded pickup truck (for 35 years straight) and best-selling vehicle (for 30 years straight) in America. In 2011, the Ford F 150 was named Truck of the Year by Motor Trend magazine.
- Ford Motor Company's \$1.2 billion expansion at its two Louisville manufacturing plants was selected as the 2011 Economic Development Deal of the Year by *Business Facilities* magazine.
- In 2010, legislation was passed making the Corvette the official state sports car of Kentucky.

Kentucky is a major player in the advanced-battery industry

Kentucky is on its way to becoming the epicenter of the advanced automotive manufacturing industry. In 2009, Kentucky Governor Steve Beshear led efforts to create a unique partnership with Argonne National Laboratory, the University of Kentucky and the University of Louisville to improve plug-in and hybrid automotive batteries. The result was the Kentucky-Argonne Battery Manufacturing Research and Development Center, located within the Kentucky Energy Research Park in Lexington.

The center is accelerating the development and production of advanced batteries and capacitors by supporting leading-edge research; enabling scientific collaborations with universities, end-users, manufacturers and suppliers; and offering industry and academic research partners' access to its world-class facilities and equipment. Research partners can also access the expertise and facilities at Argonne's main campus near Chicago.

Companies such as Hitachi Automotive U.S. and Atlanta-based nGimat, which are both investing millions of dollars in Kentucky, are already working with the center to further advance their research efforts. Mutual benefits include advanced materials research, laboratory testing capability and shared battery manufacturing expertise.

By expanding battery production in the U.S., we will help secure America's energy independence, reduce greenhouse gas emissions and strengthen the economy. Kentucky is leading the way.



World-Class Facility and Equipment

Housed within a new 43,000-square-foot building, researchers can access onsite facilities such as:

- Materials development labs
- Catalyst research labs
- Carbon spinline (world's longest)
- Two Class 10,000 clean rooms
- Dry lab for prototype manufacturing
- Battery Test Facilities
- Environmental and Bunker Testing

Quick Facts

\$17 million facility to open in summer 2012

Partnership Between

- Argonne National Laboratory
- Commonwealth of Kentucky
- University of Kentucky
- University of Louisville

Research Roadmap

- Cell assembly and construction
- New materials safety evaluation
- Low-cost manufacturing processes

www.KYArgonne.org

Competitive Advantages

- ✓ **Logistical paradise:** At the center of what is known as “**Auto Alley**” Kentucky’s location advantage facilitates the distribution of goods and materials to a massive industrial and consumer market. Kentucky is in the heart of a 34-state distribution area in the eastern United States and its borders are within 600 miles of over 60 percent of the nation’s population, personal income and manufacturing business establishments. The state’s extensive highway, air, rail and waterway transportation systems allow it to aggressively compete in the global marketplace. Additionally, Kentucky’s intermodal freight and passenger transportation systems extend to provide safe, efficient and cost-effective access to all points of the globe.
- ✓ **Manufacturing confidence:** Manufacturers in the Bluegrass State are thriving. As the state’s third-largest jobs creator, nearly one out of every seven nonagricultural jobs in Kentucky is in manufacturing. Since January 2011, there have been nearly 80 motor vehicle-related facility announcements of new locations or expansion in Kentucky. These announcements represent more than 5,400 new full-time jobs and investments of \$1.2 billion.
- ✓ **Low business costs:** Kentucky has consistently had one of the lowest overall costs of doing business in the eastern United States. In a CNBC Special Report, *America’s Top States for Business - 2011*, Kentucky ranked 4th overall in cost of doing business.
- ✓ **Electrifying utility rates:** Kentucky has the lowest cost of electricity in the industrial sector among states east of the Mississippi River (4th nationally), averaging more than 25 percent lower than the national average.
- ✓ **Competitive tax climate:** The Tax Foundation ranks Kentucky 6th in the nation in its “10 Lowest Tax Cost States for New Corporate Headquarters” and 7th in its ranking of “Business-Friendly States for New Firms.”
- ✓ **Skilled work force:** Kentucky understands the importance of providing companies with a skilled and available workforce. That’s why the Commonwealth has built such a strong reputation for meeting and exceeding industry needs, providing customized, flexible and industry-driven skills training. It achieves this by bringing together employment and training organizations across the state to tailor a comprehensive program of skills training services for new, expanding and existing companies. As the demands of a global economy shifts, Kentucky’s workforce has continued to prove it is ready.

Progressive Incentive Programs

Kentucky's innovative and progressive tax incentive programs provide the flexible financial assistance businesses need when locating, expanding or reinvesting in the state.

Below are just a few of the programs that can be used to reduce or recover costs of a business investment in Kentucky. We also offers grants for customized business training programs, direct loans for fixed asset financing, small business loans, industrial revenue bonds and grants.

Kentucky Business Investment (KBI) Program – Provides income tax credits and wage assessments to new and existing agribusinesses, regional and national headquarters, manufacturing companies, and non-retail service or technology related companies that locate or expand operations in Kentucky. Projects locating in certain counties may qualify for enhanced incentives,

Kentucky Reinvestment Act (KRA) – Provides tax credits to any existing Kentucky company engaged in manufacturing and related functions on a permanent basis for a reasonable period of time that will be investing in eligible equipment and related costs of at least \$2.5 million.

Kentucky Enterprise Initiative Act (KEIA) – For new or expanding service or technology, manufacturing, or tourism attraction projects in Kentucky. KEIA provides a refund of Kentucky sales and use tax paid by approved companies for building and construction materials permanently incorporated as an improvement to real property. It is also available for Kentucky sales and use tax refunds for eligible equipment used for research and development and data processing equipment.

Kentucky Jobs Reinvestment Act (KJRA) – Provides income tax credits and wage assessments to existing Kentucky companies engaged in automobile or automobile parts manufacturing in specific NAICS codes. Companies must have operated in the Commonwealth for at least five years, employ 1,000 full-time persons and invest at least \$100 million in new equipment or other improvements to an existing facility. The initial 10-year incentive agreement can also be amended and extended if the project investment increases in the future by an additional \$100 million.

Kentucky Environmental Stewardship Act (KESA) – For companies manufacturing products that have a substantial positive impact on human health and the environment. Companies with projects approved under KESA must have at least \$5 million in eligible costs and can potentially recover up to 25 percent of the projects fixed asset cost and 100 percent of employee skills training. The tax incentive is available for recovery over a 10-year period.