

Toyota's Indiana Plant Turns the Corner, Preps for New Sienna

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When production slowed, team members trained and improved processes

PRINCETON, Indiana ? As Toyota's Indiana plant prepares to build the third generation Sienna minivan beginning in January, the facility's 4,200 team members are confident that improvements they made during the economic downturn will assure a successful launch.

Already grappling with the sales impact of escalating gas prices following Hurricane Katrina, the nine-year-old plant faced an uncertain future when the banking and housing crisis brought the economy to its knees and the auto industry with it.

Toyota Motor Manufacturing, Indiana (TMMI) came to a critical crossroads in mid-2008 as Toyota experienced significant overcapacity in North America.

As a partial solution, Toyota consolidated production of the Tundra full-size pickup ? originally built at TMMI ? into its Texas facility. Toyota also decided to build the Highlander mid-size SUV in Indiana by late 2009.

But TMMI was temporarily left with only two vehicles ? the Sienna minivan and the Sequoia full-size SUV ? on its pair of assembly lines.

The consequence for TMMI was significant over-staffing for more than one year.

?Without a doubt, our team members were worried. Layoffs were happening all over the auto industry,? said Wil James, senior vice president of TMMI. ?It would be many months before Highlander production began. As a result, half of our team members were not building vehicles.?

Fixing this problem was important not only to Toyota and its suppliers, who employ thousands of people in Indiana and many other states, but critical for the well-being of the southwestern Indiana community that relies so heavily on the jobs created by TMMI.

Investment in team members and facilities

Toyota invested approximately \$450 million to upgrade the plant, which introduced the Highlander last October. Now, TMMI is poised to build the all-new, third generation Sienna in January. The plant's outlook has improved dramatically.

But TMMI's survival story is rooted in the way it treated team members during the downturn, an approach far different from most manufacturers. TMMI and other Toyota plants in North America capitalized upon the skill and know-how of team members rather than conduct layoffs.

?It made more sense to further invest in our experienced team members,? James said. ?We refocused our work. When we weren't building vehicles, we were preparing for a brighter future.?

TMMI implemented a training program where team members gained a deeper understanding of the Toyota Production System and fundamental Toyota auto manufacturing skills. The anticipated result is even stronger application of this knowledge to the production line.

“It’s difficult to roll out such comprehensive training when the line is moving,” James said. “Our company spent a lot of time developing the best way to do every job in the plant, so the downturn was actually a great opportunity to complete this training in order to sharpen our skills.”

Team members lead improvements

TMMI also encouraged team members to further *kaizen*, a Japanese term for continuous improvement. No ideas for improving processes and reducing waste were too small; in fact, hundreds of improvements were implemented resulting in an estimated savings of more than \$7 million.

Other team member ideas bolstered safety and ensured consistent quality. For example, the installation of the lower front console on the all-new Sienna put the team member in an awkward position. Team members found a small power tool that ensured the console snapped securely in place every time while eliminating an ergonomic issue.

“Our team members know better than anyone else how to do their jobs and they always have the flexibility to change processes in order to improve safety, quality and efficiency,” James said. “Again, big improvements are difficult when the line is running. But the downtime allowed for significant advancements.

“The power of more than 4,000 people working together on this type of activity is incredible. Our decision to fully utilize our team members was expensive, but it’s paying off already. Currently, our quality is much better than it’s ever been and our safety is among the best in Toyota.”

Shared sacrifice

Toyota offset some of the cost by adopting a “shared sacrifice” approach, including the elimination of executive and salaried bonuses, executive pay cuts, production team member bonus reductions, overtime elimination, and a hiring freeze.

“These were responsible, step-by-step measures designed to help us protect employment security and strengthen our company over the long term,” James said. “Now, as the market slowly returns, we are in a great position.”

About Toyota

Toyota (NYSE:TM) established operations in North America in 1957 and currently operates 14 manufacturing plants. There are more than 1,800 Toyota, Lexus and Scion dealerships in North America that sold more than 2.5 million vehicles in 2008. Toyota directly employs nearly 41,000 in North America and its investment here is currently valued at more than \$23 billion, including sales and manufacturing operations, research and development, financial services and design. Toyota’s annual purchasing of parts, materials, goods and services from North American suppliers totals nearly \$25 billion.

Toyota currently produces 12 vehicles in North America, including the Avalon, Camry, Corolla, Highlander, Matrix, RAV4, Sienna, Sequoia, Tacoma, Tundra, Venza and the Lexus RX 350.

For more information about Toyota, visit www.toyota.com.

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