

2014 Automotive News World Congress- Bob Carter

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Thanks, Keith and good afternoon everyone.

You know, I've been in the car business for more than 30 years, but I'm more excited about it now than EVER before

Why?

Because for the first time in Toyota's history, we did something here we've NEVER done before.

We shocked people by unveiling two great looking, fun-to-drive cars that blow a hole in the theory that Toyota only builds "appliances".

Just yesterday, we unveiled Toyota's newest concept, the FT-1 sports car. I'm already getting people asking me when they can get their hands on one.

The FT-1 represents the latest in our heritage of sports cars like the 2000GT, Celica, Supra and most recently, the FR-S.

Then, this morning, the all-new RC-F coupe from Lexus made its world debut.

It offers true racecar performance with a high revving 450+ horsepower, 5-Liter V8. In fact, it's the fastest V8 from Lexus EVER.

I know we have a hit on our hands because my 22 year-old son keeps asking me when he can lease one, and I keep telling him, "not in my lifetime!"

The Lexus RC-F and Toyota FT-1 are tangible evidence of our commitment to create products that are not only safe, dependable and reliable—our stock in trade—but are also BEAUTIFULLY styled and FUN to drive.

It's an unwavering commitment our Global President Akio Toyoda made five years ago that's paying off today in the products we're now bringing to market.

And believe me, the "boss", Akio, drives EVERY product to make sure they're right for our customers.

Along with great looking cars, Toyota and pretty much every automaker agrees, 2014 will be even better than last year.

Our industry is on a roll folks.

Now, those of you who know me probably aren't surprised that I'm bullish on our business.

But my sense of optimism isn't purely emotional, it's also fueled by facts. Three facts, in particular:

We already talked about one: Consumers are demanding great looking cars that are fun-to-drive and reliable.

Here's fact two: Customer demographics are undergoing a fundamental sea change, and Toyota is ready to navigate the new waters.

And, fact three: The demand for environmental sustainability is achieving critical mass, and Toyota is ready on that front, too.

Let's start with demographics.

We're in the midst of a fundamental shift. The evidence is everywhere.

Consider these two pie charts, compliments of the U.S. Census Bureau.

In 2012, 64 percent of the U.S. population was white, with the balance—36 percent—split among Hispanic, African Americans and Asian Americans.

Fast-forward 30 years to 2050 and the pie will look like this.

Today's minorities will comprise tomorrow's majority.

And the biggest jump will be among Hispanics, from 16.5 percent in 2012 to 30.2 percent in 2050.

Now, if you're thinking, "These are just forecasts. There's no guarantee that's how it's going to play out," think again.

More than half of the babies born in America *today* are non-white. And 40 percent of the 18-to-24-year-olds *today* are multicultural.

The wheels are already in motion.

Trends in pop culture reflect these shifts. Think about TV sitcoms.

We've come a long way since the days of "Leave it to Beaver," when all of the characters were white.

Today's model?

It's the wildly popular "Modern Family," that mixes characters of different ethnicities, sexual orientation, and age.

It checks *all* of the boxes.

The shift is also reflected in the foods we eat.

This chart shows the growth of avocado sales since 1989. Holy guacamole!

Maybe we've been in the wrong business all this time.

Even our vocabulary is changing.

More than 30 percent of the new words added to the Oxford English Dictionary between 2000 and 2010 had multicultural roots.

Clearly, the ethnicity of the customer base is changing.

These customers will have different needs for vehicles. They'll have different expectations about the purchase experience.

Such change might strike fear into the heart of some companies. But those of us at Toyota say, "Bring it on!"

I'm proud to say that we're already the most popular automotive brand among Hispanic Americans, Asian Americans and African Americans.

And on the retail front, ownership of our dealerships by ethnically diverse individuals has increased 54 percent since 2002.

We're committed to adding 4 to 6 diverse dealers each year, and we met that goal in 2013.

So, increasingly, the face of our dealers will reflect that of our customers.

Even our Marketing department is undergoing a fundamental restructuring, in large part to ensure our resources are properly aligned with these emerging customer realities.

Another key component of this demographic shift is generational, specifically the transition from the Baby Boomers to the Millennials.

That being said, as a card-carrying member of the Older Folks generation, I can assure you we're not quite ready to hand off the baton. Not just yet.

Consider this: In 1960, the average lifespan was 70. Today it stands at 79. Or, to put it another way, 80 is the new 70!

The median age of the U.S. population is also on the rise. That's good news for Toyota, too.

It means that older customers, who have been our bread and butter, will remain extremely important to us for some time.

After all, right now, the Boomers are much more likely than the Millennials to have the discretionary income to buy cars.

Still, younger buyers are our future. So fine-tuning our interaction with multicultural audiences will help us better meet their needs, too.

But the expectations of today's 20somethings don't turn solely on ethnicity. That's where Scion has been so helpful to us.

As you can see here, Scion's customers are the youngest in the industry. And 64 percent of Scion's customers are new to Toyota.

That suggests they wouldn't have found their way to our dealerships' showrooms if not for Scion.

In short, the market is becoming more diverse, complex and, if you ask me, more fun.

And a new more vibrant and innovative Toyota is rising up to meet it.

Our brand's advertising tagline—"Let's Go Places"—encapsulates this mindset. It sends a clear message to our customers that when it comes moving down the path of life, we're all in this together.

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Now, let's shift gears and talk about that third fact I mentioned at the outset: environmental sustainability. All automakers must respond to long-term needs of our customers, our society, and our environment.

Did you happen to see the headline the other day that said:
"China Vehicle Sales Beat 20 Million as Smog Chokes Cities"?

It really brings home the harsh reality that if we want to continue to grow as an industry, we must find ways so cars will work in harmony with our environment.

At Toyota, we're building on our hybrid leadership and developing pioneer technology to continue being an environmental leader.

In fact, a week ago, at the Consumer Electronics Show in Las Vegas, I unveiled our new hydrogen fuel cell sedan in North America.

We plan to bring a production version of this vehicle to market NEXT year.

Now, I realize there is no shortage of naysayers regarding the viability of this technology and the infrastructure to support it.

Personally, I don't care what Elon, Carlos or Jonathan say about fuel cells. If they want to "plug in and tune out" other technologies, that's fine.

It reminds me of all the head scratching when Toyota made a commitment to hybrid technology back when gasoline was a buck a gallon.

The Prius was dismissed as a PR gimmick and a science experiment.

Well, we've since sold over 2.2 million hybrids in the U.S., and nearly 6 million sales worldwide.

Although hybrids and other alternative powertrain vehicles are still a small part of the overall market, they are growing rapidly and totaled nearly 600,000 units last year

In fact, if you counted gas/electric hybrids...pure electrics...and the trickle of fuel cell vehicles as a segment in 2013, it would be the 7th largest segment out of 21.

Even better, it would have been the second-fastest growing segment in 2013...jumping more than 17% ... better than the hot-selling full-size pickup segment.

That ain't smoke and mirrors, folks.

Ten years from now, I have a hunch our fuel cell vehicle will be viewed in similar terms. We truly believe it has the same potential as the first Prius.

We've been working on this technology since 1992.

Trust me, Toyota would not have continued on this path for this long if it didn't make good business sense.

Fuel cell vehicles offer several advantages.

They drive like electric cars but can be refueled like gasoline cars.

They're safe. In testing, we fired small-caliber bullets at the hydrogen tank and they just bounced off it. It took a 50-caliber armor-piercing bullet to penetrate the shell.

And, even then, it just left a hole and the hydrogen simply leaked out.

This is no Hindenburg.

They're also viable in real-life conditions.

We've battle-tested our fuel cell vehicle in the deep freeze of Yellowknife, Canada, the stifling heat of Death Valley, the high altitude of the Rocky Mountains, even the steep hills of San Francisco.

And fuel cell vehicles will be cost-effective.

With economies of scale, we're confident a fuel cell vehicle's MSRP will eventually be on par with today's plug-in hybrids.

Meanwhile, the main feedstock for producing hydrogen will be natural gas, which is in abundant supply in this country.

We're even exploring alternative hydrogen sources, including methane emitted from trash dumps, landfills, waste-treatment plants, farms, and ranches.

Some experts even believe the cost of hydrogen could eventually fall below that of gasoline.

And since a fuel cell is more efficient to operate than a gasoline engine, it requires less fuel to travel the same distance with zero emissions.

The hydrogen refueling station infrastructure will grow, through public-private initiatives such as the California Fuel Cell Partnership.

The issue of infrastructure is not so much about how many, but rather, location, location, location.

Toyota and the University of California Irvine's *Advanced Power and Energy Program* collaborated on a model that maps-out a specific distribution of hydrogen fueling stations.

And guess what we found?

In California where we'll initially market our sedan, it will only take about 68 station sites to regularly re-fuel about 10,000 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 10,000 gasoline stations currently operating in the state.

So, unlike gas stations, you won't need fuel cell stations on every corner.

Yes there are many challenges ahead. And it will take a lot of collaboration between government regulators, universities, automakers and energy providers. But stay tuned because this *infrastructure thing* is going to happen.

By the way, we're finding there's tremendous interest in hydrogen fuel cell vehicles.

We set up a fuel cell mini site on our toyota.com website, and in just one week, we've already had more than 56,000 site visits.

And they spent an average of about 4 minutes there, an eternity for web reading.

The real beauty of hydrogen fuel cells is that they have a range of 300 miles and can be re-fueled in 3-5 minutes, similar to today's gas cars.

So you don't have to stop every hundred miles or so, and spend 3 to 5 hours recharging like an electric vehicle.

And they only emit water vapor.

Now, that's not to say EVs won't have an important role in the future of transportation. They will. Hey, we have EVs, too.

The fact is, we believe consumers will be able to find BOTH electric outlets AND hydrogen stations without too much trouble in the future.

The bottom line... fuel cells will be in our future sooner than many people believe, and in much greater numbers than anyone expected.

So competitors who dismiss fuel cells out of hand do so at their own peril.

My point is this: No matter how the move to new fuels and technologies plays out, Toyota will be there with vehicle options and I'm confident we'll continue to thrive.

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Well by now, I hope you will agree, our industry is in a great place today.

I have no doubt that we're going to be in an even better place tomorrow no matter what the future has in store for us.

So this is more than just a *great* time to be in the auto business.

It's an INCREDIBLY EXCITING time to be in this industry and we're all lucky to be a part of it.

So together, let's go forth and do some great things in 2014!

Thank you.

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