

U.S. Plant Is Model For VW Expansion

Erik Schelzig, Associated Press

NASHVILLE, Tenn. (AP) — With a year of operation on the books, Volkswagen's facility in Chattanooga is boosting employment and capacity to meet demand, moving up plans to export the vehicle to Asia and becoming a blueprint for the German automaker's future plants.

Frank Fischer, CEO and chairman of the Tennessee plant, said in an interview with The Associated Press this week that running the sprawling facility on the site of a former ammunition plant has had its share of challenges, but the overall experience has been "fantastic."

"If you have a new product in a new factory with new equipment, new suppliers and a completely new team and new processes, every day you have something new crop up," Fischer said. "But we planned for much of this in advance, and it helped us to be prepared for any surprises."

Fischer's time as head of VW's Chattanooga plant represents Fischer's third extend stint in the United States after earning his MBA at the University of Washington and spending a semester at Michigan State as an undergraduate.

Fischer, 50, has been employed by Volkswagen AG for 18 years, working the company's plants in Braunschweig, Emden and Wolfsburg. He also spent time as an assistant to the VW board and on an exchange program with Toyota.

The Chattanooga plant's first Passat sedan rolled off the line last April and the plant produced nearly 23,000 vehicles through the end of the year — a number it has already surpassed through the first quarter of this year.

Demand for the award-winning Passat led the plant to increase the speed of the production lines by up to 12 percent earlier this year by adding 200 workers. The company announced last month that it would add another 800 employees to further expand production.

Starting in the second half of the year, the plant will switch to two 10-hour shifts per day, six days per week, Fischer said.

"We all consider the project to be a success — it's been a perfect mix, a perfect marriage," Fischer said.

The company has been careful from the start to avoid the pitfalls that plagued Volkswagen's last attempt to build vehicles in the United States.

In 1976 Volkswagen bought a partially completed plant in southwestern Pennsylvania from Chrysler and began production two years later with plans of

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selling 500,000 vehicles per year.

But sluggish sales due to price and quality problems meant it would take seven years before the Westmoreland plant rolled off its millionth vehicle. And by 1987, the company announced it would shutter the facility that at its peak employed 5,700 people.

Fischer said much of the success of the Chattanooga facility comes from the design of the facility that was built from scratch and subject to heavy debate among company officials.

"It was a very interesting process internally, because when the building chief came to me to show me the layout, I said, 'No way,'" Fischer said. "We made some heavy modifications."

The successful launch of the U.S. operations has led the facility to become a blueprint for four new VW plants under construction in China, Fischer said. The plant has also fostered a domestic supply chain and kept strong ties with VW headquarters in Germany.

"There are a whole series of very important factors that we have implemented that have made the work much easier this time around," he said.

The plant sources parts from about 180 suppliers — about 30 of which had no previous experience working with Volkswagen. The company has worked closely with the suppliers to ensure smooth delivery of parts, Fischer said.

"We've gone back and supported them with personnel and know-how," he said. "The result is that we can make 500 cars a day, and that's a good feeling."

The company had first planned to spend more time consolidating sales in the North American market before starting exports, but that timetable was accelerated and the U.S.-made Passat is now headed to Mexico, Canada, South Korea and the Middle East.

"We would have liked to push that back, but it was decided that the timing made it critical to introduce the vehicles there," he said.

A similar Passat is produced in China, but is limited to the domestic market there. The American Passat is available in 16 versions, ranging from the basic model to the 3.6 liter engine SEL that Fischer describes as having "all the toys."

The U.S. version of the Passat is limited to a top speed of 122 mph, but Fischer said an American-made Passat retrofitted to German specifications showed no handling problems when he drove it at close to 150 mph there.

Volkswagen subsidiary Audi announced this week that it plans to open a new plant in Mexico, dashing hopes in Tennessee that the Chattanooga facility might be chosen for an expansion.

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Fischer insists that regardless of Audi's plans, the Chattanooga plant will remain in the hunt for producing another model. Fischer said the corporate culture at Volkswagen promotes competition among its existing plants around the world.

"Management here says we want a second model, and the plants are all competing with each other for one," Fischer said "Fundamentally, it would be a logical step."

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