



Thunder In the Shoals

**The sound of railcar manufacturing joins a
statewide symphony of transport industry projects.**

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National Steel Car, the subsidiary of Hamilton, Ont.-based National Industries, is investing \$350 million in a railcar plant that will employ up to 1,800 people in Muscle Shoals, Ala. Announced in July 2007, the project broke ground in September. Construction is projected to be complete in early summer, when delivery of equipment will begin for the firm's new operation, National Alabama Corp.

Given the state's pronounced industrial development success over the past few years, some might wonder whether Alabama can deliver that number of skilled workers, when so many alternatives are present.

"We see all of that as an opportunity, because it gives the education system something to shoot at, not only with us, but in developing a curriculum to put into the area that gives all the young people a chance to improve skills," says Peter Earle, managing director of corporate affairs for National Steel Car. "That's all nothing but good news, for us in the immediate term and for the whole area. It's such a powerful development opportunity."

In fact, the company's hiring and training process, in partnership with Alabama's award-winning AIDT agency and Northwest Shoals Community College, has received more than 6,500 expressions of interest – "lots of good quality folks," says Earle – from a region that boasts a population of just 145,000.

So how does a company ensconced in the "forward cleat" of Ontario's Golden Horseshoe for its entire 96 years of existence find its way to northwest Alabama? The company has steadily invested considerable capital in its Hamilton operations over the past 10-15 years, says Earle, but finds itself at full capacity (12,000 railcars a year) on its 75-acre (30-hectare) hometown spread. So it was time to look for a second home.



Taking shape near the Tennessee River, the National Alabama Corp. (National Steel Car) plant in Muscle Shoals will employ up to 1,800 people in the manufacture of up to 10,000 railcars annually.

Photo courtesy of National Steel Car



"Looking at the total North American marketplace of the future, it became a vision to expand with a new greenfield facility, and maximize the opportunity to be a long-term player in a pretty solid marketplace," says Earle. "That took senior management to scanning good locations for putting in a facility over the past three years, from the early thought and planning throughout the assessment and selection process."

A number of railcar manufacturing facilities have sprouted in Mexico over the past several years. But Earle says that possibility was dismissed early in the company's analysis, as customer proximity and a U.S. work force rose to the fore as criteria. The company sells to virtually all the Class I railroads, but today, most customers are served through leasing companies: "Leasing organizations have the lion's share of sales in today's market," says Earle.

The senior team from National Steel Car, including senior personnel from the company's engineering, operations and finance departments, led the site selection, aided by The Staubach Co. for project management and by the law firm of Kelley Drye and Warren LLP. Scrutinizing the market, transportation links, work-force skills and educational support, among other factors, the team scoured dozens of sites in 20 states across the southern and south-central areas of the U.S., winnowing it down to half a dozen.

The Shoals area rose in stature because of "the major land bank at the Barton Industrial Park, a large block of property in a good geography," Earle says. It beat out fellow finalist Columbus, Miss., to land "Project Tiger."

The project will occupy 640 acres (259 hectares) on land formerly part of Gilbert Farm. Even with the existing land at Barton, negotiations with other landowners were important in the assembly of the final parcel.

Barton is also seeing an expansion from existing company **SCA Tissue**, which is investing \$145 million and adding 30 more jobs to its payroll of 500.

Steely Resolve

National Steel Car's plant will produce between 8,000 and 10,000 railcars a year when fully operational. Served by a Norfolk Southern rail line and utility providers TVA and local provider Sheffield, the plant will have storage capacity for 250 railcars initially, ramping up to 500 cars "when the plant really gets cooking," says Earle. At the same time, he is careful to point out that a railcar plant – even a high-quality, LEED-certified operation such as his firm is constructing – is different from an automotive assembly or steel plant in terms of the deep-seated economic impact the latter can have in terms of pulling in suppliers. That said, 1,800 jobs is a profound boost all its own, and required some profound and tough negotiations.

"It was a very tight and difficult competition and negotiation," says Earle. "There were discussions and negotiations right up to the end. That's not strange, that's quite common, and is just good thorough discussions back and forth between the two parties. Relations were very strong coming out of them."

Earle singles out U.S. Rep. Bud Cramer, D-Ala., as an instrumental figure. So too were the various entities that make up the Shoals region.

"The two counties and four cities in the Shoals area really came together, headed by their SEDA group," says Earle, referring to the Shoals Economic Development Authority. "They demonstrated they really wanted to have that kind of investment in their area, and presented a united front. And then, of course, the Alabama Development Office through Gov. Riley – the whole team was really high quality and connected, in the business of helping us make that decision."

Earle was formerly employed by Dofasco, the Canadian steel company whose foiled merger with **ThyssenKrupp** was one of the reasons that the latter accelerated its search for a new plant site that resulted in its \$3.7-billion investment near Mobile in May 2007. Asked if National Steel Car could conceivably use steel produced by the German firm's combined stainless and carbon steel manufacturing complex when it comes online in early 2010, Earle says, "We haven't done any analysis in that direction. But certainly we're going to look for supply, price, quality, availability and accessibility as local as we can get it. There are discussions going on at a bunch of levels regarding steel supply."

A report on 2007 industrial development released in late March by the Alabama Development Authority said the more than \$6.8 billion in project investments was the highest total recorded since the state started keeping track, in 1947. The 473 projects it tracked will produce 14,072 jobs from existing companies and 10,172 jobs from new companies. Cullman County led the project tally with 58, while Madison County, home to booming Huntsville, recorded the highest job creation total, at 4,181. Huntsville's recent project portfolio includes the next phase of **Northrop Grumman's** \$80-million Cummings Research Park campus.

RSA Not the Retiring Type

Helping the project along is a half-cent sales tax passed by the tax commissions in Lauderdale and Colbert counties in June 2007. Going immediately into effect, the tax boost will contribute approximately \$6 million per year to this project and to economic development in general, with funds going to other industrial recruitment efforts once an \$8-million threshold is attained.

Another key player in the National Steel Car project, as in so many corporate attraction projects across the state in



The view from the RSA Tower in Mobile is especially sweet these days, not only for its burgeoning tenant base, but for a region seeing an unprecedented string of large-scale corporate projects. In addition to the recent projects from ThyssenKrupp, Austal, ST Aerospace and others, the area is now preparing for the aftermath of the major \$40-billion U.S. Dept. of Defense contract win by Northrop Grumman and EADS, both of which had selected Mobile for \$600 million in facility investment should that victory come through.

recent years, is Retirement Systems of Alabama, the state's \$28-billion pension fund, which is financing via a loan up to the full cost of the railcar company's \$350-million construction investment in the 2-million-sq.-ft. (185,800-sq.-m.) complex. RSA had experience with special taxes backing special projects in the area, as it helped to finance several hospitality projects and two golf courses on the highly successful Robert Trent Jones golf trail when the same two counties collaborated to introduce a 2-cent-per gallon gasoline tax several years ago.

Mobile is quickly going from a sleeper to a leader in economic development. It's really no surprise, says Retirement Systems of Alabama CEO Dr. David Bronner, beginning with the city's deepwater port.

"It was sitting there," he says. "You have to remember, President Johnson pulled that huge base out of Mobile when he got in a tither with [George] Wallace in the 1960s. We got Singapore Aerospace to fix their 747s there. That was the

first big manufacturing project, and it didn't happen until almost the 1990s. You had the infrastructure downtown, which was just all abandoned, and now it is all being rehabbed."

Downtown includes the signature RSA Tower there, which is very near to full of tenants just one year after completion, as opposed to the four years it took RSA to fill a similar tower in Montgomery. Part of that space has been occupied by companies such as Signal International and International Shipholding Corp., which both have relocated some offices from New Orleans. But hurricanes or no hurricanes, Bronner says Mobile is a city whose time has come.

"RSA owns several TV stations in Louisiana, so I'm not about to go try to raid some place after a catastrophe," he says. "But if a company comes to me, obviously I'm interested in them locating here." He says interest in Mobile's port from many companies in the Mississippi Delta region "has a lot to do with the difficulty of getting into the port in New Orleans. There is direct access in Mobile, whereas in New Orleans you weave and bob for a number of hours before you can get in there. After Katrina, a lot of people looked around, said, 'I need to have a Gulf Coast operation. This is an ideal port. How come I didn't think about this a long time ago?'"

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