

VW Mum On Prospects For U.S. Plant Expansion

Erik Schelzig, Associated Press

CHATTANOOGA, Tennessee (AP) — Volkswagen calls its Chattanooga plant a global model for energy conservation and efficient production. But executives remain tightlipped about whether the facility is in line to produce a new crossover SUV for the German automaker.

A decision about production of the new model could come as soon as the quarter that begins in July, and local and state officials hope the company decides to double down on the plant that currently employs about 2,500.

A delegation of local officials traveled to VW headquarters in Wolfsburg, Germany, earlier this month to make the case for expanding the Chattanooga plant, which began making the Passat sedan in 2011.

"We are always looking for ways to work with them and encourage their growth in Chattanooga," Mayor Andy Berke, who was on the Germany trip, said in an email.

Economic incentives are likely to play a large role in the decision, just as they did when Chattanooga beat out sites in Alabama and Michigan for the plant in 2008. Tennessee's total incentive package was estimated at \$577 million.

"No doubt it takes incentives," Hamilton County Mayor Jim Coppinger was quoted by the Chattanooga Times Free Press as saying after the trip.

Supporters say the returns have more than justified the incentives. A recent University of Tennessee study estimates the plant has spurred the creation of 12,400 jobs — at the plant, with suppliers and at related businesses. The report said the facility creates more than \$643 million in annual income and a \$53 million annual increase in state and local tax revenues.

If Volkswagen bypasses the Chattanooga plant, it won't be for lack of available space. Jan Spies, VW's head of factory planning, noted at a recent media roundtable in Chattanooga that the facility was laid out to accommodate a doubling of its current size.

"It is designed to be mirrored, it is designed to be expanded and within that we have lots of flexibility to play with whatever should be inside," he said.

Spies said the Chattanooga plant set a new standard for Volkswagen, which has 100 plants worldwide.

"The layout here is fantastic," he said. "We've copied it more than any other layout so far."

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But the Chattanooga model doesn't fit all production needs, said Spies, remarking, "As soon as you come to building cars that have a much higher complexity, this layout will not be the best."

For example, the recent expansion of a plant in Gyor, Hungary, required a different design to accommodate the wider range of luxury vehicles made there by Audi, he said. Unlike the Chattanooga plant, which makes only four-door Passat sedans, the Hungarian facility is also able to produce two-door cars and station wagons and can produce vehicles with a larger number of customizable options and equipment.

VW unveiled its CrossBlue concept at the North American International Auto Show in January. The crossover would be a first in the U.S. market: a plug-in hybrid SUV with a diesel engine and two electric motors. Volkswagen said it can travel 14 miles (22.5 kilometers) in all-electric mode before a diesel engine would kick in.

VW later introduced a CrossBlue Coupe concept at the Shanghai auto show that uses gasoline and electric motors.

Spies declined to speculate on how extensive a task it would be to design expanded operations at the Chattanooga plant while maintaining current energy conservation and production standards.

"It is very much dependent on what we do," he said. "Just on the hypothetical level, you could occupy lots of planners."

Proponents of an expansion at the Chattanooga plant also hope there are no lingering bad feelings over a state law enacted earlier this year that allows workers to store guns in their cars while parked in their employers' parking lots. Frank Fischer, the plant's chairman and CEO, was a vocal opponent of the law.

The state attorney general said in a legal opinion released last month that under the law, employers would still be allowed to fire workers who violate gun bans. A sign at the entrance to the Volkswagen parking lot in Chattanooga notifies workers and visitors that guns are banned.

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