

# Chattanooga woo-woo: Local suppliers court VW

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CHATTANOOGA, Tenn. — Six months ago, robotics integrator and tooling supplier AutomationIG was trying to distance itself from the ailing automotive industry.

Then Volkswagen AG landed in its backyard.

"Before Volkswagen was announced, we were investing heavily into diversifying outside of automotive — into recreational vehicles, aerospace and others," says AutomationIG General Manager Jerry Tyman.

"Since Volkswagen was announced, we've scaled that back and refocused again on supplying automotive customers," says Tyman, whose factory is six miles from the site of the new VW assembly plant.

VW's decision last July to build a \$1 billion plant here has restored hope to hundreds of local automotive suppliers at a crucial time. Most are Tier 2 and Tier 3 suppliers that opened decades ago during Chattanooga's manufacturing heyday but have seen their business cut in half in recent years as a result of declining sales to the Detroit 3.

## Right place, right time

Volkswagen's decision to build a \$1 billion assembly plant in Chattanooga, Tenn., couldn't have come at a better time for local suppliers. Here are some facts about the supply base and VW's purchasing plans.

- More than 750 auto suppliers are within a 300-mile radius of the VW factory site.
- Major suppliers include Delphi, Magna, Continental and Johnson Controls.
- To date, VW has awarded supplier contracts for 10% of factory construction and a mid-sized sedan to be built there.
- About 50 VW purchasing staffers are to move into a leased office in Chattanooga this week.

Source: Chattanooga Area Chamber of Commerce, Volkswagen Group of America

## VW anticipation

Some have managed to pick up the odd contract from foreign brand automakers with factories elsewhere in the Southeast or to diversify into nonautomotive applications. But it's not enough. Now these suppliers are looking to VW with a mixture of relief and anticipation.

Take Woodbridge Foam Fabricating. Two years ago, Woodbridge's two Chattanooga factories were operating at full tilt, churning out urethane foams used in vehicle headliners and seat cushions for General Motors and Ford Motor Co. Today, the factories are running at 55 percent capacity, and employment is down by a third.

That's despite the addition of such customers as Hyundai, BMW and Honda and an expanded product portfolio that includes foams for diapers, football helmets and sneakers.

With automotive business slow, Woodbridge uses the downtime to train workers and upgrade equipment, some of which sits idle these days. On a recent factory tour, plant Manager Luis Vives pointed out a machine that currently has only one use: Cutting leftover foam into the shape of VW Beetle cars that are given to visitors and local children through the Toys for Tots campaign.

Like the giant "Wilkommen Volkswagen" banner that hangs in Woodbridge's plant, the squeezable Beetles are tangible evidence of the excitement surrounding the German automaker's arrival.

"We are getting ready for Volkswagen to come so we can say: 'Hey, look at us. We're really efficient, and we can deliver exactly what you need,' " Vives said.

750 within 300

More than 750 automotive supplier factories operate within a 300-mile radius of the VW factory site, according to a list compiled by the Chattanooga Area Chamber of Commerce. That includes major suppliers such as Magna International Inc., Continental AG, Delphi Corp. and Johnson Controls Inc.

But the vast majority are small suppliers that are realistic about their opportunities with Volkswagen, says Trevor Hamilton, the chamber's vice president of economic development.

"A lot of them are going through all the motions and through the procurement process" to become Tier 1 suppliers to the VW plant, Hamilton says. "But they're equally as interested in doing business with the suppliers to Volkswagen, wherever they might be in the region."

"Local suppliers were a factor in our decision to locate in Chattanooga," said Volkswagen Group of America spokeswoman Jill Bratina. "The area is well-known for its manufacturing expertise, and we believe these suppliers are well-equipped to support Tier 1 suppliers."

Volkswagen expects to employ about 2,000 workers at the Chattanooga factory when it opens in early 2011. But it's the additional 9,600 supplier jobs that have AutomationIG's Tyman optimistic about the future.

"It makes us feel pretty good about where we are in Chattanooga, especially our guys here who worry about the economy and how much further business is going to be cut back," Tyman shouts over the whirring and beeping of robots. "They see a light at the end of the tunnel now that Volkswagen is going to be here."