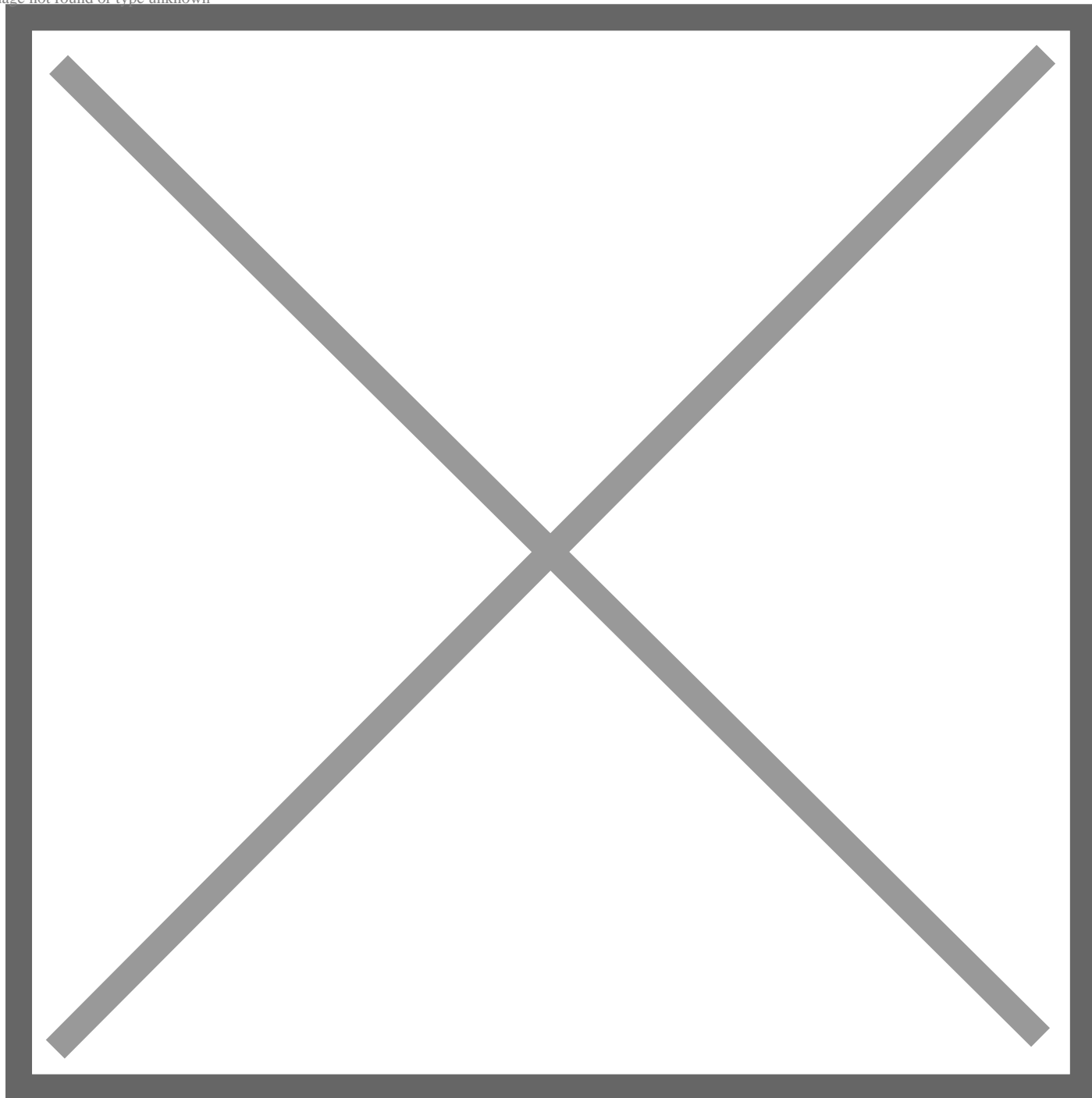


2014 American International Automobile Dealers Association (AIADA) Annual Meeting and Luncheon - Bob Carter

January 27, 2014

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As prepared for:

American International Automobile Dealers Association (AIADA) Annual Meeting and Luncheon

Monday, January 27, 2014

New Orleans, LA

Bob Carter, Senior Vice President, Automotive Operations, Toyota Motor Sales, U.S.A., Inc.

Thank you, Larry... and good afternoon everyone.

First, I would like to congratulate David Wilson for receiving this year's "lifetime achievement award."

At Toyota... we value and respect all of our dealer partners.

But to be honest, the dealers who put us on the map during the 1980's and 1990's are in a special place.

And several of them are in the room today.

David is certainly one of them.

Dave, congratulations on this award!

Since Dave took over the majority stock of Toyota of Orange in California, back in August of 1985, he has sold over 479,000 new Toyota and Lexus vehicles. That's the equivalent of a couple of our plants.

Dave, I want you to know I have our guys tracking this and I'm throwing a celebration for you and your team when you reach the 500,000 mark later this year. Deal?

Again... Congratulations Dave!

By most measures, automakers and dealers are once again enjoying solid success as the economy steadily recovers from the recession.

In fact, thanks to your hard work, 2013 was the industry's best year since 2007. So, to all of you...CONGRATULATIONS!

Now it's time to look at what the road ahead will bring for our customers, automakers, and YOU, AIADA members.

Let's start with the outlook for the economy and automakers.

To be blunt, we haven't been this bullish on the auto business in a lot of years.

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, we believe the auto industry will enter a period where sales are healthy but the pace of growth slows somewhat.

And we believe the growth will 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 to hit 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 we expect, over 400- thousand more customers than last year will lease or buy a new vehicle.

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

Another factor is 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.

So what does this all add up to?

That's easy, it means a fifth consecutive year of sales increases which automakers haven't seen since the 1930s.

So, we predict a bright road in 2014 for the economy and all automakers.

That includes Toyota.

This year, we'll offer 8 new or updated products.

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

But, our growth won't solely rely on JUST new products.

At Toyota, Scion and Lexus, our focus is on listening to our customers so we can build great looking, fun-to-drive cars AND develop new technologies to meet tomorrow's mobility needs.

In terms of stylish, fun-to-drive vehicles we shocked some people a few weeks ago at the Detroit Auto Show when we 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 FR-S.

Well, the FT-1 certainly fits that bill. And ever since Detroit, people have been asking me, “When can I get my 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 email 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... you were all over the nightly news... you got pulled over on a back road in North Carolina... they clocked you at over 120 in a 35!”

So Kyle paused for a second and then said, “Yeah, but look at all the publicity you got!”

Well, publicity or not... people are taking notice of our new products. And we’re not the only international automaker turning heads.

The 2014 Detroit Auto Show featured some of the best-looking products I’ve seen in my 30-plus years in the business.

In addition to outstanding new products, international nameplates are also delivering vehicles that offer the highest standards in the areas most important to customers. Areas like quality...reliability ...safety ...resale value...fuel economy... and environmental leadership.

For instance, when it comes to reliability... international brands are still the industry standards. In 2013, Consumer Reports’ most-reliable brands list ranked Lexus first...Toyota second...Acura third... and Audi fourth.

And international models dominated the 2013 J.D. Power Vehicle Dependability Study... winning 13 of 18 best- in-class awards... including Lexus as the #1 brand for the 2nd year in a row.

For safety, international brands received 32 of the 39 model-year 2014 Top Safety Pick and Safety Pick-plus awards by the Insurance Institute for Highway Safety.

And consistent quality, reliability and safety ratings produce outstanding resale value for our customers.

In fact, 9 of the top 10 Kelley Blue Book’s Resale Value Awards were international nameplates... as well as 17 of 22 category winners.

Now... in this era of high gas prices... customers also want great fuel economy.

Every automaker is making big gains in that department... and according to the NHTSA Final CAFE report... Toyota continues to be the industry’s most fuel-efficient full-line automaker.

In fact, the average adjusted fuel economy of all cars sold in 2013 hit a new high, improving by 1 mile per gallon over 2012 to 24.8 mpg.

Along with good fuel economy, consumers want cars that are more friendly to the environment.

And our industry is responding.

Walking around the Detroit Show...I saw some sort of alternative fuel vehicle for nearly every manufacturer.

I’m proud of the fact that Toyota and Lexus offer 12 hybrids in the U.S., and... in total... we’ve sold more than 2.2-Million hybrids here.

Globally... that number goes up to 6-Million.

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 for the future.

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 mobility.

Here's why...

Our model will travel approximately 300 miles on a tank of hydrogen... takes about five minutes to fill... and has ZERO emissions... it emits only 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 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 10,000 hydrogen fuel cell vehicles.

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

And, we'll continue to strengthen our environmental leadership for the future.

That's important... because it will help us meet the upcoming Corporate Average Fuel Economy...or 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 international nameplates like Toyota ARE leading the way by being the most fuel-efficient today...and carefully preparing for tomorrow.

So... we have a steadily growing economy... strong product momentum... and a consistent focus on building cars that meet our customers' needs today... and society's needs for tomorrow.

And...at Toyota...we're especially bullish on the future because of our OUTSTANDING dealers.

Our philosophy has always been to help our dealers be successful...because we know that if our dealers are successful, WE will be successful.

Our dealers and their teams work hard every day to develop lasting relationships with their customers... and they invest much of their time and resources to improving lives in their communities.

That's not only great for business...it's great for our country.

This is a GREAT business...at a GREAT time...in a GREAT industry.

And working TOGETHER with:

- another year of good sales growth ...
- new fun-to-drive and environmentally-advanced cars for today and tomorrow...
- and dealers who deeply “care” for their customers and their communities...

I’m confident we’ll pave a smooth road and bright future for our customers...our stores...and our industry in 2014 and beyond.

And there’s one more thing... I URGE you to continue working hard this year on behalf of A-I-A-D-A. Your voice is vital to promoting our industry... and advocating our shared interests.

Thanks and let’s work as a TEAM in 2014!

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