

2013 Northwood University International Auto Show - Jim Lentz

September 27, 2013

As prepared for:

***Northwood University International Auto Show
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Midland, Mich.
Jim Lentz, CEO Toyota North America Region***

Thank you and good afternoon everyone.

I'm delighted to be here to help kick off the 50th Anniversary International Auto Show.

In a business as dynamic as the auto industry, a lot of changes occur in fifty years:

- in consumer needs and tastes,
- in products,
- in designs,
- in technologies,
- and yes, in companies.

This year's show rightfully celebrates many of those changes, but also the present, and importantly, the future for this great industry.

From its humble beginnings over 125 years ago to becoming the largest manufacturing sector in the nation, the auto industry has done pretty well for itself.

And in the process, has continuously helped shape America and its future.

That's why, like all of you, I can't wait to take in the displays and enjoy the show.

But first, I want to tell you a little about where Toyota and the industry have been, where we are today and where we're headed for the future.

Over the last 50 years, Toyota built its reputation with products known for industry leading quality, dependability, reliability, and outstanding fuel economy.

That was our trademark and it worked very well for many years.

Customers loved their Toyotas, our dealers prospered and built successful franchises and Toyota succeeded by setting itself apart from competitors on those product virtues alone.

But nobody stands still in this business, and our competitors worked their tails off to not only narrow the gap on QDR, but also to improve fuel efficiency.

Today, unlike fifty years ago, delivering a quality-built, reliable, dependable vehicle with good fuel economy isn't a differentiator ... it's simply the price of entry for any manufacturer in our industry.

That's great news for today's consumers and for the state of our industry, but it challenges Toyota to strive for more so we can continue being a leader in our industry.

I'm happy to say, we're more than up to this challenge.

The economy is on an upward curve, and at Toyota, we've increased our focus on customers and are launching nine new or updated Toyota, Scion, and Lexus products this year.

For the industry, the consensus among analysts is for annual sales to increase by about a million vehicles to 15.5 million, up nearly 7 percent from last year, although it's tracking higher right now.

And, if you listen to the economists at the recent CAR Management Briefing Seminar in Traverse City, the industry will "flirt" with 17 million sales, among the highest in history, as early as 2018.

Most analysts cite:

- good available credit,
- the improving housing market,
- and the aging vehicle fleet...

As key reasons for this sales boom.

And it should only get better as pent-up demand is fully realized.

Currently, the average age of vehicles on the road has increased to 11.4 years, according to R.L. Polk.

That's up from 10.8 years in 2011 and more than two years older than a decade ago.

So as the economy improves, we'll see more replacement demand and that should continue well into the future.

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Business is picking up and Toyota, like other automakers, is responding with a new wave of investments in North America to help us build better cars.

In all, during the past two years, we've invested over Two-Billion Dollars on 11 new North American manufacturing expansions, and created more than 4,000 new jobs.

Currently, Toyota operates 14 plants in North America which produce 70-percent of the vehicles we sell here.

And last October, we celebrated a milestone... building our 25-millionth vehicle in North America.

The expansions will also help us establish Toyota North America as a strong export hub for global Toyota.

Our North American-built exports jumped by 45 percent last year, and while the numbers are still relatively small, we expect our total export units to increase again this year.

Right now, we export U.S.-assembled vehicles to 23 countries around the world, and we plan to pursue more opportunities to expand this side of our North American business.

Today, in total, Toyota directly employs over 37,000 people in North America, and according to the Center for Automotive Research, every direct job created by Toyota, our dealers, and suppliers, creates over 10 'spin-off' jobs.

So by that measure, Toyota is actually responsible for 370,000 North American jobs...equivalent to the population of New Orleans.

And let me tell you, this may be the home of the Detroit Three, but Toyota also has deep roots in Michigan as well, including our Toyota Technical Center...TTC for short...in Ann Arbor which houses four of our American chief engineers and our styling studio, Caltly Design.

For example, the development of our new Tundra pickup that's now arriving in dealerships was the result of our TTC engineers working closely with Caltly Design.

And team members from our San Antonio, Texas plant, where the Tundra is built, came to TTC to be a part of the development as well.

And it's not just Tundra, our Tacoma, Avalon, Sienna, and Venza all have Michigan DNA.

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Okay, now that you know what's going on with Toyota, let's talk about what's in store for the future of the auto industry and why students should consider a career in this growing field.

No other single industry is linked to so much of U.S. manufacturing or generates so much retail business and employment than the auto industry.

In fact, nationwide, 8 Million workers and their families depend on the auto industry and each year, the industry generates \$500 billion in paychecks while generating \$70 billion in tax revenues across the country.

From jobs to sales to exporting vehicles to other countries, the data clearly shows the auto industry is driving America's economic recovery.

And will continue to do so.

One way auto makers will keep driving the economy is by improving products.

As I mentioned earlier, every manufacturer is making advancements in reliability, cleaner, more efficient powertrains, and safer cars so we can meet the needs of our customers and the environment.

In fact, today, consumers can choose from a variety of technologies to improve their fuel economy.

There are 51 hybrids, 14 clean diesels, and 11 electric vehicles on the market.

In just seven years, the number of vehicles that get over 30 miles per gallon have increased by nearly 500 percent.

At Toyota, our goal is to create a variety of vehicles for the future that can run on gas or other fuels, and then let consumers decide what works best for them.

But at the heart of those choices, we strongly believe hybrids will remain a core technology.

That's because our hybrid systems can easily be adapted to other powertrains to further conserve energy.

We currently have twelve Toyota and Lexus hybrid vehicles on the market here in the U.S.

That's helped us sell more than two million hybrid vehicles in this country, 70 percent of the hybrid market, and over five million hybrids worldwide.

So our commitment to hybrids remains strong.

In fact, since the beginning of this year through 2015, Toyota is launching 19 new or redesigned hybrid models globally.

We're also launching our first-ever hydrogen fuel cell hybrid in 2015.

It's all part of our company's global vision to keep building better products that respect the planet and help enrich lives around the world.

And our hybrids are doing JUST that.

All told, Toyota estimates that its global fleet of hybrid vehicles has saved our owners more than Three-Billion gallons of gasoline... that's a lot of money kept in their pockets!

Another way the auto industry is helping meet our customers' needs is through advancements in safety technology.

Right now autonomous cars, vehicles that can pretty much drive on their own, are in the news quite often.

But this isn't a new phenomenon.

I was reading an article about the first autonomous driving which occurred around 10,000 B.C.

Yes, you heard correctly.

It was when the first horse rider got onto a horse's back and rode on it without giving it any direction.

Okay, maybe a little different from what we're talking about, but autonomous technologies have been around for a while. We just haven't thought of them as "autonomous."

There's:

- cruise control,
- anti-lock brakes,
- and stability and traction control.

These driver-assist innovations that give you a warning about potential hazards or control your car's systems for a fraction of time to help avoid hazards continue to grow every year.

These days, many manufacturers offer:

- a pre-collision system,
- lane keeping,
- and automatic parking.

For example, the Lexus LS offers an advanced pre-collision active safety system.

It's designed to assist the driver in avoiding or mitigating collisions with vehicles **and** pedestrians under a wide range of city and highway speeds... day **or night**.

At the Frankfurt Auto Show, Mercedes unveiled a model that accelerates and brakes on its own, although it still needs a human hand to guide the steering.

Other automakers are working on self-driving cars including:

- Audi,
- BMW,
- Ford,
- General Motors,
- Nissan,
- and Volvo.

Some imagine the technology will be able to have cars dropping us off at work then going to park themselves.

The Institute of Electrical and Electronics Engineers have even predicted that, *"This could lead to traffic lights, speed limits and even driver licensing disappearing."*

And you never know, that could become a reality.

But Toyota's view of autonomous technology is that the driver must **always** be engaged, and this technology must be introduced slowly so major legal, regulatory and consumer hurdles can be overcome.

One thing is for sure, the future landscape of the auto industry will change... that, I have no doubt.

And that's what makes it an exciting and challenging industry with a very bright future.

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Well, by now I hope you can see why I am so optimistic about the future of the auto industry, and why our business is positioned for future growth this year and beyond.

The industry can expect a rising tide because of:

- pent-up demand,
- long-term population growth,
- and millennial consumers who are maturing, getting jobs and starting families.

And speaking of the future, I want to say a word to the many of you here today who are considering a career in the automobile industry... and that is, what a SMART choice you are making!

No other industry in the world offers as broad a canvas for you to explore, try new things, test ideas, succeed...and yes, sometimes fail ... but learn from those failures and succeed again.

In fact, I would say opportunities for the next wave of automobile pioneers are absolutely mind-boggling.

More emerging markets are opening up around the world than ever before in our history.

They are ushering in new ways to look at transportation, a broader diversity of products, and rapidly changing consumer dynamics.

The pace of technology today makes the last 50 years look like a minor blip on the big screen of the future.

Today's improbabilities are tomorrow's status quo.

Consumers demand more and more each year, and yes, the industry continually finds ways to exceed their expectations.

That's why this is such an exciting business to be in whether you're:

- engineering,
- designing,
- manufacturing,
- marketing,
- or selling automobiles...

your world is constantly changing and challenging the BEST within you.

It's why I've stayed in this business for 35 years and have no plans to ever leave it.

The auto industry has been going strong for 125 years, and every year our industry makes huge strides in bringing new innovations to market, some of which will be on display at the auto show.

Yes, the auto industry has a very bright future, and if you choose to be a part of this great industry, you can help shape America... now and beyond.

So, to you future pioneers out there ... here's my advice on how to be successful in the auto industry or any other career you choose:

Be persistent.

Be positive.

And above all ... be passionate.

Love what you do.

If you don't ... don't do it.

If you're truly passionate about something; if you'd happily do it for free... then success and money will follow.

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This is the moment, right now, at the very start of your career to dream of what you really want and make a plan to pursue it.

And dream BIG my friends because as Walt Disney said:

"If you can dream it ... you can do it."

What's on display at this year's show is a true testament to those words and to the future of our business.

Thank you, good luck to all of you, and I hope you enjoy the show.