

Artist rendering of PACCAR's \$400 million engine plant in Columbus, Miss.



North Mississippi

The Next Great Automotive Region in the Southern Auto Corridor

By Michael C. Randle

The Southern Automotive Corridor (www.SouthernAutoCorridor.com) continues to make a huge name for itself. Not unlike Silicon Valley and Wall Street, the Southern Auto Corridor has earned a marquee that is featured somewhere in the international media virtually every week. You cannot find a state in the South that has not benefited from the growth of the auto industry. Florida sees the least amount of activity, but even the Sunshine State can't help from landing some kind of automotive project from time to time, as evidenced by a large distribution deal announced by Bridgestone in the summer quarter in Jacksonville.

Alabama has been the industry's darling of late. Yet, Mississippi, Tennessee, Kentucky, the Carolinas, Georgia, Missouri, Kansas, Virginia, Louisiana, Texas, Arkansas and other states in the South record deals from the transportation equipment sector each and every month.

Our records indicate that annually the automotive industry has accounted for almost double the number of large projects announced in the South when compared to all other single industry sectors so far this decade, not counting retail, of course. Financial services, headquarter operations, call centers, distribution and warehousing and now, the oil and gas industry, try to keep up with the auto industry in this region. But, they give way every year to what amounts to a 300 pound industrial gorilla that simply moves around the South as it pleases.

The center of the Southern Auto Corridor has not always been Interstate 65, as it snakes its way in the South from Mobile, Ala., all the way through Louisville, Ky. But that spine was created in the 1980s when foreign automakers chose Kentucky and Tennessee for huge assembly plants.

Interstate 65 continues to remain the center, mostly because of three vehicle assembly plants built in Alabama by Mercedes-Benz in the late 1990s and Honda earlier this decade. Also, a large facility completed by Hyundai more than two years ago --

one that sits directly on I-65 in Montgomery, Ala. -- helped solidify that Interstate as the center of this incredibly fast-growing automotive manufacturing region. But the center of the Corridor keeps widening in both directions.

Japanese carmaker Toyota and South Korea-based Kia Motors recently made decisions to cozy up somewhat close to what we call the spine of the Southern Automotive Corridor, which, again, is Interstate 65. Toyota is currently grading its 2,000-plus-acre site near Tupelo, Miss., and Kia is building its new plant in West Point, Ga., near the Alabama-Georgia border.

The South's Automotive Industry is Huge and It Simply Will not Stop Growing

Contrary to what you may believe, the U.S. automotive industry is, by a wide margin, the largest in the world, or about three times the size of the second-largest country in vehicle sales, which is Japan. According to the Center for Automotive Research, based in Michigan, no other single industry is linked to as much of U.S. manufacturing or generates as much retail business and employment.

Considering the fact that the Southern Auto Corridor is the only place in North America, much less the U.S., where the automotive industry is currently growing on a net basis, makes the sector so important to the future of the South's economy.

While there are several heavy and medium truck plants operating in the region, including Peterbilt and Freightliner, most of the attention given the transportation equipment industry in the South focuses like a laser on major light truck and car assembly facilities. That focus specifically is on foreign-based automotive plants such as those operated by Honda, Toyota, BMW, Mercedes-Benz, Nissan, Hyundai and Kia. Of course, GM, Ford and Chrysler have operated auto works in the South for decades.

Currently there are 20 major automotive assembly plants building cars, light trucks, SUVs and minivans in the Southern Auto Corridor. Of those, three are closing soon, according to announcements made earlier in the year by domestic automakers.

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There are two major assembly plants now under construction, the aforementioned Kia facility in West Point, Ga., and Toyota in Blue Springs, Miss., located near Tupelo. It should also be noted that in the last three years domestic automakers have closed three assembly plants: Ford in Atlanta, GM in Oklahoma City and GM in Baltimore. Those three have been struck off the list, so they are not included in the 20 operating today in the region, nor are the two being built.

So, using simple math, you could argue that the South's automotive industry has not grown on a net basis, since there were 23 major auto assembly plants in the region three years ago, there are 20 today, three of which are about to close and two are under construction. That's a reduction from 23 to 19, if you factor in those that are about to close and those that are being built.

The Foreign Yin and Yang

Without question, the primary reason the Southern Automotive Corridor is indeed growing, something that isn't happening in the transportation equipment sector anywhere else in North America, is because the new is replacing the old. Domestic automakers have many more

facilities in the Midwest than they do in the South. More of those facilities have closed there, than here.

Foreign automakers, on the other hand, prefer the South as their region of choice when it comes to the largest automotive market in the world. That will never change for several reasons. The Japanese, the Germans, the Koreans, they have learned from the mistakes made by General Motors, Ford and Chrysler. Soon, the Chinese will get their act together and land their facilities in the Southern Automotive Corridor, as well.

Foreign automakers have learned that the South is the best place in the largest automotive market in the world to compete and they are setting up shop here with a clean slate. While foreign automakers start here fresh, the domestics are dealing with a "slate" that continues to be filled with all kinds of issues that deal with one thing: the high-cost of operating their facilities in their own country.

Most of the foreign auto plants in the South continue to expand at rapid rates. That's where the growth is in the region. Foreign automakers build plants in the South and in just a few years, those plants

expand in huge increments that include hundreds of millions of dollars in investments and thousands of new jobs. Those are in addition to the couple of thousand they started with on average per plant when they opened for production.

The Economic Effects are Massive

Today, we estimate that at just the 20 assembly plants that are operating in the South today there are 55,800 jobs/people, housed at those plants. You can get all kinds of scenarios from economists and other experts regarding indirect employment as a result of those 20 auto assembly plants that currently operate in the South. But it's our educated guess that it's about eight to 10 times that number and that's just from suppliers, the few R&D jobs that are currently here and a growing number of white-collar jobs that have located in the Southern Auto Corridor, employed by both automakers and suppliers. Remember, Nissan relocated it's North American headquarters to the Nashville metro from California in 2006.

We won't even begin to count all of the deeper indirect jobs, such as those created by retail, housing, etc., as a result of the



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“Thank you, Toyota.



Thank you very much!”

Not since Elvis Presley was born in Tupelo has there been as much excitement in Northeast Mississippi as the announcement that Toyota would build its Highlander assembly plant at the Wellspring project site near Blue Springs.

Through our unique partnership of three counties - the PUL Alliance, the mutual work of community developers, Mississippi's Governor and an unmatched public - private partnership spanning several years, Toyota selected Northeast Mississippi to locate the most sought-after automotive project in the Western Hemisphere.

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A photo not published, as far as we know, by any media source. Left to right, Dr. Shoichiro Toyoda, Mississippi Gov. Haley Barbour and Dr. Toyoda's wife, Hiroko. The photo was taken shortly after the announcement earlier this year that Toyota will build its latest U.S. assembly plant in Blue Springs, Miss.

South's automotive industry as a whole. Those jobs could be a million, or several million, in the South. Who knows?

Of those 55,800 assembly plant jobs, about 33,000 are housed in eight foreign assembly plants. Of course, Kia and the new Toyota plant in Northeast Mississippi will add, initially, another 5,000 or thereabouts to that total. So, the economic effects of the automotive industry in the South are massive and continue to grow.

No Room at the Inn. Maturation is Occurring in Three Critical States

As mentioned, Alabama has been the latest hot spot for the automotive industry in the Southern Automotive Corridor (SAC). The automotive industry will continue to grow in Alabama, but not like it has in the recent past. In Alabama, there's just no room left in the Inn, so to speak. Alabama's unemployment rate has been in the low 3 percent range for quite some time. It will be difficult, in our opinion, for that state to even deliver adequate labor for some of the massive deals it has turned in the last year or so, such as the BRAC situation in Huntsville and the ThyssenKrupp project north of Mobile. Yet, knowing Alabama's recent history, they will find a way and that way will most likely come from folks migrating to the state in an effort to find a better job and a better way of life.

So, the auto industry will undoubtedly slow in what has been the hottest state of late. While existing suppliers of Korean automakers, such as Kia and Hyundai, will

grow in Alabama, expect the slew of new suppliers that have flocked to that state to begin to slow in the coming years.

Tennessee's and Kentucky's automotive sectors are more mature than Alabama's. The Bluegrass and Volunteer states feature the spine (Interstate 65) of the SAC running right through the center of both. Yet, there hasn't been a new assembly plant announcement – there have been many expansions of existing assembly plants and new engine plant deals in both states – in over 15 years in Kentucky or Tennessee. So, Alabama's automotive industry is apparently moving in the direction of Tennessee's and Kentucky's. It is maturing. It is getting smarter. This also means that like life itself, the auto industry in those three states is slowing down after years of furious growth.

Again, that does not mean auto-related deals with stop in Kentucky, Tennessee and Alabama. Operating in those three states is a must for so many companies involved in the automotive industry. Deals will continue to be turned in the center of the Southern Auto Corridor. It's just our opinion that "new deals" will not equal what they have been over the last two decades in those three states. Again, existing vehicle-related companies will remain constant and even more will grow in those three states. But new deals won't be as prevalent.

The Chattanooga Factor

From what we have learned, the site Toyota looked at near Chattanooga, before

choosing Tupelo, is about as good as it can get for an automaker. We know Honda is on the hunt for a new assembly plant. We have learned that if Toyota had not picked Tupelo for its plant back in February, Honda was interested in that property. If Toyota was so interested in Chattanooga, and they were, then why wouldn't Honda be interested in the same site?

If Honda chooses a site in or near the spine of the Southern Auto Corridor, such as Chattanooga, then the dynamics change again. That would create an even greater cluster near the spine, but more demand for labor and suppliers near the center of the SAC. But, that is just speculation, something that needs to be addressed at a later date.

Why we believe North Mississippi is the Next Great Automotive Region in the Southern Auto Corridor

West Georgia competed successfully for the giant Kia project in early 2006 after Kia left the negotiating table in Mississippi in the fall of 2005. There is no question that much of West Georgia will benefit greatly from the new Kia assembly plant. In fact, Georgia had little choice but to turn the Kia deal, regardless of the price tag the Peach State will pay in incentives to the Korean automaker. Why? In the same quarter that Kia announced its intentions to build a huge facility in Georgia, GM and Ford announced they were closing their Atlanta-area plants that had been operating there for decades. Georgia had a chance to rebuild its automotive industry at the same time it was being lost. What better timing could there ever be?

But in Kia's case, it's the pup in the Korean conglomerate that is indeed Hyundai. The pup could not venture far from the mom, and the mom, which is Hyundai, has its U.S. operations in Montgomery, Ala., a location that is less than 90 miles from West Point, Ga., the site of the new Kia operation.

Virtually all of Hyundai's parts suppliers are located throughout central-and-south Alabama. Many of those suppliers will also supply the Kia plant in Georgia, since it is located nearby. That means that West Georgia will not land the number of suppliers that a plant like Kia would typically draw.

So, if our theory is correct -- that Georgia won't see as many parts suppliers as what is normally seen with a plant the size of Kia's, since many of those suppliers are already located in Alabama, and Alabama, Tennessee and Kentucky's auto

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industry prospects may be maturing (slowing to a degree) -- then where is the near-future growth going to be in the Southern Auto Corridor? Without question it is going to be in Mississippi, specifically North Mississippi.

Since the beginning of the year, two huge examples of that have occurred in North Mississippi. In May of this year, Bellevue, Wash.-based PACCAR, an incredibly successful transportation equipment concern that builds engines and trucks for a variety of nameplates, including Peterbilt and Kenworth, announced it will build a \$400 million engine facility and technology center in the Columbus, Miss., metro. The 400,000-square-foot facility is just now breaking ground and will be completed in 2009. The new facility will manufacture 12.9-liter and 9.2-liter diesel engines for Kenworth, Peterbilt and DAF vehicles and complements PACCAR's engine facility in the Netherlands.

And Then the Bomb Dropped

And then the bomb dropped in February of 2007. Toyota, the prize of all prizes in the automotive industry,

announced it would build an assembly plant near Tupelo, Miss. This Toyota plant will be set up differently than how the Japanese automaker set up its pickup truck plant in San Antonio. There, Toyota has huge operations all in one location. There's the pickup truck plant in addition to over 20 suppliers "in the gate," or on site.

With Toyota's new Tupelo operation, look for parts suppliers to be scattered all over North and Central Mississippi. That is a more traditional way to operate an assembly plant and that's exactly what has already occurred. In late August, Toyota Boshoku Corp., announced its plans to build a new plant in Fulton, Miss. The plant, which will make seats, door panels and carpet for the Highlander model SUV that will be assembled at the new Toyota assembly plant, will house about 500 workers. Fulton, is located in Itawamba County, or about 25 miles from the site of the new Toyota assembly facility.

And in July, Toyota Auto Body announced it is building its first U.S. plant near Tupelo in Baldwin, Miss. The \$180 million stamping, body weld and plastic parts plant, was the first supplier to the new

Toyota plant to announce a new facility in Mississippi. That plant, TABs first in the U.S., is expected to house over 400 workers when completed in 2009.

There's a third huge automotive-related player to call North Mississippi home. SeverCorr, which will produce a variety of steel grades and products, is attempting to produce automotive grade steel from steel scrap. It's a technology never before implemented. If SeverCorr is successful at producing automotive-grade steel at its new plant near Columbus, Miss., then the region has another important automotive-related resource to draw from.

It should also be noted that just north of Jackson, Miss., in the central part of the state, Nissan has been operating a four-line auto assembly plant since 2002. So, with the addition of Toyota, Mississippi is the only state in the Southern Auto Corridor to have two Japanese assembly plants.

To conclude, in terms of activity in the Southern Auto Corridor, watch what is about to occur in Mississippi. There won't be a state in the entire South that will see more action from the automotive industry in the next three to five years. ■



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Not Seeing Toyota's Chief Site-Selection Exec Wasn't a Waste of Time, After All

By Sandy Jacobs



The Toyota site near Tupelo as grading was underway in August 2007.

A cancelled meeting turned the tide in favor of Tupelo, Miss., and started Toyota's site search on a course that led to Mississippi winning the new \$1.3 billion, 2,000-employee Highlander assembly plant. A last-minute emergency forced Dennis Cuneo, the automaker's lead site-search executive, to disappoint the two men who'd flown to New York in the hope of convincing him to seriously consider the 1,730-acre, megasite in northeast Mississippi.

"At the time, Tupelo wasn't even on our radar," Cuneo says. In fact, a different Mississippi site suggested by state officials was on his list of potential sites, he says. It was a call from former TVA executive

director Glenn McCullough Jr., a Tupelo native, that got Cuneo to agree to the aborted New York meeting.

"Glenn called me in April and said he and David Rumbarger (president, CEO of the Tupelo-area Community Development Foundation) wanted to come up to New York and make a pitch." They didn't get to pitch their site, but the cancelled appointment resulted in something better.

"Because I couldn't meet with them," Cuneo says, "I promised I'd come to Tupelo in July." He did, on July 17, 2006, and was taken to some of the area's upholstered-furniture factories and the Cooper Tire & Rubber plant. He saw hardworking people doing tough factory jobs, and heard factory managers praise their employees' work ethic. "I left impressed by the workers," he says.

"When I went back to New York, I

asked our human resources people to do a deep-dive on Tupelo. I told them there may be something in Tupelo for us," he recalls. When the researchers came back with their findings, they told him that the work force in the Tupelo area might be one of the best they'd ever seen.

Northeast Mississippi has a long history of manufacturing employment and an unusually high percentage of its work force is still employed in factory jobs. Within a 60-mile radius of the Toyota plant site, about 32 percent of the people with jobs work in manufacturing. "That percentage surprised me," Cuneo says. "It was greater than other areas Toyota was considering." It was also a higher percentage than places where Toyota has productive U.S. assembly plants.

On his visit, Cuneo also inspected the 1,730-acre TVA megasite that David Rumbarger expected to pitch at the cancelled New York City meeting. The site owed its existence to the Pontotoc, Union, Lee Alliance, a three-county partnership set up in 2001 to revive the area's economy. Elected officials agreed to form the PUL Alliance (PUL) and to share equally the costs and benefits of a badly needed, all-out economic-development program.

Jobs in the area's biggest industry, upholstered furniture production, had been declining at an alarming clip all through the 1990s, when some 8,000 furniture-related factory jobs vanished. An estimated 4,000, or so, have gone in the ensuing years.

PUL's marketing responsibility is in the hands of Rumbarger, president and CEO of Tupelo's Community Development Foundation (CDF), and the PUL Alliance's Executive Director Randy Kelley is in charge of finance and administration. Kelley would later play a major part in the acquisition of the separate parcels of land needed to assemble the megasite.

An automotive plant would provide the Tupelo area the greatest employment benefits. PUL's board made attracting an

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automaker one the alliances first objective. While other U.S. manufacturers were slashing their job rolls, automotive manufacturing employment was growing, fueled by foreign automakers building assembly plants in the U.S., especially in the Southern Auto Corridor (www.Southern-AutoCorridor.com).

Besides its own labor needs, an assembly plant brings with it suppliers whose factories and distribution centers create more jobs. The figures suggest that for each job created in an auto plant seven more jobs are generated by all the businesses needed to support a car plant.

PUL's first job was to find and develop an industrial site that could attract an automaker. If the alliance failed to secure an assembly plant, the plan was to market the site for use by a number of industrial tenants who would bring jobs to the area.

Early in 2002, PUL's site search began. After the Mississippi Development Authority (MDA) and TVA evaluated the potential sites, the Tupeo tract was chosen for initial development engineering. The land is in Blue Springs, Miss., a small town

Tenn-Tom Waterway Offers a Unique Advantage for North Mississippi

The Tennessee-Tombigbee Waterway, a 232-mile channel connecting the Tennessee and Tombigbee rivers, is another unique advantage for manufacturers looking to locate in North Mississippi. Completed in 1984 and opened to commerce traffic in January of 1985, the Tenn-Tom links up with the Tennessee River in the northeast corner of Mississippi near Iuka and connects to the Tombigbee River in west-central Alabama near Demopolis. The linkage of the two rivers essentially provides a direct route from North Mississippi to the major seaport in Mobile, Ala. Without the waterway's linkage to the two rivers, barge traffic in much of North Mississippi -- specifically the eastern half -- would be non-existent.

One automotive-related sector that has discovered the Tenn-Tom recently is steel manufacturing. Three massive steel plants, two of which will produce automotive-grade steel for domestic and foreign automakers making vehicles in the Southern Auto Corridor and elsewhere, have located on or within the Tenn-Tom Waterway's river system. All three plants -- SeverCorr in Columbus, Miss., IPSCO in Mobile County, Ala., and the recently announced \$3.7 billion (that's with a "B") ThyssenKrupp's facility north of Mobile, plan to, or, in the case of IPSCO, are using the Tenn-Tom Waterway to transport steel products. Currently, about seven percent of principal commodities shipped on the waterway are steel products. Soon, that percentage will increase dramatically. The top two commodities being shipped on the Tenn-Tom, according to the Tenn-Tom Waterway's Web site (www.TennTom.org), are forestry products (44 percent) and coal (27 percent).

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Golden Triangle Region: Almost \$3 Billion Invested Since 2003

Historically, the Tupelo area is well known for its economic development prowess. In fact, the area's success at attracting manufacturers goes back more than 50 years and is legendary in economic development circles, particularly for an area the size of the Tupelo metro. Landing Toyota's latest U.S. plant simply takes the Tupelo legend to much greater heights.

But just south of Tupelo is a region called the Golden Triangle. It is named that because the three primary markets that make up the region -- Columbus, Starkville and West Point -- form a triangle that can easily be seen on any map of the state of Mississippi.

Landing major manufacturing facilities is occurring with regularity throughout North Mississippi. Yet since 2003, the Golden Triangle, particularly Lowndes County, where Columbus is located, has been on a industrial recruitment roll not seen in the area in years. In fact, almost \$3 billion has been invested by new and existing business in the Triangle, \$2 billion of that in Lowndes County alone.

The region does have one distinct advantage. Mississippi State University is located in Starkville and is a huge asset to the area. Mississippi State is the home of the Center for Advanced Vehicular Systems (CAVS). CAVS is an interdisciplinary center. It provides engineering, research, development, and technology transfer teams focused on complex problems, such as those encountered in technologies designed to improve human mobility. In short, the mission of CAVS is to develop the people, concepts and knowledge for future transportation and manufacturing needs.

The Triangle region is also home to PACCAR, SeverCorr and Navistar and will be a huge player in North Mississippi as the automotive and auto-related industries continue to grow in the region.

near Tupelo. The development engineering work was completed in February 2004, thanks to a \$250,000 MDA grant.

Meanwhile, in November 2003, Randy Kelley and some staff members started visiting owners of the 22 parcels needed to assemble the megasite. They explained to the owners what PUL was doing and why a major industrial employer could ensure the area's future prosperity. Most of the owners signed option agreements giving PUL the right to buy their land within three years of the date the option was signed. The first one was signed on Nov. 5, 2003.

In May 2004, with all the land under option, the site was submitted for certification as a TVA megasite, and the designation came in January 2005. At that time it was the third megasite in TVA's seven state region. Rumbarger was ready to introduce it to the auto industry at the Automotive World Congress in Barcelona, Spain, in May 2005. By then PUL had decided to market it as "The Wellspring Project," and pursue an auto assembly plant for the next

five years, before targeting other tenants.

As 2005 ended without any serious interest from an automaker, Randy Kelley started thinking about the options, which would begin expiring in eleven months. He considered what PUL should do to ensure its continued control of the megasite for as long as it took to attract a tenant.

The best answer was to buy the land, Kelley decided. The PUL board hoped they could convince the state legislature to authorize the money needed for the acquisition. In January 2006, PUL asked Mississippi lawmakers to authorize the money, a measure the alliance called "an unprecedented new partnership between local and state governments." The House approved the proposal, but the Senate balked, and as summer ended nothing had been done. And Kelley couldn't wait any longer. After Cuneo's July visit, Toyota sent people to visit the site a number times in the summer and fall of 2006.

Kelley, Rumbarger and the few other local people who knew about the visits were sworn to secrecy. And they had no

reason to think Wellspring was a strong contender.

At a meeting on September 15, 2006, Kelley told PUL members that each county would have to provide \$10 million to cover the anticipated \$30 million it would cost to acquire the 22 properties. Otherwise, the alliance risked losing the site.

All 15 supervisors of the three counties were at that meeting; they would have to vote on the bond issues to raise the money if the members voted to exercise the options. Kelley was able to tell them there was contact with an interested prospect, but he couldn't say who the prospect was.

At this time, he said, "We have to buy the land, or fold our tents." The vote approving the \$30 million of debt was unanimous. Four banks provided bridge financing until the bond issue was finalized, and Kelley began asking owners to renew their options, to give PUL more time. Failing that, he said he'd exercise the option and buy their land. Some owners agreed to renew their options. Some didn't.

When Kelley had to buy a parcel, he accomplished it as a purchase agreement that conserved PUL's cash. PUL paid 20 percent of the sales price when the sale closed, and was obliged to pay 85 percent of the price 15 months later. So, an owner received 105 percent of the sale price, compensation for waiting 15 months for the bulk of the money.

In the midst of that effort, the first positive development occurred. In early November, PUL received a request for a memorandum of intent. The MOI is a document spelling out in detail everything the company is being offered for building its plant at a particular site, such as tax and cash incentives and site improvements it will be given. "It's not a negotiating process," Kelly says. You have to spell out your best offer in the MOI. The attorneys who requested the MOI didn't say it was for Toyota, but from all the visits Toyota had made to the site, it was obvious that Wellspring was on a short list of sites being considered. "I felt like we were definitely in the hunt," Kelley says.

Completing the MOI kept Rumbarger and Kelley and their staff and MDA executive director Gray Swoope and his staffers busy through most of November. "Anyone who thinks state employees don't work ought to work with the MDA people," Kelley says. He found them in the office at nights and weekends, and always available to provide information.

After the MOI was submitted in early December, there was an anxious lull. Then

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Sites Abound in North Mississippi for the Automotive Industry

There are several transportation corridors in North Mississippi that are crucial to companies setting up shop in North Mississippi as the automotive industry grows in the region over the next five years. Highway 78, or Future Interstate 22, which runs from Memphis to Birmingham, will be a center of activity. And U.S. Highway 45, as it runs from Corinth in the northeast portion of North Mississippi all the way down to the Golden Triangle Region of Columbus, Starkville and West Point, will see a tremendous amount of activity as well for Toyota suppliers and suppliers to PACCAR and SeverCorr.

Other notable corridors in North Mississippi that feature plenty of suitable sites for the prospective automotive industry include Interstate 55, which runs from Memphis to Jackson, Miss., U.S. Highway 61 that is the primary north-south transportation corridor in the Mississippi Delta, U.S. Highway 278, and U.S. Highway 72, which skirts the border with Tennessee.

Throughout the northern region of the state of Mississippi, excellent sites, both prepared and greenfield, are available to those who are plan to serve Toyota, PACCAR, Navistar, SeverCorr and other auto and automotive-related industries.

three days before Christmas, a request for a memorandum of understanding arrived from Toyota.

Complete confidentiality was demanded, and despite all the people that were involved in this project, there wasn't a leak.

Everyone worked through Christmas and New Year's to complete the document that would become a binding agreement when it was signed.

By then Toyota was considering which of the three finalists to choose: Tupelo, Marion, Ark., or Chattanooga, Tenn. For a while, Chattanooga and Marion were mentioned in the press, but Tupelo was still a close secret.

On January 18, Toyota raised an alarming issue about mineral rights. "This looked like a deal killer," Rumbarger recalls. Toyota had experienced trouble with old mineral rights on a property in another state, and wanted to be certain it wouldn't have to contend with the 80-some year mineral rights on some of the Wellspring land.

While the Tupelo area has no oil, natural gas or mineral production, after the turn of the last century, some partial mineral rights were sold on to some of the land. Finding the current owners, and getting them to extinguish their rights would entail considerable time and expense. Under Mississippi law the rights remain in effect,

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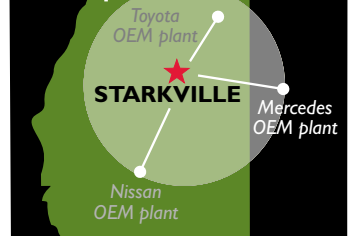


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Pictured are leaders of the Mississippi team that brought Toyota to the Magnolia State. (L to R), Randy Kelley, Gov. Haley Barbour, Gray Swoope and David Rumbarger.

and pass on to heirs, remaining in effect until they're terminated. (In other states, mineral rights expire, if they aren't exercised in a certain number of years.)

It looked as if Wellspring was going lose in the final round. Kelley says he and Rumbarger were "two sad puppies" the day Toyota raised the mineral rights problem. But the next day, when Gov. Barbour was told, the former practicing lawyer quickly found a solution. The governor told Toyota executives that the state of Mississippi would be responsible for terminating all the mineral rights. It would establish a fund to do that. It would track down all the owners that could be found and buy their old rights. And money would remain in the fund to cover the cost of buying rights from owners who might come forward later. That satisfied Toyota.

Gov. Barbour also solved Toyota's concerns that clear-cutting trees on the site would sully the automaker's reputation as an environmentally sensitive corporate citizen. He pledged to declare a statewide "Toyota Arbor Day" when school children would plant 500,000 trees.

Toyota also was worried about the patch of wetlands on the site that had to be

mitigated. Again, the governor came with something to satisfy the automaker and that would please environmentalists. A 120-acre park with a bird habitat would be created on the former wetlands.

Kelley was able to satisfy Toyota's desire for a significant buffer zone around the plant site. Working at warp speed, Kelley collected options on 450 additional acres in 18 days.

Rumbarger, Kelley and MDA chief Swoope say a whole lot of people made it possible for Mississippi to win the Toyota plant. "This was a total team effort," Swoope says. And Gov. Barbour's involvement made the difference. "Without Gov. Barbour," Rumbarger says, "we wouldn't have succeeded. He removed every impediment and made assurances on certain incentives that were in question. Toyota trusted him to deliver on all his promises.

Cuneo, who's retired from his Toyota position and returned to his Washington law firm, says, "Barbour is unbelievable. He follows up on everything."

So far the Tupelo area has commitments from two major Toyota suppliers: seat, door-panel and carpet supplier Toyota Boshoku America said it will build a

PACCAR Begins Construction in Columbus

Truck engine manufacturer PACCAR Inc., broke ground on its new manufacturing plant July 17 in Columbus, Miss. At the groundbreaking ceremony, PACCAR also announced that it will make a \$2 million contribution to Mississippi State University's capital campaign for the College of Engineering. "PACCAR is impressed by the world-class educational opportunities in Mississippi," said the company's CEO, Mark Pigott.

The 420,000-square-foot engine plant and technology center will be built on 400 acres at the Lowndes County Crossroads Megasite. "This leading-edge facility will enhance PACCAR's integration of technology in design, engineering, and manufacturing," said Pigott. "It is our goal that this facility will be the most technologically advanced and environmentally friendly commercial vehicle diesel engine facility in North America."

The 12.9-liter and 9.2-liter engines produced at the Mississippi plant will be PACCAR's most fuel-efficient and highest-technology diesel engines, according to the company's executive vice president, Jim Cardillo. Production at the plant is expected to begin in 2010. The deal will create about 500 new jobs with an annual payroll of \$18 million.

Based in Bellevue, Washington, PACCAR is ranked 141st by Fortune magazine and seventh in the motor vehicle and parts sector. It had a record net income of \$1.5 billion in 2006.

341,000 square foot plant, creating 500 jobs, in nearby Itawamba County. And Toyota Auto Body (TAB) will invest \$200 million in a plant that will be located in the Harry A. Martin Industrial Complex in Baldwin, Miss. The TAB facility will house about 400 workers and will provide Toyota with stamped parts, body weld parts and plastic parts. ■