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Blockbuster Deal

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Toyota Picks Texas for 2,000-Employee, \$800M Assembly Plant

by **JACK LYNE**, *Site Selection* Executive Editor of Interactive Publishing **SAN ANTONIO, Texas** – In the end, the Lone Star market was the linchpin factor in **Toyota's** (www.toyota.com) decision to select **San Antonio, Texas**, (www.sanantonio.gov/edd) for its highly coveted 2,000-employee, US\$800-million vehicle assembly plant.

"With the announcement of this plant, we're going to have the capacity of 1.65 million vehicles a year [in North America], and that's a tremendous growth," Toyota Motor Manufacturing North America Senior Vice President Dennis Cuneo said at the project announcement, held at the Westin hotel along San Antonio's Riverwalk. "We're counting on this plant, and we're counting on Texans to buy our products."



"We have only about a 4-percent share of the Texas full-size pickup market. We expect that when we start building them here, Texans will start buying them," Toyota Motor Manufacturing North America Senior Vice President Dennis Cuneo (left in photo above) said at the project announcement in San Antonio. Also pictured (from left) are Texas Gov. Rick Perry, San Antonio Mayor Ed Garza and Texas First Lady Anita Perry.



Texas Gov. Rick Perry (pictured at podium) welcomes Toyota to San Antonio. Also pictured (from left) are San Antonio Mayor Ed Garza, Bexar County Judge Nelson Wolff, state Senator Jeff Wentworth, Bexar County Commissioner Tommy Adkisson and state Representative Robert Puente.

Significantly, Texas, Cuneo added, is the largest U.S. state market for full-size pickup trucks.

The Texas operation is part of Toyota's aggressive push into the U.S. full-size pickup market. The San Antonio plant will annually build some 150,000 full-size Tundra pickups, with production beginning in 2006, Cuneo explained.

Toyota's plant in Princeton, Ind., is currently the Japanese automaker's exclusive manufacturing site for the Tundra. The San Antonio plant's production will supplement Tundra production in Indiana, Toyota officials said. But the new Tundra plant in Texas, they added, won't shrink production at Toyota Motor Manufacturing Indiana – a fact that underscored the Texas market's importance in Toyota's Lone Star State selection.

"We don't have a very large share of the Texas full-size pickup truck market. It's only about 4 percent," Cuneo said in San Antonio. "We expect that when we start building them here, Texans will start buying them."

City Was Still 'Long Shot' Last Year

Toyota's site pick had been the subject of fervid speculation for months. Alabama, Arkansas, Mississippi and Tennessee all joined Texas as states still considered contenders in the final stages of the assembly-plant hunt.

San Antonio had long been mentioned as one of the areas reportedly under consideration.

The Texas city, however, was only "a long shot" last year in Toyota's eyes, Cuneo said at the project announcement. Cuneo

credited a key meeting with Gov. Rick Perry (R) in September with refueling the intensity of Toyota's interest – so much so, that that interest solidified to make San Antonio the site to beat.

"We were very impressed with what we thought would be the available work force, the business-friendly nature of this community and this state, plus the fact that this is the country's biggest full-size pickup truck market," Cuneo said.

Other State's Subsidies 'Much Richer'

Predictably, incentives were part of the mega-project's location package. Texas is providing Toyota with \$133 million in incentives.

Incentives alone, though, weren't what swayed the day for Texas, Cuneo said. "Believe me, the other states were competitive," he noted. "They had good sites. Their incentive packages were much richer."

Two elements of the Texas incentive package, however, were crucial in getting the San Antonio deal done, Cuneo allowed.

One was the \$15 million in state funds to create rail tracks that will connect the plant directly to two major carriers, Cuneo said. Bexar County officials created a new special rail district to facilitate the track installation.

Cuneo also praised competitors Union Pacific Railroad (www.uprr.com) and Burlington Northern Santa Fe (www.bnsf.com) for their cooperation in making the project happen. Only Union Pacific had existing rail access to Toyota's chosen site. Union Pacific, however, had to grant access to Burlington Northern Santa Fe in order for the site to meet Toyota's requirements for at least two in-place rail lines. Twin rail lines keep costs down, Toyota officials explained.

"Dual rail was a critical factor," Cuneo said



Toyota officials looked at 13 sites in the area around San Antonio (pictured: the city's Riverwalk.)

State Training Funding Key, But \$34 Million Left on Table

State funding for worker training was the other key incentive, Cuneo added. Texas is providing \$27 million to train the plant's 2,000 fulltime workers.

Other parts of the state/city/county incentive package, officials explained, included:

- \$47 million in phased-in taxes and waived fees;
- \$15 million for site utility infrastructure;
- \$14 million for land;
- \$10 million for site preparation; and
- \$3 million for a city-provided job-training center.

Perry praised Jeff Moseley, director of the Texas Economic Development Department (www.tded.state.tx.us) for coordinating the incentive package.

Toyota, however, passed on a considerable chunk of potential incentives still sitting on the negotiating table. Local officials had offered the automaker school- and hospital-district tax abatements that could have been worth as much as \$34 million. Toyota declined, saying it wanted to be a contributor to the local community.

"In Texas we recognize the value and contributions of good corporate citizens," Perry said. "Toyota has long been known as a good corporate citizen as well as an industry leader."

The incentives will provide a rich return, Perry maintained.

"We will have a complete payoff of our investment before the first truck even rolls off the assembly line," he said. "This decision will impact San Antonio and its economy by billions of dollars, and the San Antonio job base with thousands of jobs. The ripple effect will lead to an additional 5,300 spin-off jobs, which will contribute another \$4 billion to this economy," the governor added.

Toyota's plant will generate \$300 million in state sales and franchise tax revenues over the next 25 years, according to state estimates, Perry noted. The incentives will yield an 18.3-percent return over 10 years, he said.

And the payoff could get better. Toyota's San Antonio employment could jump to 4,300 if the company decides to extend plant production into SUVs, officials with the automaker said.

New Logistical Challenges

Toyota was apparently so sold on San Antonio that it looked at more than a dozen area sites before finding one that fit the bill. The 2,000-acre (800-hectare) site in south San Antonio that the automaker chose was the 13th site that the area had offered, according to local officials.

As Toyota's southernmost U.S. plant, the new San Antonio operation may provide some new challenges for the automaker's just-in-time logistical system. Toyota officials, however, said that the company was certain that it could supply the new plant from U.S. and Mexican operations.

Cuneo also praised U.S. Rep. Tom DeLay (R) for his help in smoothing out another potential logistical wrinkle. DeLay set up a meeting between Toyota's site search team and Port of Houston officials. "We're now actively looking at the Port of Houston to maybe import some of the materials we use," Cuneo said.

Toyota's North America senior vice president also lauded Bexar County Judge Nelson Wolff and San Antonio Mayor Ed Garza for their major roles in the site negotiations.

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