



VW Expanding its Chattanooga Plant Again, Investing a Billion Dollars and Creating Jobs

Following the [announcement](#) that Volkswagen America was going to be expanding its Chattanooga plant to build electric vehicles (EVs), President Trump was delighted. He tweeted: “Congratulations to Chattanooga and Tennessee on a job well done. A big win.”



It was a big win for the president, who invited the CEOs of VW, BMW, and other foreign car manufacturers to the White House in December to persuade them to invest more in the United States. At the same time VW made its announcement at the Detroit Auto Show on Monday, BMW management announced its own expansion plans of its production facilities in the United States. With VW’s financial commitment of \$800 million for Tennessee and BMW’s financial commitment of \$600 million added to the \$340 million VW announced last March for its Chattanooga facility, those two automakers are investing almost \$2 billion in their U.S. automobile manufacturing plants. Their expansion plans will require more than 2,000 additional workers, adding to the already robust manufacturing resurgence taking place in the United States.

That resurgence has added nearly 500,000 manufacturing jobs in just the last two years, the most in more than 20 years.

Following the announcement by VW’s CEO Herbert Diess, CEO of Volkswagen AG, his American counterpart, Scott Keogh, CEO of Volkswagen Group of America, added, “We could not be prouder to build the future of mobility here in the United States. We’re known as ‘the peoples’ car’ for a reason, and we plan to build EVs for millions, not millionaires.”

What Keogh didn’t say was that this billion-dollar investment in Tennessee is only a part — a very small part — of VW’s global investment plans. The company has committed \$50 billion over the next four years to building or expanding manufacturing facilities in three German cities — Zwickau, Emden, and Hanover — as well as in China, in Anting and Foshan. The company expects to sell worldwide 150,000 EVs in 2020, and a million by 2025.

His careful use of the words “the future of mobility” reflects at least two dynamics shaping the future of the automobile industry: 1) an increasing percentage of vehicles sold in the future will be electric; and 2) an increasing number of them won’t be owned by individuals but by conglomerates offering autonomous vehicles for short-trip use as the public moves away from private ownership.

Part of this view of the future was noted by Tennessee’s Governor Bill Haslam when he said, “The shift toward electric vehicles is a trend that can be seen worldwide, and Volkswagen’s decision to locate its first North American manufacturing in Chattanooga underscores Tennessee’s manufacturing strength and highly-skilled workforce.”

The move also provides an answer to those who think that the technology behind manufacturing will result in massive job layoffs. On the contrary, as technology continues to reduce the cost of building vehicles that require much less maintenance than traditional internal combustion (IC) automobiles,



Written by [Bob Adelman](#) on January 16, 2019

more rather than fewer employees will be needed to build those vehicles. One tends to forget that behind the 1,000 new jobs expected to be needed once the expansion is completed in Chattanooga are thousands of other “ripple effect” jobs needed to supply the expansion. There are already more than 900 such second-tier suppliers in Tennessee, and that number will do nothing but grow in the years ahead.

There are other motivations behind Volkswagen’s move to expand its facilities in the United States. The European Union’s demand that makers build automobiles that emit fewer emissions makes EVs ever more attractive. And VW’s costly scandal over diesel emissions in 2015 (which cost the company \$31 billion in fines) has turned top management toward EVs.

On cue, the latest data from China proves the point. Not only is China the world’s largest consumer of automobiles (28 million are sold there annually compared to 17 million in the United States), but the only segment (outside of high-end luxury automobiles) to grow there in 2018 was the electric car segment. Auto sales last year were down 2.8 percent from 2017, which included a 4.1-percent drop in passenger car sales, while the sales of electric vehicles soared by 62 percent.

In its official announcement, VW referred to the “electric mobility future,” which captures its vision and expectations. The most popular car in China is made by VW, sales of which declined by two percent last year. VW (along with General Motors), is banking on the continued growth in demand for EVs and the continued shrinkage in demand for IC-powered vehicles.

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