

2014 Midwest Automotive Media Association - Bob Carter

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Thank you, Kirk... and good morning everyone.

It's great to be back here.

I was based in Chicago from 1983 to 1990, working as a Regional Marketing Manager, and every year I worked the Auto Show from open to close.

The year 1985 really stands out for me... so many things happened that year:

- Michael Jordan won the NBA's Rookie of the Year award...
- The Bears finished their amazing season 18-and-1... with a victory in the Super Bowl...
- And they beat the Packers twice that year.

Those are all great memories... but what I remember vividly is the winter of 1985 and how brutal it was. In late January, the mercury dropped to a record low of minus 27 degrees.

Move-in day at the Auto Show was also below zero... and it snowed more than a foot.

To make matters worse... Toyota was the last brand to move in. Toyota didn't have much... "horsepower" back then to influence those decisions.

And we didn't get to unload our vehicles indoors. No... we dropped off down by 31st Street... and we drove them across Lake Shore Drive to the East Building. In a foot of snow.

By the time we got to the East Building... snow and ice were packed tight around our cars' suspensions. So I had to lay under the trucks all day and chip blocks of snow and ice off the suspensions with a screw driver.

And then, during the entire charity preview event, I kept chipping ice and mopping the water off the carpet. I was soaking wet, cold and filthy.

If I'd only been born with the ability to dunk a basketball!

Well... over the years... besides the cold weather, and occasional snow and ice, the Show has not only been memorable to me, it's been especially important to Toyota.

This is where we unveiled our first generation Tundra Crew Cab... our NASCAR Tundra race truck... and last year... our all-new... redesigned 2014 Tundra. And this year?... well, you'll have to wait to find out.

Four years ago... I personally unveiled our beautifully updated Avalon sedan... an "All-American" vehicle... designed, engineered and built right here in the U.S. And, let me tell you ...it's doing great today.

In fact, Toyota's first appearance at the Chicago Auto Show was in 1959. We wedged three vehicles into a 700

square foot display area... including the Toyopet Custom Crown four-door sedan you see here.

So together...this show... our industry... and Toyota's display space... have come a long way in 100 years.

Today... every automaker is contributing new ideas and technologies to meet the needs and desires of our customers... and in the process...ensuring the auto industry has a very bright future.

So this morning... I'd like to share several reasons why we think 2014 will be another great year for automakers...and why tomorrow will be EVEN better.

Let's start with our economic and industry forecast.

The industry has enjoyed four consecutive year-over-year sales increases... driven by pent-up demand for new vehicles as the economy recovered from the recession.

This year... the pace of growth will slow somewhat... but be driven more by broad economic strength rather than pent-up demand.

That's good... because pent-up demand can carry you just so far.

And by many measures... the economy is showing signs of a rebound.

For example... economists predict GDP will grow 2.8% this year... and 3% by 2015.

The unemployment rate is dropping... and could hit about 6.5% as our economy gets rolling again.

And, with a big boost in GDP... and more Americans back to work...household wealth should continue rising.

In fact...U.S. household net worth climbed 2.6% in the 3rd quarter of 2013... the highest increase on record... due mostly to rising stock prices and a recovery in home values.

At the same time... Congress is acting to provide some needed market assurance.

The recent budget agreement could provide added stability for the next two years... and set the stage for continued economic growth.

So... what does all this good economic news mean for the car business?

Currently... analysts predict 2014 industry sales will range between 16.2-Million and 16.4-Million vehicles.

At Toyota... we're planning for 16-Million units or higher... healthy growth but slower than the past few years.

And there are several reasons why the good times should continue this year.

First, we expect over 400-Thousand more customers than last year will lease or buy a new vehicle.

This continues a trend from 2013 when leases accounted for more than 20% of new-vehicle registrations... the highest annual percentage in 10 years.

Second...historically low auto loan rates.

Thirty years ago... we saw loan rates in the mid-to-high teens... but they've steadily receded to the 3-to-4% rates we see today.

Of course... auto loan rates may tick up again as the Fed eases the stimulus... but we believe they'll stay relatively low and affordable for most Americans.

And...third...strong product momentum from nearly every automaker. Just walk the show and you'll see amazing new vehicles in nearly every segment that will act as a magnet to attract consumers to dealerships.

So, our industry should see a fifth consecutive year of growth...a positive sales run automakers haven't seen since the 1930s.

And Toyota is positioned to grow as well.

This year... we'll introduce 8 new or updated products to go along with full-year sales of some of our core models... including:

- Corolla...
- RAV4...
- Tundra
- and Lexus IS

As a result... we estimate our 2014 sales will increase by about 100-Thousand to about 2.3-Million vehicles.

And leading our charge of new vehicles is the exciting 2015 Lexus RC F sports coupe on display here.

It's a real piece of eye candy... inside and out.

It offers true racecar performance... with a high revving... 450+ horsepower...5-Liter, V8 engine under the skin.

Many of the RC-F's features are inspired by our super car... the LFA... and you can also see a special Nurburgring racing edition LFA in the Lexus area of the show.

My son keeps asking me when he can lease an RC-F... and I keep telling him... "not in my lifetime".

We also shocked some people when we recently unveiled the Toyota FT-1 concept sports car.

Our customers have been asking for a product that would follow in the footsteps of our heritage sports cars like the 2000 GT... Celica... Supra... and... most recently... the Scion FR-S.

Well... the FT-1 certainly fits the bill.

And a lot of people are taking notice...and some are asking me when they can get their hands on one.

And I'm talking about some big names.

Just minutes after the reveal... I received a text from NASCAR driver Kyle Busch... who drives the Number 18 Toyota Camry for Joe Gibbs Racing.

The text said, "Bob! When can I come out and test drive the FT-1!"

So I called him... and said, "Kyle, do you think I've lost my mind? The last time I let you drive one of our new sports cars was the Lexus LFA. A few days later... it was all over the nightly news that you got pulled over on a back road in North Carolina... and they clocked you at over 120 in a 35!"

So Kyle paused for a second... then said, "Yeah, but look at all the publicity you got!"

So... we have a lot of great products that will meet consumers' current needs and desires, but we aren't stopping there...and neither is our industry.

Automakers are developing vehicles to meet the future transportation needs of consumers and society... including cars equipped with advanced fuel economy and environmental technologies.

Every brand is making big gains in fuel economy. In fact, the average adjusted fuel economy of all cars sold hit a new high last year, improving by 1 mile per gallon over 2012... to 24.8 mpg.

I'm particularly proud of the fact that Toyota continues to be the industry's most fuel-efficient full-line automaker according to the most recent NHTSA Final CAFE report.

Taken as a group...automakers have expanded their high-mileage lineups... from a total of 69 vehicles in 2006... to more than 400 in 2013... that's nearly a 500-Percent increase in just 7 years!

That's important... because automakers are gearing up to meet the upcoming CAFE standards.

From 2015 to 2025...CAFE regulations will require automakers to significantly reduce emissions... and increase fuel economy across their fleets.

That won't be easy, but at Toyota... with our fuel-efficient products and lead in hybrid vehicles... we think we are in the pole position on CAFE.

In addition to great fuel economy, consumers tell us they want cars that are friendlier to the environment.

And our industry is responding.

Today, nearly every manufacturer offers some sort of alternative fuel vehicle.

At Toyota and Lexus, we offer 12 hybrids in the U.S., and we've sold more than 2.2-Million hybrids here.

Globally... that number goes up to 6-Million... resulting in an estimated 41-Million-ton reduction in CO2 emissions... the equivalent of taking about 4.8-Million vehicles off the road.

So, we ARE doing our part for the environment... and there is more to come in the future.

For instance, Toyota, Honda and Hyundai are focusing on hydrogen fuel cell vehicles.

When our fuel cell sedan comes to market next year... and is joined by those from other automakers... I truly believe it will fundamentally change how we think about transportation.

Here's why...

Our model will travel over 300 miles on a tank of hydrogen... takes about five minutes to fill... and has ZERO emissions. It emits only harmless water vapor.

And there is good news on building hydrogen re-fueling stations.

Automakers, energy companies and government agencies are coming forward to build the infrastructure required to support consumer acceptance and vehicle sales.

For instance... in California... 9 hydrogen stations are currently in operation. And... the state has approved funding to support construction of about 20 new stations by 2015... 40 by 2016... and as many as 100 by 2024.

Those numbers might sound small, but our research shows the issue of infrastructure is not so much about how many... but rather... location... location... location.

Toyota... and the University of California... collaborated on a model that maps-out a specific distribution of fueling stations.

And we found that... in California... where we will initially market our sedan... it will take only about 68 stations to regularly re-fuel about 10-Thousand hydrogen fuel cell vehicles.

Another way to look at it... if every vehicle in California ran on hydrogen, we could meet refueling logistics with only 15 percent of the nearly 10-Thousand gasoline stations currently operating in the state.

So, we'll continue to work with our fellow stakeholders... other automakers and government agencies to advance the development of hydrogen stations.

But there's more to the industry than meeting our customers' demands for stylish, fun-to-drive, fuel-efficient and environmentally-friendly vehicles.

One of the most exciting things about the auto business is the work we do to enrich the lives of people and communities across this nation.

For example, the auto industry is a major engine that drives the U.S. economy and supports American families....think about it...

- 8-Million Americans and their families rely on the auto industry for their livelihoods.
- In Illinois, the industry employs 460-Thousand people... more than double the population of Aurora, the state's second largest city.

In addition, the auto industry pumps more than 735-Billion Dollars into the U.S. economy annually through employment...tax revenue...and manufacturing operations.

At Toyota, we're proud that 70% of the vehicles we sell in the U.S. are assembled here in our 14 North

American plants...providing 37-Thousand jobs to support local communities.

In the past two years alone... we've invested 2-Billion Dollars in North American plant expansions... creating more than 4-Thousand new jobs in North America.

Our North American plants are not only building cars for U.S. consumers, they're building cars for export overseas.

In fact, I'm excited to announce today that...in 2013....Toyota exported a record 130,000 U.S.-built vehicles... to 32 countries around the world.

We think the sound of "Toyota Imported from the U.S." has a nice ring to it... so we'll continue expanding our exports this year.

So...as an industry...we're doing a great job and seeing some good success.

But today's consumers want more than great products... they also want to do business with companies that give back to their communities.

Once again... automakers are stepping up in this area.

Just last month, the General Motors Foundation announced a 1-Million Dollar grant to the Smithsonian's National Museum of African-American History and Culture.

This grant will help the Smithsonian tell the story of African-Americans' diverse contributions to our country... and preserve this rich history for future generations.

And since 1991, Toyota has contributed over half a billion dollars to charitable programs in the U.S. And let's not forget our outstanding dealer partners, who are some of the biggest contributors to charities in their communities.

I know of two great examples right here in the Chicago area.

One is the Turning Pointe Autism Foundation... founded by Randy and Kim Wolf of Lexus of Naperville... along with Randy's father, Dan Wolf, Sr., and his brother, Dan Wolf, Jr., of Toyota of Naperville.

This foundation provides education programs, career preparation and specialized communication training to families and individuals living and learning with Autism.

Another example is Restoration Ministries...founded by Ronnie Colosimo, Dealer Principal at Oak Lawn Toyota...to help individuals who struggle with addictions. Services include free residential treatment along with after-school and performing arts education programs... and much more.

So when you add it all up...this is a GREAT time to be in the auto business.

The auto industry is poised to take advantage of the improving economy and achieve another year of sales growth.

But to ensure long-term success, automakers, our dealer partners, policymakers and regulators must work

together to meet the future needs of our customers and society.

We need everyone... to help us tell our stories about:

- Our exciting and dynamic industry...
- Our stylish, fun-to-drive cars...
- Our new technologies that meet tomorrow's transportation needs...
- And our many efforts to enrich the communities where we live and work.

By working together, the industry WILL continue to thrive and enjoy a bright future.

Thank you... and I wish you all the best for a successful 2014.

One last thing...

Please join me at 9:30 at the Toyota "Off-Road Ride and Drive" space near the Scion exhibit for a special announcement.

Then... come on down to the Toyota exhibit at 2 o'clock to join me, Lesa France Kennedy and Joie Chitwood of International Speedway Corporation for an exciting motorsports announcement.

See you there everybody!

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