

2009 Commonwealth Club - Jim Lentz

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As Delivered by:

*Jim Lentz
President
Toyota Motor Sales, U.S.A., Inc.
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Cars: Enriching Our Lives, Our Economy and Our Future

Thank you....and good evening everyone.

Let's imagine for a moment that a very strange thing happens tonight.

While we're fast asleep...all the cars on earth completely disappear.

Unaware, you come out in the morning to get in your car and it's gone...there's nothing there...and no sign that it ever existed.

And you're not alone. Your neighbors experience the same thing...and you find out from the news that the same thing has happened to every car and truck...all over the world.

What would you do? ...

How would you get to work? ...

How would you get the kids to school? ...

How would you go grocery shopping... or get rushed to the hospital...?

Suddenly...the American Way of life you enjoy...is completely gone.

And what if there was no quick solution?

Imagine the changes you'd have to make ...the strain it would put on your relationships...your pocketbook...your future plans.....your teenagers trying to get to the mall?...

And you wouldn't be alone.

Society...as we know it...would be challenged *to the max*.

Travel would be *extremely* difficult...commerce strained...and limited options would become a way of life.

In short, our world would be turned upside down.

OK ...let's snap out this imaginary nightmare now...and come back to the present were everything is just fine.

When we're finished here tonight, your reliable car will start...keep you warm...and take you home to your loved ones.

I tell you this story because it vividly illustrates the CRUCIAL role the automobile plays in our lives.

No other product in American life does so much for us. It's the key connection to our lifestyle...and to our world.

And since we can't live without it, we need to figure out a way to live with it...in harmony with our environment and our planet.

And that's what I want to talk about tonight...the vital impact cars make on our lives...the economy...and our future. And what we...as automakers...are doing to make sure they're a benefit...and not a burden...to society.

First...let me just say that I'm honored to speak to the Commonwealth Club of California...the first and biggest...public affairs forum in the United States.

In this world of rushed communication and sound bites, the Commonwealth Club is an oasis of sanity, clarity and understanding. You provide a public service by showing us the value of face-to-face communications.

And, you are a heck of a lot of fun, too.

I mean...where else can you come hear the director of the CIA...or discuss "Freakanomics" ... or learn how to re-invent your body from Deepak Chopra?

And that's just a few of your speakers...last month!

You help to make the Bay Area one of the foremost places for progressive thinking ***in the world***.

I know, because I used to live here. I managed Toyota's regional sales office here from 1995 to 2000...and it was a marvelous experience for me, my wife and our two sons.

Ahhh...life in San Francisco...I remember that finding a downtown parking space...near your destination...could move you to tears...

In addition, I love this area because it is the "Hybrid Car Capital of the World."

And more hybrids are sold here than anywhere else.

In fact, the Bay Area accounts for more than 1 out of every 10 hybrids bought in this country. And, 3 out of the top 10 Prius dealers are based here, including nearby San Francisco Toyota.

So thank you for that!

You're showing the rest of the world that cars can...and are...changing for the better and living more in harmony with the environment.

I began tonight by making the case that cars play a crucial role in our lives everyday...but it goes much deeper than that.

A few years back, a poll found that Americans love their cars so much that they: talk to them... name them... adorn them with trinkets... and involve them in life's most significant events.

In fact, 90% of respondents admitted singing in their cars... more than half said they talk to their cars... and 1 in 4 give their cars nicknames.

And that love affair between people and their cars continues.

Recently, Roper Reports conducted a poll with Americans on what they were willing to give up during the recession.

And guess what?

People said they were less willing to give up the convenience of their cars than their televisions, cell phones, Blackberries or vacations.

Why that kind of reaction?

Well, I think it's because the automobile is one of the most liberating inventions of all time. A car gives us the means and freedom to go *anywhere...any time...for any reason*.

In short, cars enrich our lives.

Or...as the Army says...cars allow you to "Be All that You Can Be".

Cars not only make an enormous impact on our personal lives, they make a HUGE impact on the economy.

America's auto industry is the engine that drives the economy.

No other single industry supports U.S. manufacturing as much or generates more retail sales or employment.

Nearly 4% of the U.S. domestic product is auto related...and auto suppliers operate *in all 50 states* to produce some of the 3,000 parts used in cars today.

And the auto industry is responsible for *1 out of every 10 U.S. jobs*...They're good-paying jobs, with workers receiving \$335 Billion per year in compensation.

Let's put that in perspective.

That's more than the total market value of the world's *most profitable* company...Exxon Mobil.

And that's not all. Automakers and suppliers are among the largest purchasers of steel...aluminum...rubber...textiles...and computer chips in the world.

In fact, with 25 to 70 microchip control units in today's cars, the auto industry rivals the computer industry in the use of computer chips.

In Toyota's case, the breadth of our presence here and our economic impact on the American economy surprises a lot of people.

We are celebrating our 52nd year in the U.S. and now operate 14 manufacturing plants in North America...a design studio in California...a state-of-the-art test track in Arizona ...and an R &D center in Michigan that we recently expanded to accommodate 1,000 engineers.

Today, Toyota's total investment in the United States stands at 18.2 Billion dollars...and we directly employ nearly 34,000 Americans...more than General Mills...Texas Instruments...or Mattel.

And when you add dealer, supplier and "spin off" jobs...the Michigan-based Center for Automotive Research says Toyota contributes more than 380-thousand American jobs...equal to a city the size of Miami.

Let me take a moment here to acknowledge that Toyota's realizes the upcoming closure of the NUMMI auto plant in nearby Fremont is a blow to this area.

We didn't want to stop ordering products from there...we've had a good 25-year relationship with the union...Bay area workers...and local communities.

Unfortunately, when General Motors abruptly pulled out of the joint venture in August, it severely undermined the economic viability of the plant and precipitated this situation.

To their credit, state and Bay Area agencies went out of their way to offer help, but the numbers still didn't add up.

So it was an extremely tough decision...and we've taken some lumps for it.

However, we believe in doing our part.

So although NUMMI is an independent company, Toyota WILL work cooperatively with the plant and local agencies where appropriate and where it can to help NUMMI provide transition support to team members, suppliers and the community.

And while NUMMI may be closing, Toyota remains HEAVILY invested in California, with sales and production facilities up and down the state. In total, Toyota has invested more than \$2.3 billion in the Golden

State...and along with our dealers...we employ 28-thousand people here.

And our contributions to this state and country go way beyond employment numbers.

Our highly regarded Toyota Production System...which we openly share with anyone who asks...has been widely adopted by hospitals, airports and even churches so they can operate more efficiently.

And our sales associates here in America contribute their own money generously to various charities as part of an annual corporate campaign. Results just came in from this year's campaign...and during a very difficult time financially ...our associates, along with company matching donations, raised more than \$2.8 million to help others in need.

And our team members at our manufacturing facilities are also generous. For example, our production employees at our big Kentucky plant typically join with the company to contribute \$1 million per year to the local United Way.

Our employees also volunteer generously of their personal time to help many worthwhile non-profit groups. In fact, we estimate that Toyota associates across the country volunteer more than 116-thousand hours each year to charity.

So...when you add it all up...there are very few industries in this world that pack the economic punch and non-tangible benefits the auto industry does.

And we aren't the *only nation* to recognize that.

Great Britain...Germany...Italy...and Japan...all rose to economic prominence by fostering a strong automotive industry.

That's why Brazil, Russia, India and China...the so-called BRIC countries... are plowing money into their fledgling auto industries.

These nations know that the auto industry is a powerful economic driver that provides mobility for people and commerce AND creates long-term prosperity.

And it's a smart bet.

A recent Booz & Company report notes that when per capita income rises in developing countries, rates of car ownership increase, thus improving personal income and stimulating further economic development.

And Brazil, Russia, India and China may soon have company.

The Booz study says Argentina, Indonesia, Mexico, Thailand and Turkey are also on the verge of much greater car ownership.

So there's lots of opportunity for auto industry growth in the future.

But that expansion creates a dilemma for us as a society.

How do we provide mobility that will free people to be more successful WITHOUT permanently damaging the planet we all love?

Well, that leads me to my third key point of the night...that cars *will play a vital role in our future*.

We know we won't give them up, but we also know we can't continue on the same automotive path we've followed for the past century.

The first 100 years of the auto industry were about expansion and exploration ...the second century is about innovation and harmony.

Since we can't live with cars in their current form...and we can't live without the benefits they bring...we have to find a better way.

And that's what Toyota and other major automakers are doing today...developing better cars and other creative mobility solutions.

To do that, we're concentrating on two critical areas...increasing fuel economy and reducing emissions that harm our planet.

On air pollution, we're making great progress. Using various technologies and cleaner fuels, cars today are 99% cleaner than those from the 1970s.

Yes... you heard right...99%!

But what about CO2 and other greenhouse gases?

Well, let's talk about that for a minute.

Some people believe that automobiles are the worst offenders on CO2...but that's not the case.

In the United States, autos account for about 17% of all-man made carbon dioxide emissions, or less than one-fifth of the total.

That's not low enough, but it *is important* to understand that...although cars and trucks are one of the most visible sources of greenhouse gases in America...they are NOT the major contributor.

Toyota has long supported global, economy-wide reductions of greenhouse gases, and we are committed to working with the U.S. and other governments to achieve these reductions in every market where we operate.

And our industry, as a whole, recently made *a strong commitment* to cut greenhouse gases by committing to achieve higher federal mileage standards.

We'll do that by burning less gas because CO2 emissions are directly related to fuel consumption. Higher mileage means less carbon dioxide coming out of tailpipes.

How much less?

Our industry is committed to 30% reduction by 2020... nearly *one-third less* than today's emissions.

Think about that for a minute.

That's equivalent to closing 50 mid-sized coal-fired power plants...50!

Now, before I get any letters from the coal industry, let me acknowledge that they are working hard on clean-burning technology.

In any event, the auto industry is making a sizable commitment that will make it a leader in the reduction of CO2.

And we're not stopping there.

The auto industry spends \$86 billion per year on Research and Development... more than ***any other*** manufacturing industry. And I'm proud to note that Toyota is ranked by Booz & Company as the No. 1 corporation in R&D, spending \$9 billion a year...or an average of more than \$1 million per hour.

Even better, our industry's massive research is starting to pay off.

According to the Alliance of Automobile Manufacturers, there are more than 50 technologies available this year ...2009...that reduce emissions...increase mileage...or allow vehicles to run on clean fuels.

They range from variable valve timing and stratified-charge combustion to superchargers...direct injection...and sophisticated gas/electric hybrids found in vehicles like our Prius.

In fact,...according to the recently released federal Fuel Economy Guide...in 2010, consumers can select from more than 193 cars and trucks that achieve 30 miles per gallon or greater on the highway...a 47% increase over 2009!

So where do we go from here?

Well, one of our first assignments as an industry is to keep refining the internal combustion engine to make it as efficient as possible. Right now, automotive engineers in labs around the world are tinkering with refinements that will help gas engines eke out even more mileage than today's super-efficient models.

Beyond that, the auto industry will introduce dozens of new gas/electric hybrids and advanced diesels over the next few years. Those will save even more fuel and further reduce harmful emissions.

I've talked about how clean today's cars are compared to those of the 70s. But, did you know that the Prius emits 70% fewer smog-forming emissions than the average new vehicle on the road today?

It's true...so imagine what can be done when all major automakers start selling more hybrids. And you know that day is coming because Porsche, Lamborghini and Ferrari are all reportedly building hybrid models.

After that, you'll see plug-in hybrids...pure electric cars...and eventually hydrogen fuel cell vehicles.

Yes, we still need to work out some difficult issues with all those power trains in terms of technical hurdles...cost...range...and fuel and charging stations...but the potential ***is very real***.

In fact, Toyota will launch a lithium-ion battery Prius plug-in program early next year.

And I'm proud to announce tonight that some of the 150 plug-in hybrids we'll bring to the United States will go to work...right here...in the Bay Area.

We know this area supports environmentally advanced vehicles and we your help to perfect our product for consumer use down the road.

The auto industry is also making great progress on hydrogen fuel cell vehicles that create electricity from hydrogen and oxygen without generating any harmful emissions.

The industry is exploring all these technological fronts because there is no ONE solution for future mobility needs, but the need for many.

After all, what's good for the Bay Area, may not be the best for Shanghai, or Sydney, or Sao Paulo.

Now, along with developing better products, Toyota and other automakers are taking a more holistic approach to future mobility.

We know it's not just about the car anymore, but how the car can work in harmony with diverse modes of transportation ranging from single-person pods to high speed, magnetic levitation trains.

To do that, Toyota is addressing four key areas that will help us achieve sustainable mobility.

First... we must address the vehicles themselves...and I've talked a lot tonight about the progress we've been making on this front.

Second... we must address the urban environment where these new technologies will live. In the future, we foresee "mixed mobility" combining intelligent highways and mass transit...bike and walking paths...shared vehicles...recharging kiosks...and hydrogen fuel stations.

Third, we must address the need to develop public/private partnerships that will include energy and transportation companies along with universities and government agencies working together to help bring new technologies to market.

For example, Toyota recently joined the SmartGridCity Project...a public/private partnership in Boulder, Colorado... the first...fully functioning...smart-grid city in the world.

This large-scale effort is using improvements in electrical generation and real-time communications to help homes and businesses use electricity more efficiently. And that includes the charging of 10 Prius plug-in hybrids we're providing to the project.

By working in partnership with Xcel Energy...the federal National Renewable Energy Lab... and the University of Colorado, we'll be able to determine vehicle charging patterns...how the vehicles interact with the electrical grid...and customer expectations that will help us develop future plug-ins and pure electric vehicles.

The Boulder project will also help us tackle the fourth key area of sustainable mobility...addressing the energy that will power advanced-technology vehicles.

Here, there are a lot of questions to be answered.

Is the electrical grid we use powered by fossil fuels or renewable sources?

Is it strong enough to charge many vehicles at once...and will people have access to charging stations while at work or on the road?

What's the future of bio fuels?

Can a hydrogen re-fueling system be created?

We must address all these areas as we develop tomorrow's transportation systems.

And the answers won't come easy.

Good answers *never do*.

But where there is a will...*there is a way*.

So tonight, I'm asking you to join with us to help co-create a future where people, cars and the earth live and work in greater harmony.

A FUTURE where transportation allows people to reach their potential without destroying our planet.

A FUTURE that includes better cars...more fuel efficient trucks... hybrids and electric cars... fuel cells and light rail... shared rides and other modes of transportation we haven't even invented yet.

AND A FUTURE filled not with the pain of oil dependence, air pollution and global warming...but with cleaner air, a healing planet and friendly futuristic cars.

It's not a dream...it's possible...it really *IS* possible.

So...let's work together...let's keep moving forward...and let's create a better future for ourselves, our families and society.

Thank you.

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