Title: Automotive Plastics Opportunities

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ABSTRACT

There is an established trend by import automotive producers to locate production centers in new locations in the United States and Canada. These centers of production are not located in the traditional automotive industrial centers in the northeast; rather, there is a specific trend toward locating production where access to markets, competitor’s volume sales and export markets is available. As these green field locations come to maturity, there is an increasing amount of pressure to locate a campus of Tier I suppliers in the same location, and even the same Industrial Park.
White Paper:
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This trend is most visible in San Antonio, at the production center for Toyota Tundra trucks which will come on line in Spring 2006. The actual truck production center sits on a one thousand acre site in southern San Antonio, and is surrounded by 21 dedicated suppliers who are co-located on their campus. Just in time and parts sequencing requests drive this need to be located near the factory and the availability of land and space make this a very competitive arrangement.

Parts suppliers from all over the world are on site and, in every case, flexibility and production adaptability is the key driver for locating in the same location as the production factory.

There is significant new plastics fabrication taking place in San Antonio to support this venture. With this plastics utilization, comes an expected up-tick in volumes as new suppliers come on line. It is certainly expected that these new plastics processors will seek other automotive volume that will now be available in the region. Historically, plastics production has been done in Mexico to support domestic United States automotive production; however, most Toyota production is supported by a plastics production center is located near the vicinity of the actual automotive assembly center. Toyota typically demands that their key suppliers locate in the immediate vicinity of the production center, a pattern of opportunity for an astute distributor of plastics raw materials.

Within this change in production demographic, there are new opportunities for distribution and competition for market share, and new markets for raw material suppliers. These opportunities exist and will expand the foreign producers locate more and more facilities in the United States and Canada, and more localized production centers are demanded by the vehicle assembler. Large scale industrial developments and industrial campuses, such as the one developing in San Antonio, result in commercial communities around them.

As greater pressure is placed on the traditional United States nameplates of GM, Ford and Chrysler/Daimler, more and more volumes of foreign suppliers and producers will move to the market. As domestic providers market share continues to erode, demand for new production centers in new markets will increase, and these new production centers will require critical parts suppliers to locate on-campus, creating new industrial development opportunities and new production volume opportunities.