
Shifting Automotive Geography and Michigan Labor Markets

Automotive Communities and
Workforce Adjustment
Detroit, MI
October 8, 2009

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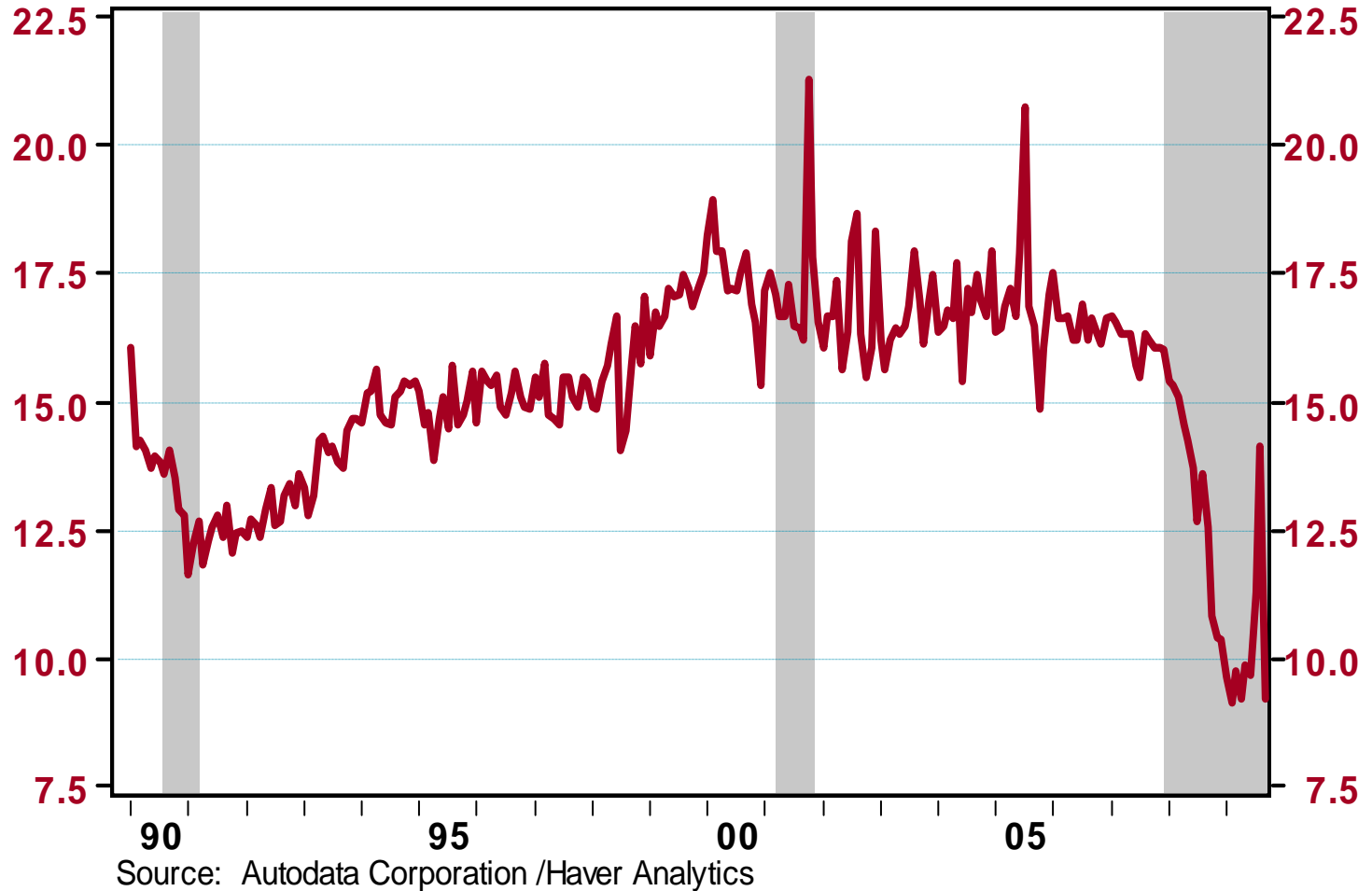


Outline

- **Detroit's decline**
- **Why geography matters**
- **Labor market diagnostics**
- **Footprint for recovery**

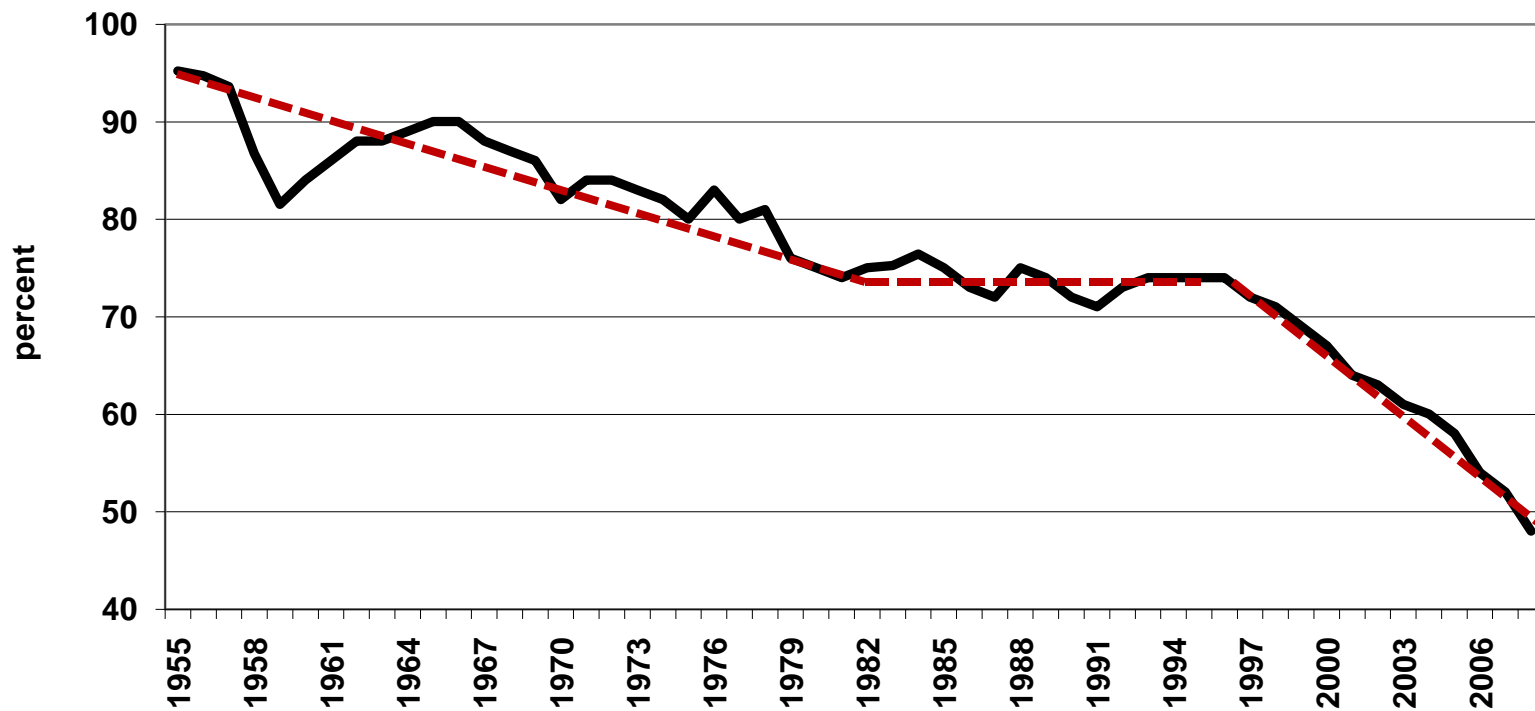
Tough times in the auto sector

Light vehicle sales, saar, million units



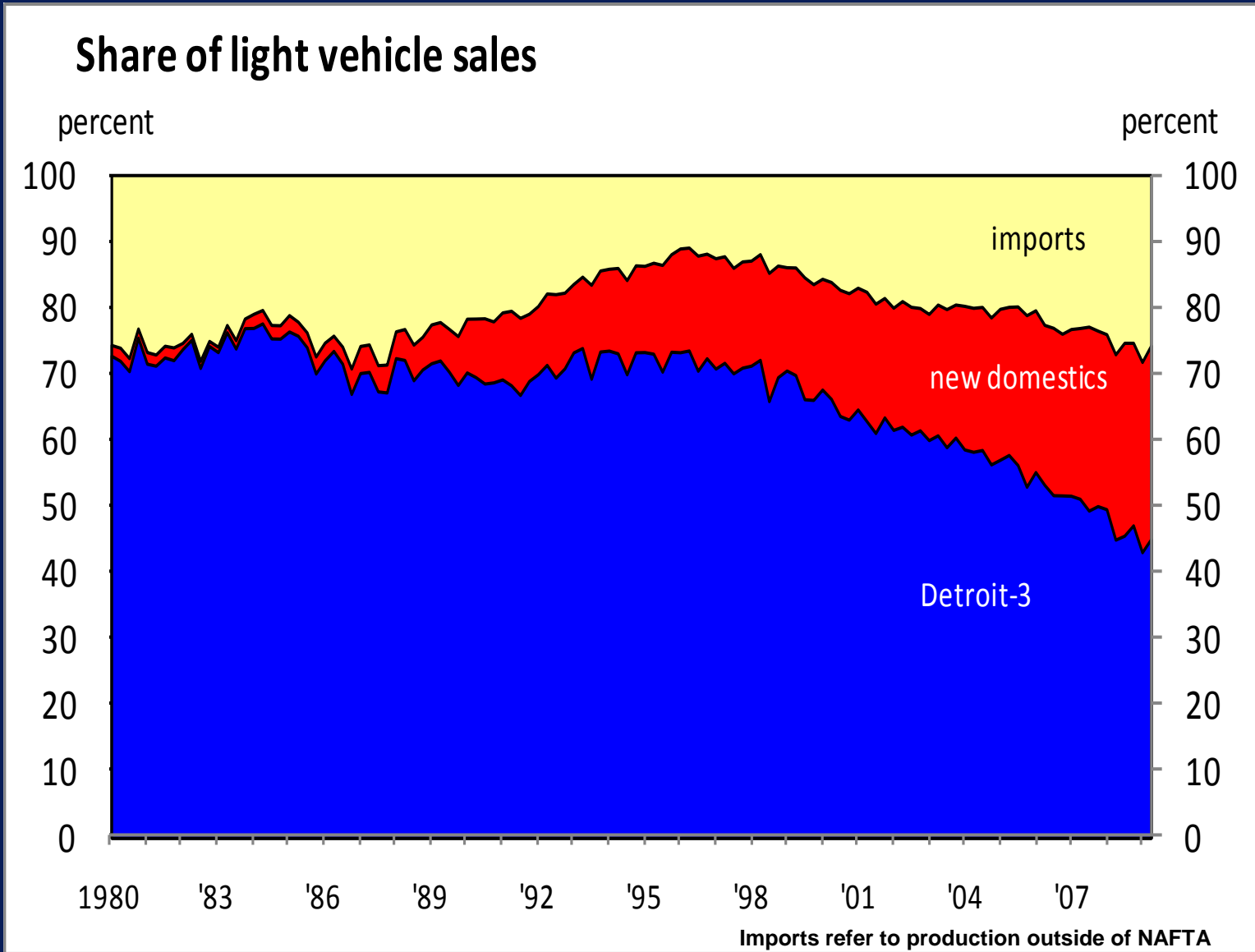
Market-share shift accelerates in late-90s

Detroit Three U.S. market share



Note: 1955-1979 share of car sales, 1980-2008 share of light vehicle sales

U.S. auto industry goes international



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From 4 to 14 carmakers in 30 years

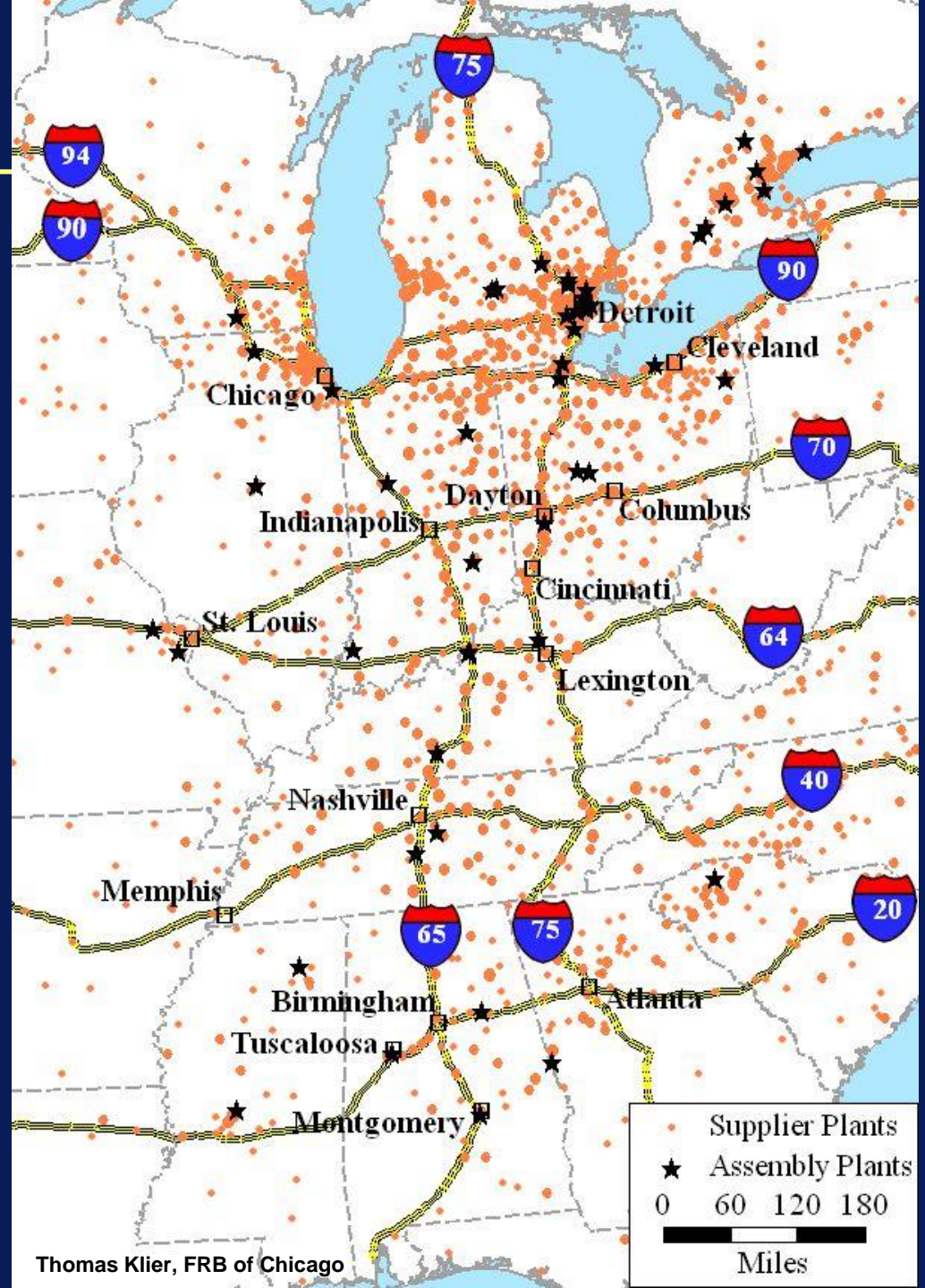
Foreign carmakers, by first year of producing in U.S.

VW (1)	1978
Honda	1982
Nissan	1983
Toyota	1984
Mitsubishi, Mazda	1987
Subaru	1989
BMW	1994
Mercedes	1997
Hyundai	2005
Kia	2009

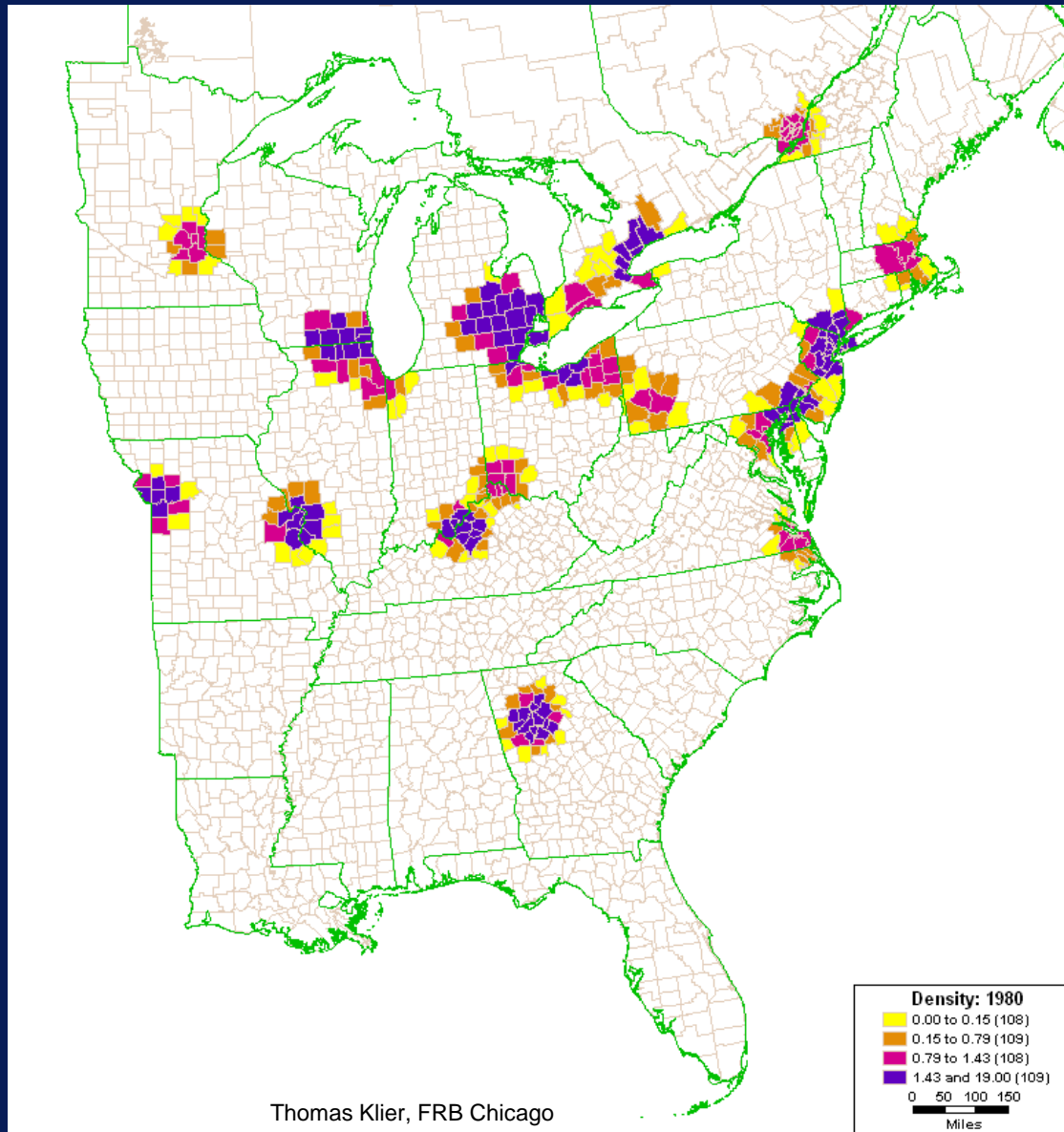
(1) Closed in 1989, new plant to open in 2011

Industry map

Auto Alley rules

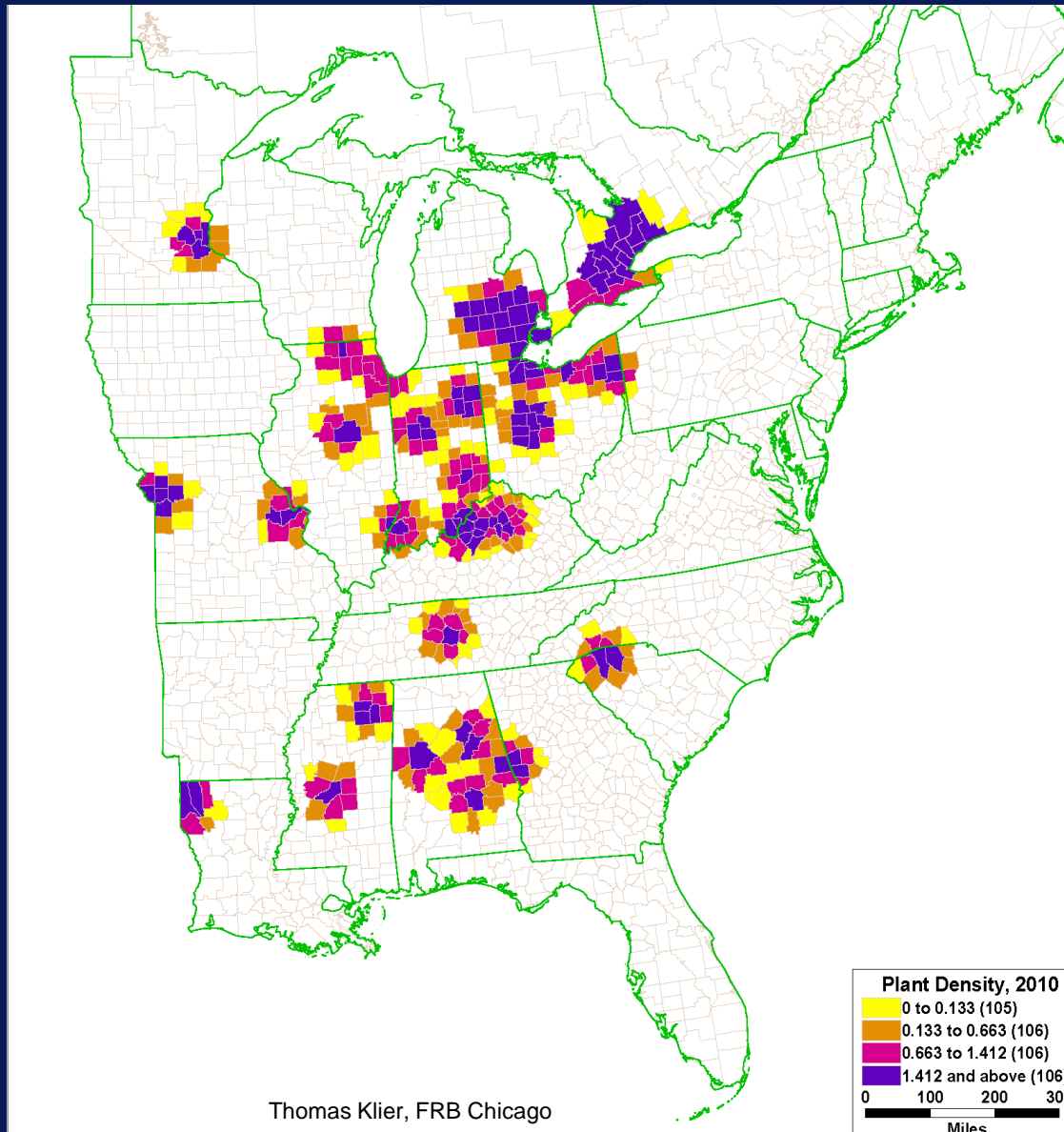


Assembly line density in 1980



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Assembly line density in 2010



D3 close 19 U.S. assembly plants between 2000 and 2010. Competitors open 6 new plants.

In 1980, there were 53 light vehicle assembly plants in the U.S. 52 were D3 plants.

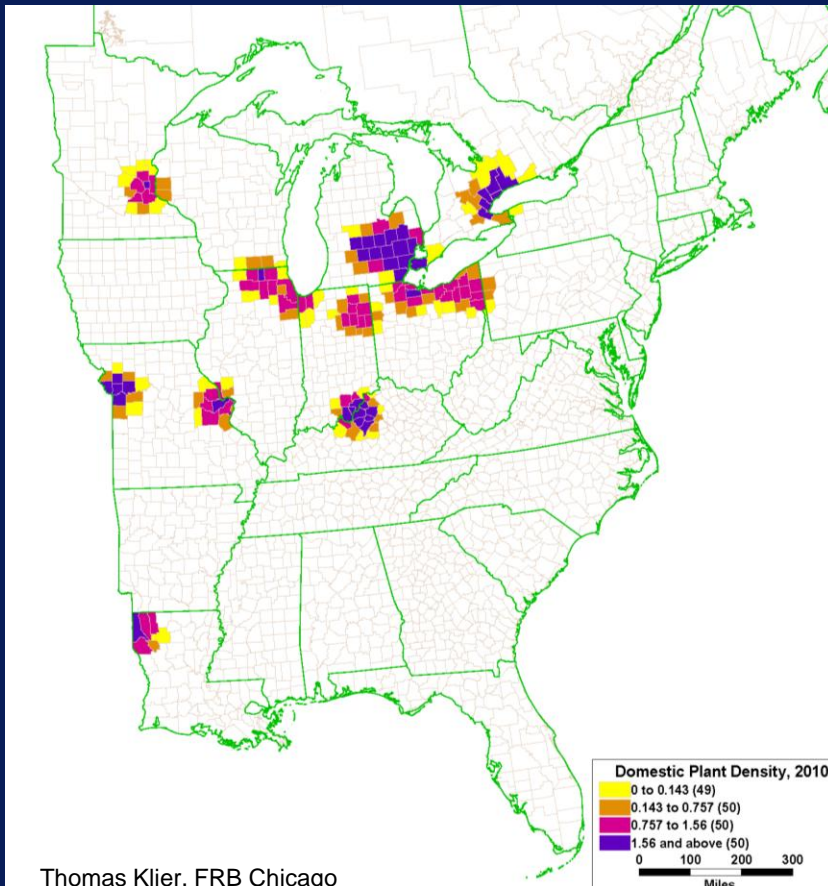
In 2010, there will be 40, 24 of these are D3 plants.

The tyranny of geography

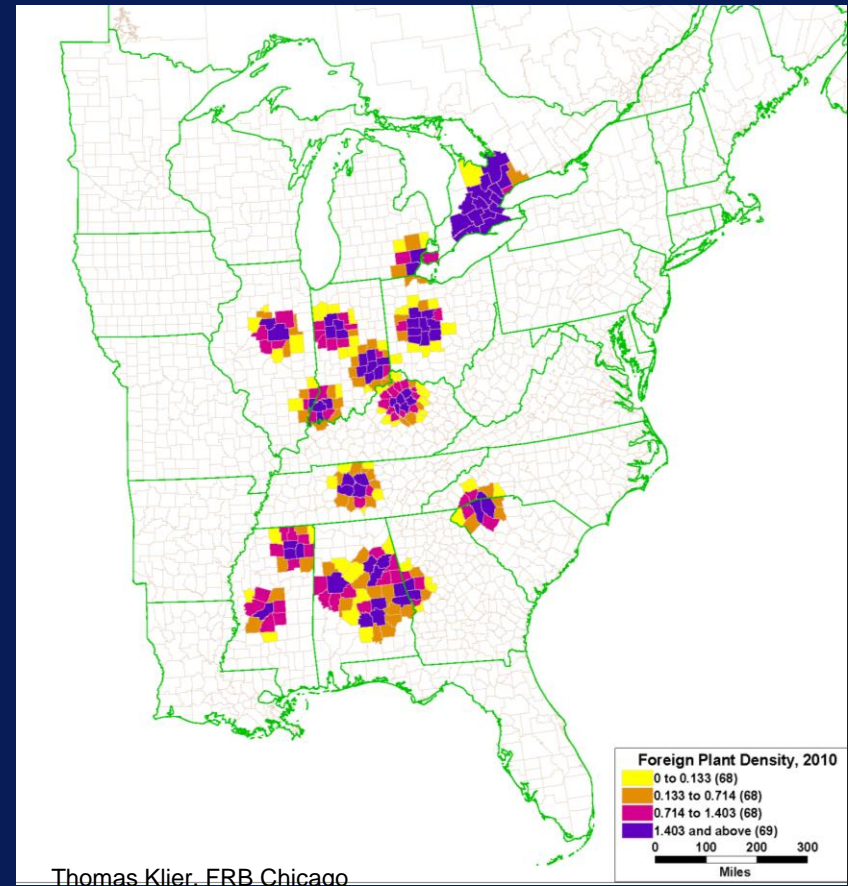
2010

Detroit Three

Others



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Industry restructuring since 2000

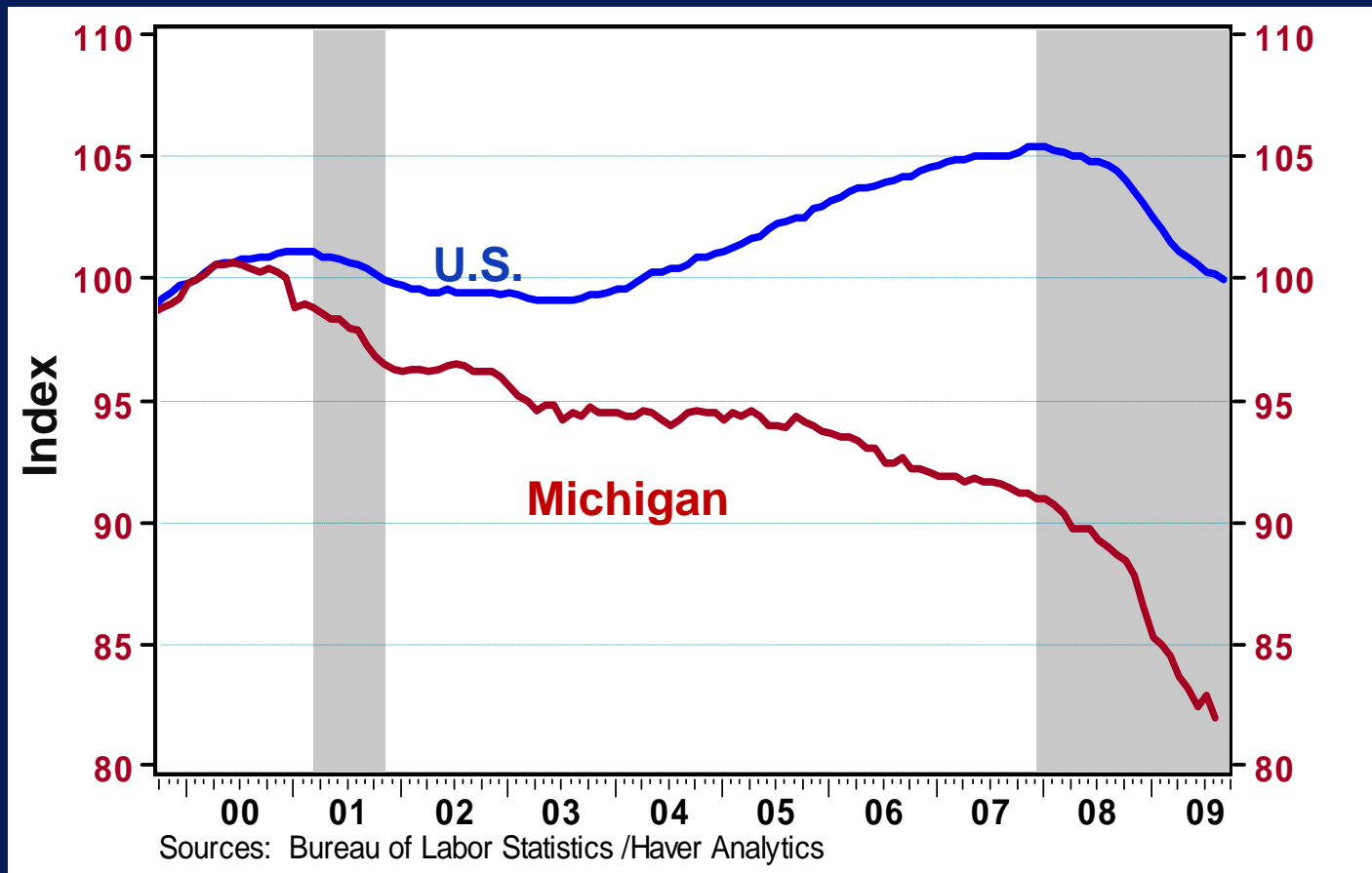
- **Restructuring accelerates after 2000: 6 Detroit 3 assembly plants close by end of '06, 13 more by end of '10; 6 new foreign plants since '00.**
- **Spin-offs of large parts divisions by GM (Delphi) and Ford (Visteon). Delphi to emerge this month from CH 11 after 4 years with only 3 of its 33 (in 2005) U.S. manufacturing plants. None of the three will be unionized.**
- **2007 labor agreement between UAW and D3 establishes trust fund (VEBA) to take on D3 health care obligations, as well as much lower 2nd tier wage for new hires.**

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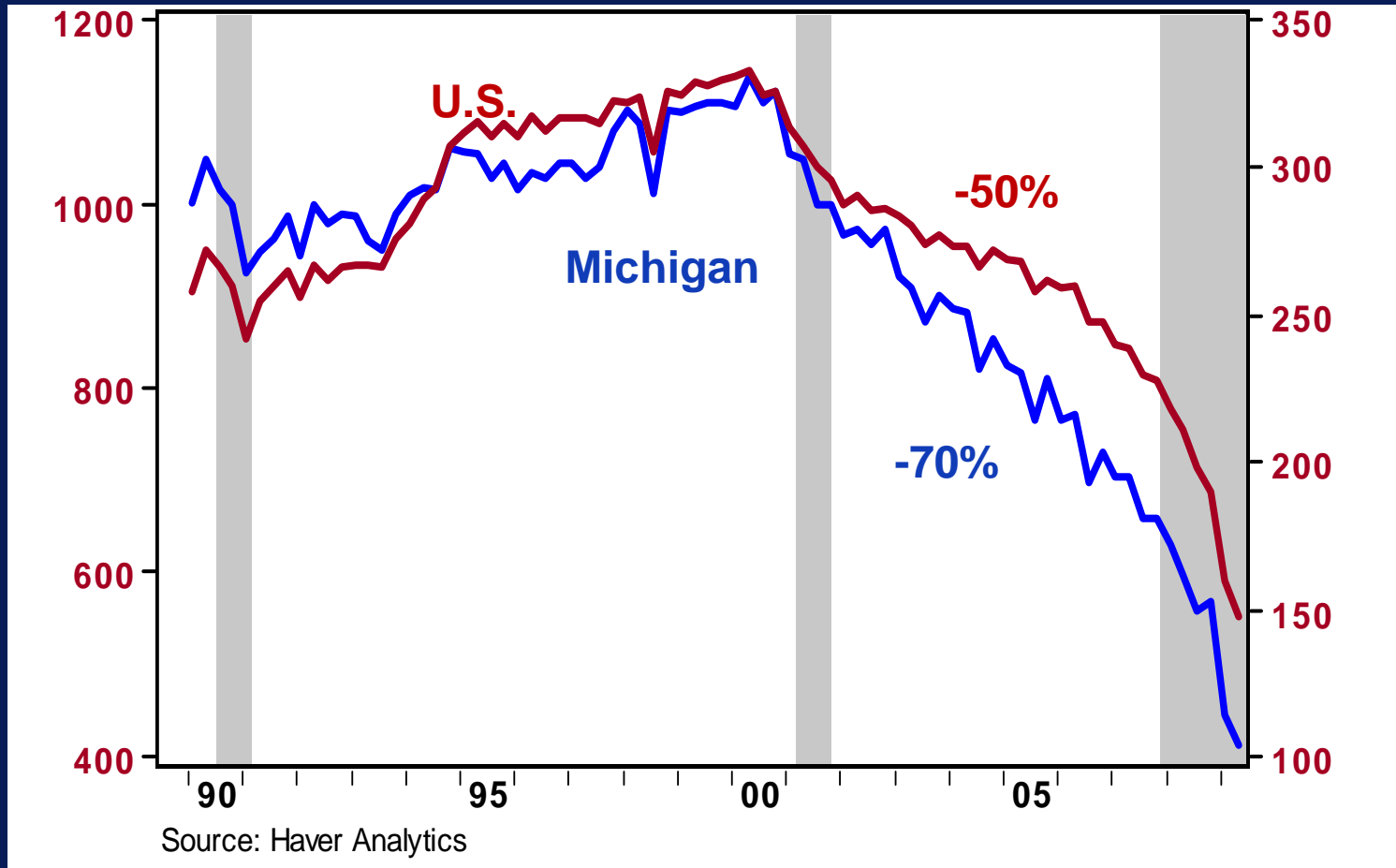
Michigan employment down 18% since 2000

Non-farm payroll employment, 2000Q1 = 100



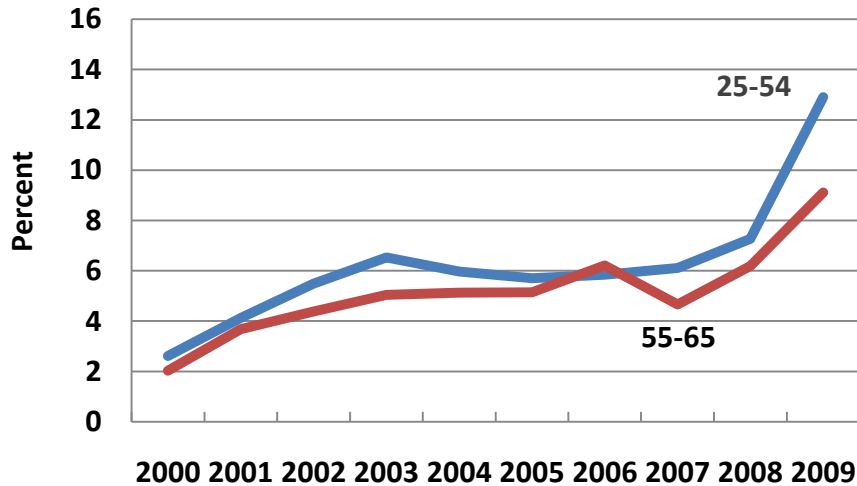
Michigan's key industry is shrinking

Motor vehicle assembly and parts employment (1000)

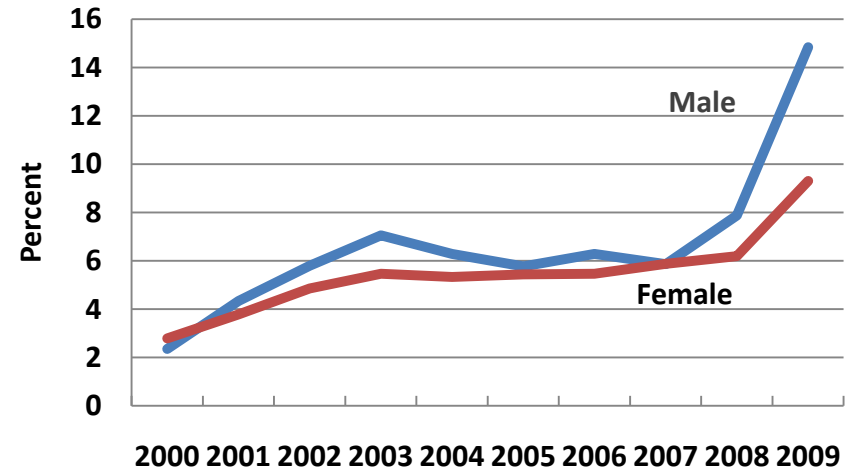


Labor market diagnostics (1)

Michigan unemployment rate,
by age

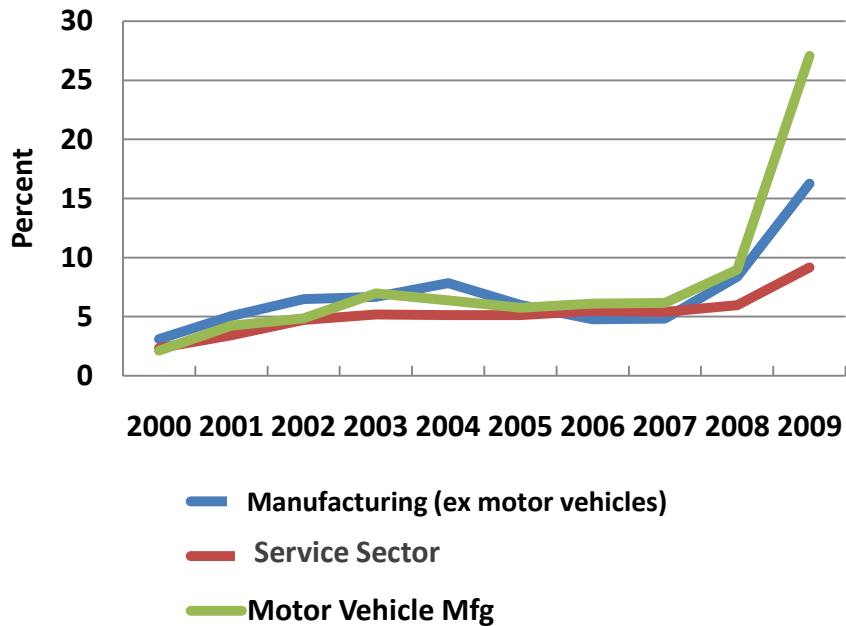


Michigan unemployment rate,
by gender

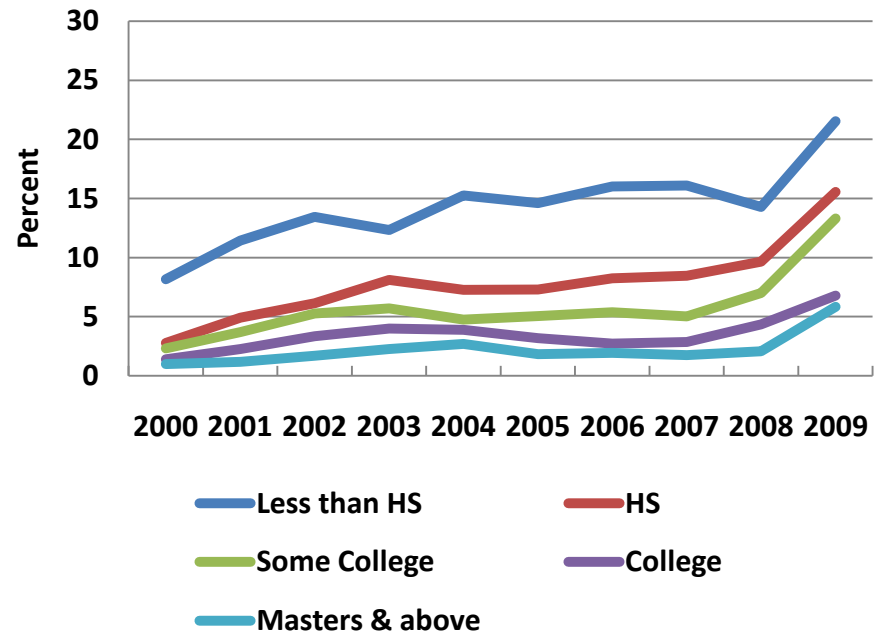


Labor market diagnostics (2)

Michigan unemployment rate, by industry



Michigan unemployment rate, by education

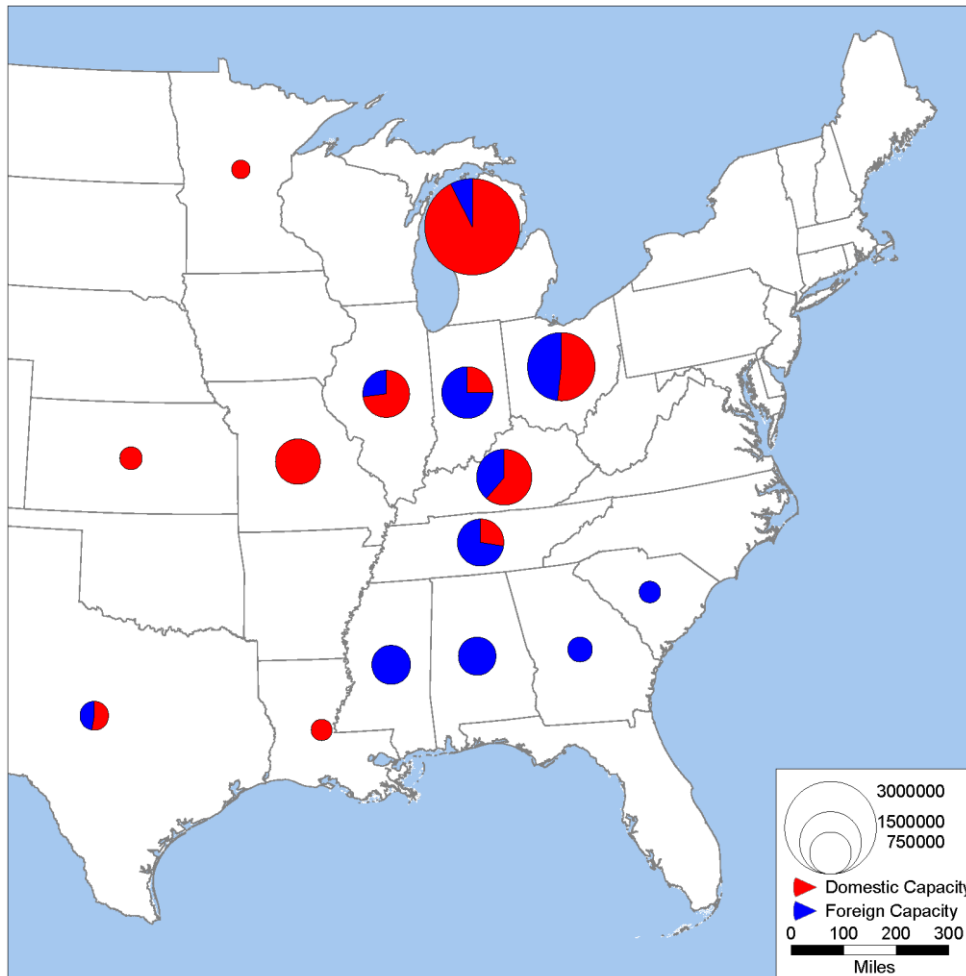


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Geography of recovery

U.S. light vehicle production capacity, 2010



11 of all 24 Detroit 3 U.S. assembly plants in Michigan.

2009 YTD capacity utilization rate in light vehicle assembly at 38%. Sales comeback can easily be accommodated with existing facilities. At sales of 15 million units, current capacity will be utilized at about 84%.

Will Detroit 3 market share stabilize?

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