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BMW keeps S.C. economy humming

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Dignitaries gathered for a ground-breaking announcement by BMW to invest \$750 million and 500

jobs in its Spartanburg County plant.

The Ultimate Driving Machine. BMW uses that slogan to describe what it's like to pilot one of the German luxury automaker's vehicles. But state leaders could borrow it to define the company's impact on South Carolina's economy.

South Carolina's relationship with BMW began when the company invested \$600 million in 1992 to build its first U.S. manufacturing plant in Spartanburg County. While some Southern states, such as Alabama and Tennessee, have beefed up their economies with multiple carmakers, South Carolina has grown its automotive sector with one manufacturer.

State officials believe the approach has been successful.

"BMW has been a point of pride for this state," Gov. Mark Sanford said. "South Carolina has flown far higher because of BMW. They stand at the top of the mountain."

Awesome investment

Perhaps the best evidence of the state's business model was on display Monday as BMW announced its plans to spend \$750 million to add a second assembly plant and 500 jobs to boost production from 160,000 vehicles to 240,000 by 2012.

When construction is complete, BMW's total investment in the state will reach \$4.2 billion, and the 500 new jobs will bring the plant's total employment to about 6,000. Its suppliers have invested a total of \$2.1 billion.

Commerce Secretary Joe Taylor said the state will shell out about \$15 million for infrastructure, site prep and cleanup on outparcels. BMW also will receive job tax credits for the new employees.

But Taylor said the state would get more than a fair return on its investment, as expansion will generate construction jobs in the short term and could lead to expansions for BMW's supplier base.

"We knew for BMW to have a future, it had to be successful here," said Frank-Peter Arndt, BMW Group board of management member responsible for global production. "The company sells more vehicles (in the U.S.) than in Germany. We hope this plant will demonstrate our commitment to South Carolina and set a benchmark for the entire automotive industry."

Arndt said BMW is "proud" of its relationship with South Carolina and that the state's commitment to providing tangible and intangible business advantages, such as a fertile business climate, education and good standard of living for BMW employees, were keys to the Spartanburg plant's success.

In 1992, when BMW first entered the picture, the state's textile industry was dying and a burgeoning automotive sector began bringing in new jobs for workers who were left unemployed.

Incentive package

Hoping for a return on its investment, the state gave BMW an incentives package worth \$130 million for its initial plant and spent millions of dollars for infrastructure - including water, gas, electricity and road improvements - at the 1,039-acre site.

Even though it wasn't as large as the \$253 million deal Alabama gave Mercedes in 1993, some concerns were raised as to whether the state made too large a commitment to a single automotive company.

Rep. Bob Inglis, R-S.C., said he believes Monday's announcement is proof the state's initial investment is an "incredible success."

"It's definitely clear that the investment the state made in BMW has been multiplied," Inglis said. "We would welcome additional automotive manufacturers. It would be great for others to come, and I think BMW's presence makes it more attractive for them."

Inglis said BMW will help put the state on the cusp of new energy technologies when the plant begins building diesel versions of the X5 this year and hybrid X6 models in 2009.

"Whenever we have distinguished visitors to our state, I always try to put BMW on the tour stop," Inglis said. "It's just amazing how much value there is in the reputation BMW has built for excellence."

The automotive sector is the state's largest industry, with more than 225 auto-related companies (52 of those companies are BMW suppliers) and 45,000 jobs, according to the state Department of Commerce.

A second automaker has yet to land in South Carolina, but state leaders remain pleased that BMW is "the one."

"It's one thing to get a company to locate here, but I think it's even more significant when you see a company continue to invest," said Hunter Howard, president and CEO of the state Chamber of Commerce. "We might not have landed a second automaker, but we've attracted a heck of a lot of suppliers. And they're quality suppliers to boot because one thing BMW demands is quality."

Good for the state

Howard said he thinks Monday's announcement, as well as BMW's brand recognition, will show the world that South Carolina can support major automakers.

"It shows a lot of confidence in the state, and I think it says a lot about the business climate here," he said. "It says to the world that world-class companies can succeed here and shows that we are a great place to live and work."

John Miller, chairman of Upstate Alliance, an organization established to promote the Upstate region and support economic development, said he believed the state's BMW supplier base could double by the time the plant reaches full capacity.

"It certainly won't hurt," Miller said. "When you have an announcement like this, it's going to increase business."

Howard said he already has seen a "significant lift" in interest since the announcement, with supplier companies mulling over possible reinvestment and expansion.

"Economically, both in 1992 and the present, BMW has given us a shot in the arm at a time when we really needed it," Howard said. "When everyone's talking about recession, BMW is expanding."

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