

2009 Center for Automotive Research (CAR) Management Briefing Seminar - Akio Toyoda

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*As prepared for:
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“Reinventing the Automobile”

Good morning! ...and thank you Dave...

It is great to be back in America...and Michigan!

I have a strong affection for the United States. I spent seven years here in school and at workso it feels like home to me.

And what I miss most about this country is the tremendous energy I have always felt here...energy that drives creativity, powers initiative and produces an unsinkable can-do attitude.

I admire that very much in Americans.

I first came to America in 1980 to attend graduate school, and I stayed in America to work in consulting.

After that, I went back to Japan and raised the idea of working at Toyota with my father.

Let me tell you, he was less than enthusiastic...

He told me that nobody wanted to be my boss. I would have to officially apply for the job...take a test...and start at the bottom.

I think that is what you call “tough love” in the U.S.

I passed the test and started as a junior manager.

After various jobs in accounting, finance and production research, I came back to America to work at NUMMI, a joint Toyota-General Motors plant in Northern California.

It was a great opportunity for us to test production in America and for General Motors to learn more about the Toyota Production System.

I learned a lot about the factory operations...a lot about America...and how the car business worked in the most successful market on earth.

That experience was priceless. I am forever grateful to the fine people in the U.S. for showing me the ropes and sharing their expertise.

As to the status of NUMMI today, GM's decision to withdraw from the joint venture has created some extremely difficult issues for us to resolve. We are still studying the situation and hope to make a decision soon.

After two great years in America, I moved back to Japan and worked in nearly all areas of our business.

As I moved along and moved up, I was lucky to be able to receive advice from many experienced people at Toyota. There is no doubt that my name helped my career. But I also worked very hard to overcome perceptions as well as the difficulties I faced.

So...like many of you...I have had my ups and downs in this business. And, like you, I believe those difficult experiences have prepared us to tackle some of the most profound changes ever seen in the auto industry.

And that's what I want to talk about today...where Toyota is headed...my belief in the U.S. market...and the challenges we must overcome as an industry.

Let's begin with the new direction I am setting for Toyota.

It starts with the vision created by my grandfather, Kiichiro Toyoda, who founded the company in 1937. He wanted Toyota "to contribute to society through manufacturing cars."

That vision is important because it calls upon Toyota people to aspire to a higher cause than just building cars and making money.

Kiichiro wanted Toyota to create great cars in such a way that it contributes to the betterment of society and future generations.

We have tried to stay true to that vision, but the severe drop in the economy and auto market has created some of the most challenging times Toyota has ever faced.

So my first objective as new president is to put Toyota back on the right track so we can fully contribute to every region around the world, including the U.S.

To do that, I aim to take us back to what made Toyota successful for many years... making high-quality products at an affordable price.

Quality is Toyota's lifeline. Quality must be built in by each employee at each stage of our operations...from developing and designing our cars to delivering them to customers.

In doing so, we must follow two important principles.

One is genchi genbutsu...which means “to go and see” the front lines of our business...gather the facts...and make better decisions. The second is Customer First...which puts the customer at the center of everything we do.

I believe that if we work hard with our suppliers and dealers to do these things well, we will create cars that satisfy our customers and success will follow.

Beyond that, I want to see Toyota build cars that are fun and exciting to drive.

I am what you would call in America...a car nut. I am passionate about driving and I race as well.

I race for three reasons. First, because racing helps us develop cars. Second...because the feel of a great car on an open road is one of the best in the world and I want to share that feeling with our customers. And third, because racing under extreme conditions helps develop Toyota people.

You see...in a race...you have limited time and resources to work through countless challenges and problems that come at you. So you have to develop concentration and skills to overcome them. That’s why I like to say that “racing helps develop people as well as cars.”

So, I have worked hard over the years to qualify to race professionally. I recently took a turn behind the wheel of the Lexus LF-A supercar during a 24-hour endurance competition in Germany on one of the world’s toughest tracks. It was a great test for me and a good way to improve an exceptional car that we will soon bring to market.

Now it may be hard to tell that it is me in the helmet, but here is a brief video from the race.

[Roll 30-second Nurburgring footage]

I am happy to report that the No. 14 car I was helping drive came in fourth in its class.

My hope is that I can transfer some enthusiasm from the race track to our vehicles and make driving fun for our customers around the world.

And to that point, I am happy to announce this morning that Toyota plans to build an exciting...fun-to-drive...affordable sports car and launch it within the next few years.

I am very excited about it...and I plan to fast-track it.

Along with my hope for getting Toyota back on track, I believe the U.S. market will not only recover, but come back stronger than ever.

You know, America is vitally important to Toyota because we have been able to learn, grow and prosper along with this country.

When we first started out in business, our leaders visited Detroit automakers and discovered a lot of great techniques on how to manufacture automobiles. In fact, much of what we learned in those early days became the seeds of our Toyota Production System.

Two years ago, we celebrated our 50th anniversary in America and we are nearing our 25th anniversary of manufacturing here. In fact, just six days ago, we built our 20 millionth vehicle here in North America.

These are great milestones and we are extremely proud of our contributions and citizenship here.

Today, Toyota directly employs more than 35,000 Americans...and according to our host, the Center for Automotive Research, when you add dealer, supplier and “spin off” jobs...we contribute to over 380-thousand American jobs. That’s equal to a city the size of Miami.

I’m also proud that Toyota has made significant contributions to American business and culture by:

§ providing high fuel economy engines and hybrid technologies that reduce greenhouse gases...

§ sharing lean manufacturing processes through our Toyota Supplier Support Center

§ and funding community education and enrichment programs.

The point is...we care about America...we invest in America...and we believe in America.

That’s why we operate 14 manufacturing plants in North America, a design studio and an R &D center in Michigan we recently expanded to accommodate 1,000 engineers.

It all goes back to our company vision to contribute to society through manufacturing cars.

We are most grateful to have been a part of this country for more than half a century and proud to have made contributions to its success.

And we are confident that the U.S. auto market will recover.

In fact, with 250 million vehicles on the road and the best population growth in the developed world, the United States will serve as a major engine of growth for automakers for many years to come.

Market Outlook, a research firm, says that, during the next seven years, the U.S. population will grow by nearly 21 million people and the driving population will expand by another 17 million.

All I can say to all that is...”God Bless America!”

With these positive trends and our efforts to work more closely with our suppliers and dealers, I’m confident our industry will overcome the current crisis and move forward to a brighter future.

Believing as we do that the market will come back, it’s important that we begin to focus on some big challenges we face as an industry.

In fact, this current shift in the market goes far beyond the economic slowdown.

I see an auto industry set to make its biggest transformation in 100 years.

And there are interesting parallels between today and the early days of our industry.

Back then, there was a variety of cars with different energy sources, including gasoline, steam and electricity. Mr. Henry Ford's affordable Model T, together with large volumes of cheap oil, emerged as the winner and replaced the horse as transportation.

The industrial revolution further improved workers means so they could buy cars. And their enthusiasm drove the auto industry's amazing growth for more than a century.

Now, conditions that supported the prosperity of the auto industry have started to crumble.

We are fast approaching "peak oil" when the demand for oil exceeds supply. And today, oil continues to be sourced in places that are geographically remote and environmentally sensitive. In addition, our customers are more and more concerned about environmental issues like global warming, air pollution and recycling.

So...today...we are at a new once-in-a-century crossroads.

Our primary aim is to find ways to use oil better and develop vehicles that are less dependent on it. And, we must do it in a way that is affordable to today's customers.

In other words, we are back where we began 100 years ago...at a point where we must reinvent the automobile.

It will take all of us...automakers...suppliers...government...universities... energy companies...and other businesses...working together to accomplish it. And we can do it.

I have started the ball rolling at Toyota by asking our associates around the world to develop answers for the next 100 years.

We intend to pursue those answers with a passion...and efforts are already under way.

Twelve years ago, we developed the first 21st century car...the hybrid Prius. So far, we have sold 2 million hybrid vehicles around the world ...and more are coming.

Late this year, we will launch a plug-in hybrid for fleet customers...followed by a pure electric vehicle in 2012.

We're also making great progress on hydrogen fuel cell vehicles and hope to make this technology available and affordable for customers within the next half dozen years.

As to alternative fuels, we have extensive research projects under way...in house...and with outside partners...and will not rest until we find a suitable substitute for oil.

We are proceeding on all these fronts because there is no ONE solution for future needs, but the need for many. Because energy solutions that work for Traverse City may not be the best for Shanghai, or Sydney, or Sao Paulo.

And it is here that industry suppliers and other partners are absolutely vital to our success.

Even the largest automakers cannot find these solutions alone. We must depend on help from our suppliers, dealers, business partners and alliances to provide fresh ideas and innovative solutions.

Today, Toyota relies on a network of 500 suppliers in North America and thousands of other logistics, service and equipment providers. And we are supported by more than 15-hundred Toyota, Scion and Lexus dealers in the U.S.

Many of our suppliers and dealers are here today, and I want to thank you for your support and dedication.

So, what do we need to turn this industry around?

Fresh thinking...new approaches...taking another look at customer's needs...and delivering just what the customer wants and society needs.

All of us in this room might think we are driving change in our companies and in our industry. But we are not.

It is the customer who is driving change.

And if we want to make something happen, we'd better listen and learn the customer's habits.

If we watch and listen carefully, someplace in the process we will discover a need so big that it calls for a true breakthrough idea. Something bigger than just worrying about how many cup-holders our competitor has in their new model.

Once, the computer world was ruled by hardware companies. Then came the age of software. Now, the dominant force is web service companies that respond to the latest customer trends.

As an industry, we must change and evolve so we stay relevant to our customers. We cannot permit the future to slip away from us.

Now is the time for us to the moment...to be leaders...and to work together for the good of our customers and for the good of society.

By listening to our customers and working together...

WE CAN better meet customer needs...

WE CAN reinvent the automobile....

And WE WILL create a dynamic auto industry for the next century.

Thank you...

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