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## Rust Belt Rebound?

In America's heartland particularly, manufacturing seems to be making a comeback. But only here and there. And how long will that last?

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By John S. McClenahan

Will the North rise again? Will the Rust Belt rebound? You might not think so, especially if you have been hearing and reading a lot about restructuring at General Motors Corp., Ford Motor Co. and DaimlerChrysler. For example, Ford's rerouted "Way Forward," announced Sept. 15, includes the idling this year and next of four Midwest plants -- three assembly plants and a stamping plant.

However, in the East and the Midwest, especially in such states as Connecticut, Ohio, Michigan and Missouri, signs exist of a manufacturing rebound. Still, there's a question of how long this selective resurgence can last.

In northwest Ohio, new auto industry investments have created nearly 2,000 jobs, figures Bruce Baumhower, president of Local 12 of the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) in Toledo. For example, in 2001, DaimlerChrysler put \$1.2 billion into a new Jeep plant, and this year opened a new \$2.1 billion plant next door. Also moving in have been "probably a dozen new suppliers," adds Baumhower.

What's more, at GM's productivity-award-winning power-train plant in Toledo, \$500 million of new money is being invested to produce a new six-speed rear-wheel-drive transmission for smaller-size sport utility vehicles and pickup trucks. A 440,000-square-foot-factory addition is slated to go online in October 2008, although some equipment will be moved in as soon as early 2007, says Joe Choate, the Toledo plant's manager.

Credit a cooperative rather than combative relationship between management and labor in part for GM's decision to put more money into the Toledo plant, Choate says. "I came here at the tail end of 2003, and the cooperative working environment was well-founded and well in place when I walked in the door," he relates. "We've worked closer with this local [UAW Local 14] than any other local that I've ever worked with," says Choate.



Bruce Baumhower, president of Local 12 of the United Automobile, Aerospace and Agricultural Implement Workers

"Our leadership has always been supportive of joint programs and anything that we can do to help improve productivity and quality," claims UAW Local 12's Baumhower. "It's been more cooperative than combative." For instance, in 2001 pay classifications at DaimlerChrysler's Jeep Liberty plant in Toledo, which in the late 1980s had numbered 167, were reduced to just three. Another achievement: job cross-training the members of 12- to 14-person assembly teams. "The market has forced us to say, "Hey, look, we're all going down if we don't work together," states Baumhower.

**Not Wholly Toledo.**

of America (UAW) in Toledo

Northwest Ohio isn't the only location where U.S. manufacturing has been making a comeback.

In neighboring Indiana, for example, American Honda Motor Co. is building a \$550 million auto plant in Greensburg, 50 miles southeast of Indianapolis. The plant, with a projected annual production capacity of 200,000 units and with 2,000 employees, is slated to begin turning out four-cylinder vehicles in the fall of next year. Honda already has four major auto and transmission plants in the Midwest -- all in Ohio, including a \$3.3 billion investment at Marysville.

A third of a continent away in the Northeast, "a lot of effort" is being put into "rebuilding and reinvigorating" manufacturing, observes George Haley, a professor of industrial marketing and director of the Center for International Industry Competitiveness at the University of New Haven. "The Northeast already has the infrastructure. It has labor that's trained for manufacturing work to a much greater extent than, say, southern labor is," he contends. "To the extent unions are willing to work with manufacturers, the North has the capability to compete," says Haley.

In Connecticut, the state government put \$4 million into a program designed to train workers at small- and medium-size manufacturing firms in the techniques of lean production. "They have seen benefits already. Costs have come down," reports Haley.

The University of New Haven, through its Center for International Industry Competitiveness, is putting programs in place to enhance the product development capability of small- and medium-size metals, metal-stamping and aerospace companies. That's significant, Haley says, because a small- to medium-size company that's growing creates jobs at a rate about 10 times faster than a larger company does. What's more, traditional industries, such as automobiles and metal forming, "tend to create better multiplier effects than the high-tech industries," he adds.

Back in Ohio, a "medical-industrial complex" has emerged during the past 20 years, states James Brock, a professor of economics at Miami University's Farmer School of Business in Oxford. Particularly in the area around Columbus, the state's capital, production of sophisticated medical equipment is growing, he says.

But in Ohio, as in much of the rest of the country, the direct and indirect effects of a manufacturing comeback are uneven. For example, in Butler County, the southwestern Ohio county where Miami University is located, the far east portion is booming with trucking companies, storage depots and houses. But in the western part of the county, in such once-proud manufacturing places as Middletown and Hamilton, "it's like the 1930s' Depression," Brock says.

In Missouri, around St. Louis, the up- and down-sides of manufacturing's resurgence are different. Wealth creation and capital investment in advanced manufacturing are rising even as a long-term trend downward in jobs continues, says Dick Fleming, president and CEO of the St. Louis Regional Chamber & Growth Association. "Manufacturers are doing more with less," he states. But Fleming believes that in and around St. Louis, the automotive, bioscience, and aerospace and defense industries are centers of sustainable growth.

Meanwhile, Ed Wolking, Jr., executive vice president of the Detroit Regional Chamber of Commerce, is working to expunge the phrase "Rust Belt" from peoples' vocabularies. He notes the eight states of Michigan, New York, Pennsylvania, Ohio, Minnesota, Illinois, Wisconsin and Indiana plus Canada's



Workers for MEMC Electronic Materials strengthen silicon wafers at an annealing furnace at the company's plant in St. Peters, Mo., near St. Louis.

Ontario province constitute the third largest economy in the world. "The economy is built on manufacturing and the manufacturing services sector, and we believe they will play a key role in its future," he stresses.

In Michigan, venture capitalists Marc Weiser and Tony Grover, the managing directors of Ann Arbor-based RPM Ventures, are selectively putting money and counsel into technology-driven startups, including software and materials companies, that they believe offer the means of innovation to older, larger and perhaps less nimble manufacturing firms. RPM's strategy is to identify and invest early in companies with products or technology-based services that are sold to Midwest manufacturers and other customers to make them more competitive, allowing them to become more efficient internally and to react quicker. There's a point, Grover believes, where manufacturing companies must say, "Now we have to invest in technology to help us be more efficient and competitive."

### "Trickle Back"

At the same time, U.S. manufacturing could benefit from what Miami University's Brock sees as a pullback from Mexico, China and other less economically developed places. "Companies have been finding that the low costs are illusory," he states. "Yes, there may be low labor costs. But you've got a lot of high costs in other respects: poor infrastructure and lower-quality transportation. [And] you've got problems with corruption and laws and courts and so forth," he states. "You have seen a kind of slow trickle back to the U.S., and I take that as a positive sign," he says. "It suggests that we are not out of this by any means."



An employee of the St. Louis GKN Aerospace manufacturing facility inspects machined aluminum-alloy aircraft ribs.

Nabil Nasr would love to see a resurgence of manufacturing in the U.S. "Nothing will make me happier," says Nasr, a professor and director of the Center for Integrated Manufacturing Studies at Rochester Institute of Technology in Rochester, N.Y.

But Nasr doubts a nationwide rebound is in the making.

Yes, he readily acknowledges, there are companies in the Northeast who went to China and have come back. However, that's because they weren't the right size, didn't have the right volume, lacked understanding of the Chinese market and were in a rush to do things. "I wouldn't call that necessarily a resurgence of [U.S.] manufacturing. It's really corrective actions."

Many states have been paying more attention to manufacturing, recognizing the loss of manufacturing threatens economic security, says Nasr. One such state is New York, which came up with a multimillion-dollar deal that will enable semiconductor maker Advanced Micro Devices Inc. to build and operate a 1.2 million-square-foot facility producing 300-millimeter wafers in Saratoga County, north of Albany. Announced this past June and expected to be fully operational by January 2014, the manufacturing plant is projected to create more than 1,200 high-tech jobs, thousands of construction jobs and more than 3,000 indirect jobs.

"The question is, are [such aggressive] measures sustainable, and are they really a sign of resurgence of manufacturing?" Nasr states. "I would argue [the answer is], no."

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