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Thursday, August 7, 2003



Charles V. Tines / The Detroit News

**Gov. Granholm points to a Detroit News story about companies creating manufacturing jobs overseas.**

**2003 Traverse City Auto Conference**

**Gov. fights for factory jobs**

Granholm will hold summit to stem loss of blue-collar workers

By Mike Hudson and Ed Garsten / *The Detroit News*

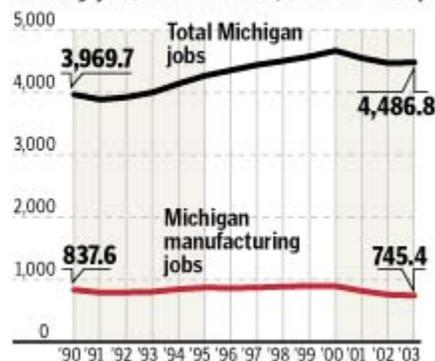
**TRAVERSE CITY --** Gov. Jennifer Granholm on Wednesday called for a fall summit meeting of manufacturing and labor leaders to discuss how to stop the loss of industrial employment in Michigan, a trend that has claimed 150,000 jobs since 2000.

Proclaiming herself "saleswoman in chief" in the effort to keep manufacturing jobs in the state, Granholm said she would also discuss the issue when she attends the National Governors Conference next week.

"In Michigan over the past several years, almost 70 percent of the jobs we have lost have been in manufacturing, and manufacturing in

**Jobs lost**

Michigan has lost more than 150,000 factory jobs since 2000, a 16.8% drop.



Source: Michigan Department of Career Development

*The Detroit News*

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America has been hit equally hard," Granholm said in her keynote speech to the Management Briefing Seminars, a major annual conference of automotive executives and analysts in Traverse City.

The sense of urgency over the state's lost manufacturing base -- which employs 745,400 Michigan residents, or 16.6 percent of the state work force -- has never been greater as the economy recovers from two years of stagnation.

But even as the economy shows signs of improvement, few new jobs are being created by Michigan's automakers, auto parts suppliers and other manufacturers. Michigan unemployment stands at a 10-year high of 7.4 percent.

The loss of manufacturing jobs from Michigan is due in large part to changing dynamics in the automotive industry.

U.S. automakers have been steadily losing market share to Asian and foreign rivals in the last decade, resulting in job losses as sales have declined.

In 1992, Detroit's Big Three -- [General Motors Corp.](#), [Ford Motor Co.](#) and [Chrysler Corp.](#) -- owned 72.1 percent of the U.S. car and truck market. By 2002, Detroit's combined market share had fallen to 61.5 percent.

As U.S. demand for import vehicles has grown, a growing number of foreign makers are building vehicles in the United States -- including Japan's [Toyota Motor Co.](#), [Honda Motor Co.](#) and [Nissan Motor Co.](#), along with Germany's BMW AG and [DaimlerChrysler AG's](#) Mercedes unit. But they are bypassing Michigan to build factories in southern U.S. states, where labor is cheaper and often nonunion.

At the same time, automakers and parts suppliers have been moving jobs to Mexico and, increasingly, to Asian countries, notably China, to save money and take advantage of local market opportunities.

#### Call for a summit

In addition to a call for a Michigan summit, Granholm said she would encourage other governors in manufacturing states to hold similar meetings and push for a gathering of governors in Washington, D.C., to discuss state and federal actions that can be taken.

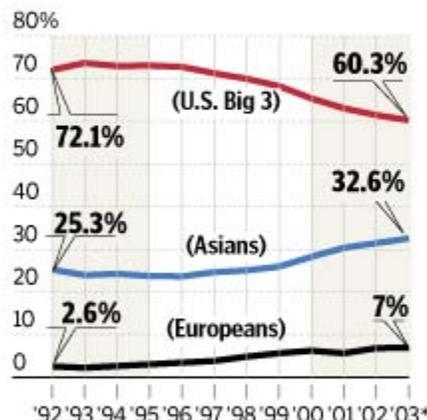
"I'm not throwing in the towel," Granholm said. "It's not just time to protect what we have, but to expand it."

The issue also underscores the importance of the ongoing contract talks between the domestic auto industry and the United Auto Workers. The

## Market shifts

Detroit automakers are steadily losing U.S. market share to European and Asian rivals.

### PERCENT U.S. AUTO MARKET SHARE BY BRAND ORIGIN



\* Through July

Note: European brands include those belonging to Detroit's Big Three (Jaguar, Land Rover, Mercedes, Saab, Volvo)

Source: WardsAuto.com The Detroit News

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UAW typically bargains for strong job protection measures while the industry needs more flexibility to cut costs and close plants.

The industry further contends it can't compete with foreign automakers because of its contractual obligations for high wages, pensions and medical benefits to its blue-collar work force -- the same workers that Granholm's initiative is attempting to protect.

Nick Scheele, Ford Motor Co.'s president and chief operating officer who spoke at the same conference, said he would "need to see more details" before forming an opinion on what a summit could accomplish.

But John Plant, president and CEO of automotive supplier TRW Automotive, said he was enthusiastic about the governor's efforts. "It's laudable, especially the emphasis on manufacturing as an important driver in the economy and in jobs," he said. "It's very important to have that manufacturing in the U.S. and here in Michigan."

Granholm's speech came two days after an officer of the Michigan Economic Development Corporation lashed out at the federal government for not doing enough to retain manufacturing jobs and called for the creation of an undersecretary of manufacturing in the U.S. Department of Commerce.

A bill already exists in Congress to create the undersecretary position, although its future is uncertain.

#### **Overseas competition**

Beyond the auto industry, other manufacturers in the state, such as Midland-based [Dow Chemical Co.](#), also are feeling the pain as they try to respond to a rapid increase in overseas competition.

"Dow employs over 7,000 people in the state of Michigan and the majority of them are totally dependent on the state of Michigan having the competitive advantage over other states or countries," said Holly LaRose-Roenicke, spokeswoman for Dow.

"We are pleased to see the governor is interested in keeping jobs in the state of Michigan, and addressing the important issues related to that."

In January, Dow said it would cut 4,000 jobs as part of a restructuring after posting \$388 million in losses in 2002. Dow cut 5,000 jobs last year because of waning demand for its plastics and chemical products.

Competition in the manufacturing segment has crippled some industries. Sales for Michigan's tool-and-die sector are down 50 percent to 60 percent. The state once was home to 1,800 tool-and-die shops; nearly half have closed.

The Metro Detroit-based Coalition for the Advancement of Michigan Tooling Industries blames foreign imports for the problem, citing China specifically for flooding the U.S. market with products produced by cheap labor while taxing imports into China.

"There's no doubt that there's a lot more competition from highly skilled and well-managed sources, especially from the Pacific," said Tom Duesterberg, CEO of the Manufacturers Alliance, an industry group outside Washington, D.C.

He said the Internet can be linked to much of the increase in competition for manufacturing, as firms can simply bid on work across the globe using their computers, multiplying the number of potential suppliers.

#### **Tricky proposition**

But getting the state and federal governments to remedy the situation is a tricky proposition, said Patrick Anderson, principal of Anderson Economic Group in Lansing.

While he applauded the state for lowering its tax rates on businesses during the past 10 years to attract and keep businesses, he criticized the state for maintaining its "Personal Property Tax," a tariff that forces businesses to pay a certain amount each year for the equipment, machinery and other capital goods that it owns.

"If you have a junkyard dog, the dog is taxed," Anderson said. "Manufacturers own lots of equipment that Michigan taxes them on. There are states that don't have this tax at all."

Organized labor has long touted the need for protection of the manufacturing base, fighting free-trade agreements like the North American Free Trade Agreement (NAFTA), which opened up the borders of North America and allowed many foreign manufacturers to undercut U.S. companies.

"Since NAFTA, we've lost somewhere around 2 million manufacturing jobs," said Donald Boggs, president of the Metro Detroit AFL-CIO. But he believes that while the governor's sentiments were appropriate, only the federal government could truly have an impact on the situation.

"I'm not sure what the state government can do," he said. "It's a national issue."

Anderson warned that the United States can often hurt itself in an attempt to help, using the steel industry's controversial tariff program as an example.

While the tariffs on foreign steel helped saved thousands of steel worker jobs by raising the price U.S. mills could charge for steel, it also cut thousands of jobs from the manufacturers, who had to enact layoffs to afford the more expensive metal.

"We protected the steel industry, but only lost more jobs from the auto industry," he said. "So while Pittsburgh's steel region was helped, it was a direct shot at Detroit's auto industry."

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