VW, Kia Rev Up In The South While Detroit Idles

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CHATTANOOGA, Tennessee (AP) — Volkswagen AG executives celebrate raising the first walls of their $1 billion assembly plant here Thursday, giving them a chance to smile amid the auto industry's global despair.

When construction is finished and VW starts making a new mid-size sedan in 2011, Chattanooga's biggest catch will be 2,000 jobs at the plant and thousands of others at suppliers and other related businesses.

Mayor Ron Littlefield said the city also has plenty of reason to smile about landing a plant for the global brand of Europe's largest automaker, because it will restore the region to industrial prominence not seen since its anvil-pounding heyday decades ago.

"Chattanooga is rising again as a manufacturing center," Littlefield said.

VW's household brand name and air of nostalgia akin to Harley-Davidson make the newcomer seem familiar in Chattanooga, the mayor said.

"This is like having something that we have had a long, loving relationship with over the years moving right in our community."

Less than 200 miles (320 kilometers) away, Kia Motors is busy training workers for a new assembly plant in West Point, Georgia, once a major textile center. The South Korean automaker will start production of a new sport utility vehicle in late 2009 and will eventually create 2,500 jobs paying at least $14.90 an hour at the plant.

Optimism surrounding both projects seems a world away from Detroit, where GM and Chrysler are struggling to survive and tens of thousands of auto workers are losing their jobs.

Auto industry analyst Erich Merkle said there is plenty of reason for Volkswagen and Kia to be excited. "Somebody has to pick up the market share that Chrysler and GM are going to lose," he said.

"They can benefit greatly from having a plant here, especially when some of competitors have been washed out."

While Chrysler and GM are teetering, foreign automakers competing for buyers in the U.S. are also squeezed with many analysts predicting just 10 million vehicles will be sold this year, almost 6 million fewer than in 2007.

Michael Robinet, vice president of global vehicle forecasts at the consulting firm CSM Worldwide, predicts the movement of auto production to the South in recent

decades and the pace of automakers announcing assembly plants "is going to slow a bit until the market gets back on its feet."

Robinet said companies that were looking mostly at currency values in deciding where to make vehicles now look more to build in the country where they are selling.

Barbara McDaniel, a spokeswoman for Toyota, said completion of Toyota's new assembly plant that will create about 2,000 jobs in Blue Springs, Mississippi, remains delayed indefinitely. The company announced the delay in December.

Merkle said Volkswagen was planning the plant at Chattanooga before auto sales plummeted and they are "banking on when that recovery comes."

Merkle said VW has positioned itself well for a new mid-size sedan after having a weak product mix for the U.S. market in recent decades.

"Americans have never viewed Volkswagen as more upscale," Merkle said. "I am starting to see a product in the pipeline that will be appropriate, will be priced in line with the Honda Accord and Toyota Camry."

Kia spokesman Randy Jackson said his company is confident there is market share to be picked up by "many of us out there."

Both Volkswagen and Kia received lucrative incentive deals to build the plants, with Tennessee's financial package totaling $577.4 million and Kia getting $324 million. Both plants are expected to create thousands of additional related jobs.

West Point Mayor Drew Ferguson said the Kia plant has given his community a lifeline while similar former textile manufacturing cities suffer in the recession.

"We would be in same situation that so many other communities are facing right now…," Ferguson said. "Certainly a little luck doesn't hurt anybody."

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