

2012 Automotive News World Congress - Bob Carter

January 10, 2012

Automotive News World Congress

**Detroit, Mich.
Jan. 10, 2012**

Bob Carter, Group Vice President and Toyota Division General Manager, Toyota Motor Sales U.S.A, Inc.

Thanks, Keith...and good afternoon everyone.

You know, I'm a sales guy, so I'm optimistic by nature...but this year...I'm "OVER-THE-MOON OPTIMISTIC" about the auto industry AND Toyota.

Here's why.

The country finally seems to be pulling out of its economic slump...the auto market is humming...and there's a long list of reasons why sales should be hot this year and the next...and the next.

And as good as the 2012 outlook is for the industry, the story is even better for Toyota.

With the improving car market...increased local design, production and customer focus...along with a barrage of 19 new or updated Toyota, Scion and Lexus products... we expect 2012 to be a banner year for Toyota.

Yes, you heard right. We're going to introduce one new or updated car every 19 days on average this year!

That's unprecedented in Toyota's history.

So to set the stage for a very promising 2012, I want to talk about three key things today...the improving car market which is positive for everyone ...how an increased focus on customers can improve business...and some exciting new products we plan to launch this year.

Let's start with the improving economy and car market.

It's been a rocky few years...but the U.S. economy has proved quite resilient. And while the recovery still faces domestic and overseas risks, our economists see modest growth for the U.S. economy.

For the car market, we see a long list of fundamentals that will further support healthy vehicle sales.

First...the U.S. has the world's fastest-growing population of any industrialized nation and is the third most-populous country on the planet...trailing only China and India. So we'll have plenty of new customers.

Second...the average age of vehicles on the road is the highest it's been in a decade. In fact, most of the cars operating today were purchased back when Bush was president ...the FIRST Bush! So, lots of Americans need to replace their cars soon.

Third...Used car prices are among the highest they've ever been, providing an advantage to new cars that cost only a few more dollars.

Fourth...credit to purchase new cars is again available to most consumers today. And the Fed is committed to low interest rates for the foreseeable future.

Fifth...auto affordability is better on average this decade than it was in the '80s and '90s. And I like to point out that our 2012 Camry has the lowest-inflation-adjusted MSRP in its HISTORY, according to Edmund's-dot-com.

Sixth...more people are intending to buy a new vehicle than in recent memory. As of November, 46%...nearly half of U.S. households said they intended to buy a new vehicle.

And...seventh...a new crop of cars with better styling, handling, safety and technology is hitting the market, drawing people back into showrooms. If you saw the Detroit Show down the street...you know what I'm talking about.

As a result, we forecast healthy annual auto industry sales of 13.6 million units this year...up around 6%...or nearly another million vehicles...on top of last year's one-million-plus. And auto analysts are projecting the industry will grow by another million units or so NEXT year.

All this is positive news for us...AND for the U.S. economy because the auto industry is the largest manufacturing sector in the nation.

In fact, the auto industry is responsible for 8 million American jobs... and the industry expects to add 150,000 new jobs over the next 4 years, according to the Center for Automotive Research.

As auto sales improve and jobs expand, our industry will act as a POWERFUL engine that tugs the U.S. economy forward during the next few years.

And if you still need convincing, take note of this. The auto industry's current 500-billion-dollar payroll ranks only below only the Defense Department and Social Security.

So we make one heck of a positive impact on this country and...collectively...we'll lead America to better days ahead.

We also see a marvelous year ahead for Toyota because we are ideally positioned to take full advantage of the recovery.

It all starts with leadership in safety.

Four of our current vehicles have earned the stringent 5-star overall safety rating from NHTSA...and 15 have been rated "top safety picks" by IIHS...the MOST "top picks" in the industry.

What's more, we're taking safety well beyond our vehicles.

The Collaborative Safety Research Center we established in 2011 to help reduce traffic injuries and fatalities is up and running in Michigan. It's already won an award from the Brain Trauma Foundation and is involved in 17 research projects with universities, government agencies and hospitals.

Another huge advantage for Toyota is that our vehicles hold their value better than any others. In fact, Kelley Blue Book recently named Toyota and Lexus the top two brands in resale value for 2012.

And we also have strong sales momentum as we enter the new year. Company-wide sales were up in November...and December was our best volume month of 2011. Plus, our greatly improved inventories mean our dealers now have plenty of vehicles and choices to offer consumers.

In addition, our share of 6-month purchase intentions ...those people saying they plan to buy a Toyota, Scion or Lexus product in the next 6 months...has been rising and is now 17%...3 points higher than March 2010.

And TMS "intended brand loyalty" has been consistently growing and now stands at nearly 58% among those planning to buy a car within a year...that's up 14 points over the past 20 months.

With all those green lights, we plan to be VERY aggressive with our marketing this year.

On the Toyota side, we will use our leadership in safety, resale value, fuel economy and complimentary maintenance to position the brand as the "smart, safe, worry-free" choice. You will see some of that during the Super Bowl, but a lot more is coming.

For our luxury brand, we will stress the fact that Lexus won the "triple crown" of service. Lexus came in first for the entire industry in J.D. Power's Sales Satisfaction, Service Satisfaction AND Initial Quality surveys. And with all the great products we'll launch this year, Lexus could just be the fastest-growing luxury brand in 2012.

As a result of all these advantages... and launching one new or updated car every 19 days...we're optimistic that TMS will sell around 1.9 million cars and trucks and outpace the growth of the industry this year.

So it's going to be a great year for both the auto industry AND for Toyota.

The second key area I want to address is how an increased focus on customers can significantly improve your business.

During the past few years, Toyota has taken huge steps to get closer to our customers so we can better know and respond to their needs. And I'm happy to report that it has SIGNIFICANTLY helped improve our quality and our results.

One way we're getting closer is by increasing our already sizeable footprint.

We've been building cars in America for more than a QUARTER century. And today, 7 out of every 10 vehicles we sell here are made IN North America.

Currently, Toyota has facilities throughout the United States to design...engineer... build...sell...and service vehicles, including:

- 10 vehicle and parts manufacturing plants in 9 states...
- a technical and engineering center in Michigan with 1,000 engineers...
- 2 design studios...
- and a proving ground-test track in Arizona

Today...Toyota directly employs more than 30-Thousand Americans...that's more than Google...Corning...or Texas Instruments.

And our U.S. dealers and 500 suppliers employ more than 170-thousand Americans.

According to the Center for Automotive Research... every direct job created by Toyota, its dealers and suppliers... creates many additional “spin-off” jobs.

As a result, Toyota is actually responsible for over 365-THOUSAND American jobs... equivalent to the population of St. Louis!

In addition to jobs, Toyota’s total U.S. investment stands at 18-BILLION Dollars.

We now build nine vehicles here. And because we use hundreds of U.S. suppliers, we offer THREE of the top 10 “Most American Cars” on the road today according to cars-dot-com...with Camry rated No. 1.

Even better, we’re EXPANDING here. In November...we opened our 10th U.S. plant in Mississippi... adding 1,000 jobs last fall...and then another 1,000 this year as the facility reaches full speed.

In the future, we plan to design, engineer and build even MORE vehicles here.

In fact, you’ll see an outstanding example of a locally developed new product later this year. I can’t say much about it other than its name has a letter “A” or two in it.

And there could be even more local production and American jobs down the road as we expand North America into an “export hub” for global Toyota.

In 2010, we exported 100,000 vehicles “made in America” to 18 countries...and recently started exporting local Camry and Sienna vehicles to South Korea.

Along with our heavy business investments...we are committed to reaching out to help improve the quality of lives in the communities we serve.

In fact, Toyota has contributed more than half a billion dollars to U.S. charities over the past 20 years...and our employees provide over 100-THOUSAND hours of volunteer service each year to worthwhile causes.

And we teamed with our Toyota and Lexus dealers during 2011 to raise more than 10 million dollars for local charities through our dealer match program. Our dealers decided where best to contribute in their local communities and we matched their funds to further leverage their good work.

Now along with improving the communities we serve, we’re working closely with our dealers to improve the customer experience at Toyota dealerships nationwide.

Our dealers are so confident in the future, they’ve invested \$7 billion dollars of their own money to upgrade, expand and improve their dealerships during the past 8 years. And they plan to spend another billion on improvements this year alone.

The goal of all these efforts is to provide the best customer experience in the business.

The best news is that our closer relationship with customers is already paying rich dividends in our quality and our results.

Take for example, our all-new 2012 Camry. Traditionally, quality goes up over a model’s lifecycle and then goes down when a new-generation model launches. Based on early data, the quality of our new 2012 Camry is BETTER than the last 2011 model it replaced. That’s uncommon for us and unheard of in the industry.

In addition, the new Camry is bringing new, younger buyers into our brand .In fact, the sport model is 36% of sales and is bringing in younger buyers with a median age of 45. As a result, the overall Camry buyer median age has dropped from 60 to 52.

Listening and responding to our customers has also helped us increase our service retention, which in turn, leads to long-term sales loyalty because happy service customers are more likely to come back and buy another Toyota.

So, overall our quest to get closer to our customers IS paying off in all the key areas that matter in this business...quality, resale value, service retention, loyalty and attracting new and younger customers.

The third area I want to touch on is products...the lifeblood of our industry.

I mentioned earlier that we will introduce a new or updated car every 19 days this year...and their looks are as exciting as the volume.

I'm talking about something for everyone...sports cars...compacts...SUVs ...luxury sedans...hybrids...and electric vehicles.

We've always made a quality car with high value...but these new products will also be stylish and fun-to-drive.

And I credit that to our dynamic, young global president...Akio Toyoda...who is a certified professional test driver who personally gets behind the wheel of 200 vehicles each year to make sure our products are the best they can be.

Let's just say that his "influence" has produced some fantastic new products for us to introduce this year and beyond.

For instance, this spring, we will introduce our first sports car in many years... the Scion FR-S.

The FR-S, which stands for front-engine...rear-wheel-drive...sport, is an authentic, low-slung sports car with exceptionally balanced performance and handling...compelling style...flexible utility...and surprising MPG.

The four-cylinder engine is a joint venture that combines Subaru's newly developed "boxer" engine and Toyota's direct and port injection system and a six-speed manual or automatic transmission. As a result, the FR-S will generate 200 horsepower and be very quick and maneuverable.

This year, Lexus will bring its own brand of excitement, starting with the introduction of the all-new GS 350 next month.

The GS is not only a fantastic new car...it's also the new face of Lexus ... especially with its new spindle grille.

But it has more than just great styling. The steering is precise ... the suspension is nimble ...it's packed with advanced electronics ...and it has great fuel economy.

And we gave it an all-new dash layout, making controls easy to see...and the world's first 12.3-inch display that lets you view and control a variety of features on its split-wide-screen.

The best example of the new, bolder Lexus styling is the LF-LC concept coupe we unveiled yesterday

Take a look....

Now... THAT'S a great-looking coupe!

And the interior is as high-tech and high-touch as you can get.

It's literally like stepping into the future when you ease into this amazing coupe.

There's no announcement about building it, but I'M hoping this is on Santa's list in the near future.

Another exciting aspect of our new products this year is that nearly half will be hybrids or electric vehicles. During the first quarter, we'll roll out two new members of the growing Prius family...the Prius Plug-In and the Prius c.

The Prius Plug-in combines the benefits of the standard Prius model's with extended electric vehicle (EV) driving and more affordable pricing than pure electric or range-extender type vehicles.

The Prius Plug-in offers seating for five and is expected to achieve an estimated 87 MPGe (miles per gallon equivalent) in combined driving and 49 MPG in hybrid mode.

For the Prius c...we're positioning it as an entry into the Prius Family that will appeal to younger buyers who want fuel efficiency, technology, and sportier driving dynamics that offer a more fun-to-drive experience. And it's expected to have industry-leading fuel economy better than 53 mpg in the city, which is the highest of any non-plug-in vehicle.

Our hybrid parade continues this spring when we launch the spectacular new Lexus GS 450h hybrid. Imagine...if you will...a great-looking sports sedan with full Lexus luxury and the power and speed of a V8...yet better MPG than many compacts.

Then, later this year we'll introduce a hybrid that has more room than a BMW X5...is faster than a VW TDi...has higher MPG than a Fiat 500...and lavish features rarely found in near-luxury vehicles....yet comes with the price and value of a Toyota.

I can't provide any details today...but it's coming and it WILL make waves.

We'll also bring two...zero-emission... battery electric vehicles to the U.S. market this year.

The first is a second-generation RAV4 Electric Vehicle... powered by Tesla...maker of popular all-electric roadster.

The RAV4-EV will offer the space, utility and advantages of an SUV...AND...one of the best electric-vehicle driving ranges on the road today. We're talking about a "real-world" range of 100 miles. It will debut first in major California metro areas and should qualify for single-occupant access to car pool lanes.

We will also launch the commuter Scion iQ Electric Vehicle aimed at short-range urban car-sharing programs.

And we're still planning to market an emission-free hydrogen fuel cell sedan in 2015.

So we have a wide variety of high-mileage, low-emission vehicles in our portfolio so whatever the market takes us, we will be ready to meet customer needs.

Our new environmentally advanced cars will also help us improve on our already industry-leading fuel economy among full-line automakers...an important feature consumers seek when gas prices soar.

Well, we covered a lot...so let me sum up.

The auto industry will grow by another million units this year, providing a critical boost for our economy that's already recovering modestly.

That's great news for all of us in this room and for Americans everywhere.

And by all means, keep your eyes on Toyota, Scion and Lexus this year.

We're already on the move with ALL of our brands.

Think about it, within the span of LESS than 24 hours yesterday and today, we:

- unveiled the first-ever Scion FR-S race car...
- introduced the new Prius c to complete our Prius family of hybrids...
- revealed the NS4 concept...a plug-in hybrid that foreshadows Toyota's future in design, safety and connectivity...
- and took the wraps off a gorgeous Lexus concept coupe that sets the tone for our future luxury styling..

So as we start this fresh new year and prepare for the work ahead, make sure to take some time to feel good about what YOU are doing and the incredible industry you represent.

Be proud that...individually...and collectively...we WILL make a positive impact on America.

And then work your tail off to beat the heck out of the competition.

Because the more we compete with each other and bring out our best...the better the results...for ourselves...for our families...and for our country.

Thanks everyone...and have a great year!!

###