

How to Site Your Next Facility

Site Selection Factors for Automotive Suppliers

The site selection criteria and factors used in performing site location studies for automotive suppliers vary broadly across the industry. Tier 1 supplier location criteria are most often significantly different than criteria for a Tier 2 or Tier 3 supplier. And, criteria for each of these categories of suppliers may differ significantly based on the automotive assembly plant they serve.

The major automotive assembly companies have significant differences in terms of their manufacturing strategy, work force organization, management styles, in-house inventory controls, off-site subassembly, just-in-time and sequenced delivery systems, on-site assembly methods, quality control, and other critical production strategies. The philosophy and manufacturing methods used by the various OEMs can, and often do, drive the site location criteria for suppliers, and in many cases, the supplier's final site location decision.

Nevertheless, there are sets of selected site location criteria that have high degrees of commonality among automotive suppliers, and these common criteria will influence the site location decision. Let's look at these factors in more detail:

Work Force

As is the case for most manufacturing companies, work force is typically the number-one consideration for automotive suppliers. This does not mean the supplier is seeking a location with a fully qualified work force, but rather it is seeking a location that provides the work force density, availabili-

ty, trainability, and productivity required for the manufacturing operations.

Work force density relates to the size of the existing work force within a reasonable commuting distance of the site. Many automotive suppliers employ fewer than 200 people. A smaller work force size opens up a larger number of options across a geographical region, including many smaller towns and cities. Communities that have existing manufacturing operations and a pool of talented existing employees will become prime targets for consideration.

Work force availability does not directly correspond to the unemployment rates within a region. Most new employers anticipate hiring from the ranks of the employed versus the ranks of the unemployed. Average wage rates, however, do have a direct impact on the assessment of the available work force. Automotive suppliers are under tremendous pressure from their customers to control costs, and wages can play a significant role in cost control. Automotive suppliers are not likely to consider a location where the existing average wages are higher than the wages they intend to pay. In fact, they would prefer a location where the existing average wages are 10 to 15 percent lower than their targeted wages in order to offer candidates a better employment opportunity.

Trainability of the work force relates directly to the educational background and work experience of the labor pool. Suppliers prefer to hire individuals with a minimum of a high school diploma and, in many instances, with vocational or technical training or experience, dependent upon the type of

position within the plant. Trainability is also directly related to the resources, capabilities, and experience of the state and local agencies that will be assisting in recruitment and training of the work force. Training assistance can be a tiebreaker in many automotive supplier location decisions.

Productivity is in some cases more difficult to measure. However, many supplier companies look to the existing work force of other companies as a measure. They will seek information on absenteeism, turnover, drug abuse, and rework as indicators of the productivity of the work force.

Logistics

Logistics plays a major role in every automotive supplier's site location decision. As detailed above, all automotive assembly companies have varying requirements for suppliers, and these requirements can drive location decisions.

Automotive assembly companies that have established just-in-time and sequenced delivery of parts and compo-

nents will require that selected Tier 1 suppliers be in closer proximity to the assembly plant. A recent trend among companies using this strategy is to have selected Tier 1 suppliers co-locate on the assembly plant's site. While this may significantly improve certain logistical issues, it introduces new risks relative to contracts, taxes, ownership, and labor relations. These strategies and relationships should be carefully structured to minimize or mitigate the risk factors.






There are very few automotive suppliers that will require rail-served sites. The exceptions are typically suppliers that receive coiled steel and prepare it for the stamping operations at the plant, or suppliers that provide heavy-duty steel frames for the undercarriage of a vehicle. Nearly all other suppliers will depend on trucking for both in-bound and out-bound parts and components.

Since nearly all suppliers are dependent on trucks for in-bound and out-bound shipments, suppliers will look for locations that provide at least two routes for their in-bound

traffic as well as at least two routes for delivery of their products to their customers. There will typically be a primary route that provides for the least distance and shortest delivery time, and an alternate route that is used only when the primary route has an interruption or a delay. The better the condition of the roads for the primary and alternate routes, the better the fit for logistical purposes. Suppliers prefer four-lane divided highways from their site to the customer; however, two-lane improved highways with limited access and few traffic signals are also acceptable.

Site and Infrastructure

Most automotive supplier site location searches are on a super fast-track schedule with "date certain" requirements for pilot testing and for start of production. Automotive assembly plant cus-


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tomers are very demanding when it comes to meeting schedule. As a result, about three out of four automotive suppliers will begin their site search looking for existing buildings that can meet their immediate needs and that can be modified or expanded to meet future needs.

Buildings typically must meet today's requirements in terms of ceiling heights, truck docks, employee parking, ingress/egress, fire protection, floor loadings, low maintenance, and electrical service. However, most of these requirements can be met through modifications or installation of new systems. An existing building that meets the supplier's requirements will typically be preferred over a design/build scenario within the same community.

The size and configuration for a supplier site varies quite significantly based on the profile of the supplier. Smaller suppliers may be satisfied with a five- to 10-acre site with irregular shape, whereas larger suppliers are more likely to seek sites of 30 acres or more with rectangular configuration. A primary consideration for any greenfield site is that it must be of a size and configuration that supports future growth and expansions. Nearly all automotive suppliers will look for sites that have the capability of supporting a facility twice the size of the initial investment and, in some cases, an even larger expansion.

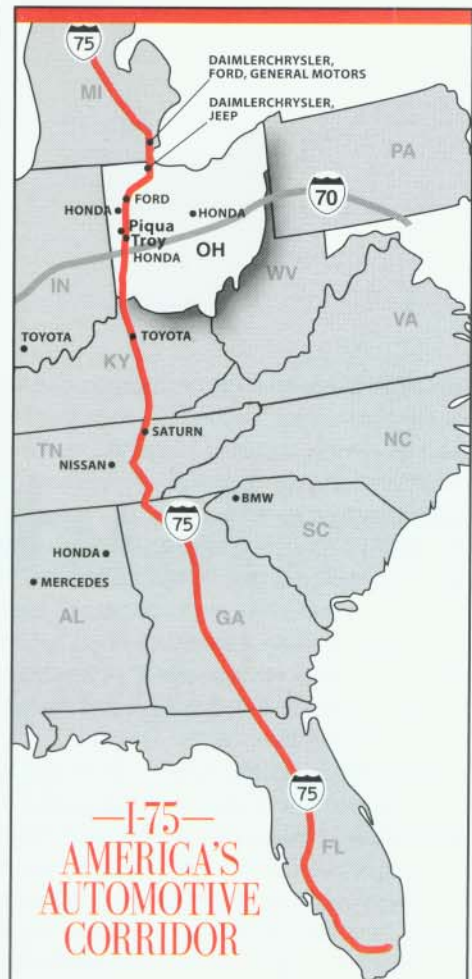
Availability of utilities with the size and capacity required for both the initial investment and future expansions is a must for a supplier location. Water, sewer, electrical, natural gas, and telecommunications are typically required at the property line. Proper zoning and permitting are also critical elements in the site location search and for qualifying a site. If the site is not already zoned for industrial use — and zoning is required in that region — the process and schedule for re-zoning should be clearly defined and understood. Re-zoning that takes longer than 90 days is typically an eliminating factor.

Constructability, environmental, and geotechnical conditions are always elements of critical importance for a site evaluation, whether it is an existing building or a greenfield site. Most suppliers are seeking sites that require minimum site preparation work, i.e., the topography and site characteristics are supportive of cut and fill and balancing on-site for the site preparation. A site should not be selected until an Environmental Phase I and a geotechnical evaluation, complete with findings and recommendations, have been performed with satisfactory results.

Another critical element for qualifying the site relates to highway access and ingress and egress. Most sites must have at least two entrances — one for employees and one for truck traffic — and many sites will have three or more entrances, including a visitor's entrance. The access roads and entrances must be designed to support peak traffic, and typically include turn lanes and accumulation lanes for acceleration and deceleration for truck traffic. In many instances, it is desirable to have traffic lights at the entrances to the site to improve traffic flow and provide additional safety features.

Other Factors

There are other factors that come into play for suppliers locating into



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the United States from foreign countries. The factors and their importance vary depending on whether the supplier is German, Korean, Japanese, Canadian, or of some other nationality. However, the following may come into play during the site search:

Many foreign companies do not want to locate in the same community as one of their competitors and, in some cases, may avoid a community that has an existing supplier from the same nation. Alternatively, there are other suppliers who may consider the presence of an existing supplier of the same nationality as a "stamp of approval" and may give that community higher ratings.

Most foreign national suppliers will be very interested in the social and cultural aspects of the region and will inquire about existing residents in the region who may have the same nationality. Part of the inquiry from foreign nationals typically relates to ethnic restaurants and food stores in the region, as well as the presence of doctors and dentists who speak their language. Foreign nationals will also take a

much closer look at educational systems, educational performance of the community, and the potential for private school education.

In sum, the site selection factors and search methodology for automotive suppliers may vary significantly from one supplier to another, and the factors may be different — even for similar types of suppliers — based on direction and priorities provided from the automotive assembly plants that each serves. Regardless of these conditions, there are certain factors that will drive any supplier's site search. These include work force, logistics, site and infrastructure, availability of existing buildings, and certain cultural and social issues.

Dr. C. R. (Buzz) Canup is president/CEO of Canup & Associates (www.canup.com), a firm specializing in site location studies and economic development consulting.

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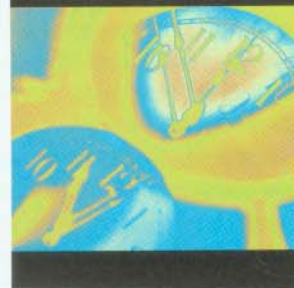
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