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Honda invests \$400M in Ohio

Automaker says state will be crucial to post-recession strategy.

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EAST LIBERTY — Nestled amid the cornfields and rolling hills of west central Ohio is nearly half a billion dollars in new economic activity.

Since late last year, Honda of America Manufacturing Inc. has announced \$400 million worth of investments in its Ohio operations in the face of a challenging economy.

Company leaders say Honda is expanding with full expectation that its Ohio plants and facilities — in Troy, East Liberty, Marysville, Anna and elsewhere — will be an integral part of the company's future. And company officials expect the U.S. economy to gain new vigor after a debilitating recession.

"We know it will," said Ron Lietzke, a spokesman for Honda in Ohio.

"You've got to be ready to run with it," said Brad Gentzler, assembly manager at Honda's East Liberty plant.

Ever-increasing federal fuel mileage standards, as well as consumer concern about high gas prices, is prompting much of the expansion work, Honda officials say.

Honda is a company with demonstrated staying power. Rarely does Honda pull back after expanding operations, said Tracy Schneider, vice president for IRN Inc., a Grand Rapids, Mich.-based automotive research firm.

"When they do make expansions and investments, they're permanent," Schneider said. "They're really mindful of the long picture."

Another hallmark of Honda of America is its record of no layoffs in Ohio. The automaker has never laid off a worker since the company started producing motorcycles, then cars, in Marysville in the late 1970s. Even after the devastating earthquake and tsunami in Japan in March — which cut production in Ohio by half from mid-March to July — Honda laid off no Ohio workers. Instead, the automaker put associates to work at

routine plant maintenance, such as painting, or allowing workers to volunteer in their communities, Honda officials said.

The new investments by Honda make good business sense, Schneiter said. The Japanese yen is strong compared to the dollar, which puts price pressure on automobiles imported to the U.S. from abroad. "They are all making an extended effort to localize their market," she said of foreign automakers.

Honda's investments in Ohio surpass those made by other automakers. General Motors has announced investments of \$287 million at its Toledo plant since May 2011. GM also said in June it plans to invest \$47 million in its Defiance powertrain plant. (Since emerging from bankruptcy in 2009, GM has said it has invested or will invest \$5.4 billion in its U.S. operations, according to news reports.)

Honda's total investment in Ohio has reached \$8 billion, the company has said.

Honda has long called itself an "American" car company. More than half of all autos manufactured in Ohio bear Honda nameplates.

Honda also purchased \$17.5 billion in parts and services from 590 North American suppliers in 2010, including 150 suppliers in Ohio. (Honda typically does not identify individual suppliers, and Lietzke could not say precisely how many suppliers the company has in the Dayton area.)

Projects' ripple effect

The expansion projects have a ripple effect. For example, at the Honda Transmission Manufacturing of America plant at Russells Point, Honda is investing \$50 million to increase capacity for casting aluminum transmission cases. The heightened capacity will increase Honda's appetite for aluminum and steel purchasing by 30 to 40 percent when the line is in full operation, Lietzke said. And the expansion will add 100 full-time jobs.

Meanwhile, the increased use of new materials, including lighter-weight aluminum, will require new ways to form, weld and paint that material.

At East Liberty, the 22-year-old, 1.9-million-square-foot Honda plant produces the CRV, the Crosstour, and next year, the Acura RDX, some of which are exported to Russia, Saudi Arabia and United Arab Emirates. That plant's expansion will cover more than 450,000 square feet and allow the company to rearrange how the plant receives and organizes materials for assembly. Currently, the plant's "consolidation center" for incoming parts and materials is eight miles away.

The plant is also re-configuring an assembly line to give workers 360-degree access to door panels while reducing transfer points, which can waste time and energy. Such matters are not trivial, Honda managers say.

“We took the opportunity to give the associate a better environment,” said Greg Gray, Honda project leader in Ohio.

Improvements are made with the customer or environment — or both — in mind, Honda managers say. At the new instrument panel paint line, 85 percent of the air in the paint booth area is recycled. “I think this is the future,” Gray said.

In the auto quality test area, every vehicle is test-driven on a new mile-long track and taken through a water booth, where the vehicle is subjected to a monsoon-level deluge of about 120 to 130 gallons of water a minute.

Even while construction happens in various parts of the plant, daily production goes on unimpeded, Honda said.

Union representation

None of Honda’s workers at its permanent operations in Ohio are represented by unions, although Honda does have a project labor agreement with trade unions for its construction projects. As of early October, the automaker had 16 contracting firms working in or around the East Liberty plant, with construction workers there putting in about 20,000 hours a month.

Asked about the absence of labor unions for assembly workers, Lietzke said each automaker has its culture. He identified Honda’s philosophy this way: “You really want to utilize the skills of every associate.”

Lietzke said he could not recall a widespread campaign for union representation in Ohio for about a decade.

“Associates are free to vote for a union or whatever, but we haven’t had any activity,” he said.

David Cole, chairman emeritus for the Center of Automotive Research in Ann Arbor, Mich., said workers and Honda view themselves “more as partners.”

“The real barrier to the union (representation) is not so much the (Honda) management, but the workers,” Cole said.

The “domestic three” automakers are competitive now on their costs compared to Japanese automakers, Cole said. He’s not sure union representation is a big factor either for or against U.S. automakers these days.

A spokeswoman for the United Auto Workers did not return calls seeking comment.

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