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

Source:  Bureau of Economic Analysis/Haver Analytics

Source: Autodata Corporation /Haver Analytics
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

Share of light vehicle sales

Imports refer to production outside of NAFTA
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From 4 to 14 carmakers in 30 years

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>VW (1)</td>
<td>1978</td>
</tr>
<tr>
<td>Honda</td>
<td>1982</td>
</tr>
<tr>
<td>Nissan</td>
<td>1983</td>
</tr>
<tr>
<td>Toyota</td>
<td>1984</td>
</tr>
<tr>
<td>Mitsubishi, Mazda</td>
<td>1987</td>
</tr>
<tr>
<td>Subaru</td>
<td>1989</td>
</tr>
<tr>
<td>BMW</td>
<td>1994</td>
</tr>
<tr>
<td>Mercedes</td>
<td>1997</td>
</tr>
<tr>
<td>Hyundai</td>
<td>2005</td>
</tr>
<tr>
<td>Kia</td>
<td>2009</td>
</tr>
</tbody>
</table>

(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


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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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

Sources: Bureau of Labor Statistics /Haver Analytics

Index

Michigan

U.S.

Sources: Bureau of Labor Statistics /Haver Analytics
Michigan’s key industry is shrinking

Motor vehicle assembly and parts employment (1000)

Source: Haver Analytics
Michigan unemployment rate, by age

Michigan unemployment rate, by gender

Labor market diagnostics (1)
Michigan unemployment rate, by industry

Michigan unemployment rate, by education
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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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