

NO, DIFI, THE COMPETITION IS WITH CANADA (AND MEXICO)

I've been meaning to cover the likely closure of the joint Toyota-GM plant in Fremont, CA for some time. But this comment from DiFi is worth a post in itself.

Sen. Dianne Feinstein, D-Calif., led a delegation of state lawmakers who said Thursday that they were exploring the use of stimulus funds among other moves to keep Toyota in California.

"But one of the things California has to come to grips with is that the competition here is Kentucky and Mississippi, and you have this high cost-of-doing-business problem," said Feinstein, who phoned Gov. Arnold Schwarzenegger to talk about Nummi.

The NUMMI (New United Motor Manufacturing Inc) plant was opened as a joint venture between Toyota and GM in 1984. Back then it was a shiny new-fangled plant—the future of auto assembly in the United States. It's also, notably, Toyota's only unionized American plant. GM has pulled out of the partnership as part of its bankruptcy which has led Toyota to consider closing the plant altogether. DiFi and the rest of CA's politicians are scrambling to save the 4700 high-paid union jobs.

And, apparently, DiFi has created a myth for herself that she is competing with (just) Kentucky and Mississippi for these jobs.

To the extent that CA is now putting together a set of incentives to convince Toyota to stay—a model pioneered by southern states—she is correct. And to the extent that Toyota might move the Corolla and Tacoma production to their currently vacant MS plant (which was originally

slated to assemble the Prius), she is correct that she's competing against MS.

But the more likely location for the production currently done in Fremont, CA is—for the Tacoma—Mexico and—for the Corolla—Canada, where factories that already produce those models are currently running below capacity.

In addition, Toyota has plenty of unused production capacity in North America – including factories in Mexico and Canada that make the Tacoma and the Corolla, said George Peterson, president of Tustin consulting firm AutoPacific.

[snip]

Toyota's sales in the U.S. are down almost 38% this year as the auto industry suffers its worst slump in decades. As a result, the automaker has excess production capacity at its North American auto plants, which can produce more than 400,000 vehicles a year.

In the first six months of this year, the assembly line making the Vibe and the Corolla rolled out only 76,000 vehicles, a 25% decline from a year earlier, while the line making the Tacoma saw an 83% drop in production, according to the Automotive News Data Center. The plant was unprofitable last year, Michels said.

The distinction is critically important because DiFi's fiction that Kentucky and Mississippi are the problem pretends that the problem here is just wage cost (and, though she doesn't say it, union labor).

But if Toyota's moving these jobs to Mexico and, especially, Canada, then it's not just hourly wage costs that are the problem. It's health care.

You'll recall that Toyota made precisely this calculation a few years back, when it decided to

site a new Rav-4 factory in Canada because it wanted better education levels than were available in the South, but it also wanted the government health care available in Canada.

We are—as we speak—about to lose another 5000 middle class jobs in this country because our health care system sucks. And DiFi is doing little more than wringing her hands and trying to use stimulus funds rather than fixing the root problem.