

## **Toyota Sales Surge a Big Plus for U.S. Automaking: Doron Levin**

By Doron Levin

April 26 (Bloomberg) -- The report that Toyota Motor Corp., Japan's biggest automaker, surpassed No. 1 General Motors Corp. in worldwide sales during the first quarter shouldn't be viewed as evidence of U.S. industrial decline.

U.S. automaking arguably has never been stronger. That's not to say General Motors Corp., Ford Motor Co. and DaimlerChrysler AG's Chrysler Corp. aren't struggling and won't soon, if ever, dominate the industry as they once did.

For long-term owners of the common stocks and bonds of the U.S.-based automakers, not to mention for their workers and for the communities in which they are located, the relative loss of dominance has been immense.

Detroit and the state of Michigan are ground-zero in terms of fallout from the decline of the domestic automakers. The tax base is falling, municipal deficits are soaring and the United Auto Workers union is looking terminally ill.

But for the broader U.S. economy, the rise of non-U.S. automakers -- especially the new No. 1 -- has been, on balance, a positive. From 1986 to 2006, vehicle production in the U.S. by non-Detroit automakers grew to 3.37 million from 426,000, while imports by those automakers to the U.S. have fallen to 2.55 million from 3.47 million, according to the Association of International Automobile Manufacturers (AIAM), a trade group. U.S. production by Detroit makers fell 3.7 million during the same period.

GM, Ford and Chrysler employed 377,000 U.S. workers at the end of last year, compared with 95,000 for Toyota, Honda Motor Co. and other non-U.S. automakers, according to the Automotive Policy Trade Council, a trade group.

### Sign of Bloat

Though comparisons are rough, the numbers imply that last year the U.S. automakers needed almost four times as many workers to build twice as many (6.84 million) vehicles as the foreign companies operating in the U.S. The disparity hints at one of Detroit's ailments: bloat.

Of all the non-U.S. automakers, Toyota has most famously exemplified an efficient, disciplined approach to manufacturing, one that is studied and applied broadly by U.S. hospitals, libraries, automakers and businesses of all types.

``We've learned about using common processes and methods from Toyota," said David Cole, chairman of the Center for Automotive Research in Ann Arbor, Michigan. ``Everywhere their DNA is the same. GM has struggled with commonality, though it's been working on the concept since the early 1990s."

Anand Sharma, chief executive officer of TBM Consulting in Durham, North Carolina, said 60 percent of the clients he teaches about the Toyota Production System are non-automotive. U.S. businesses ``had become very complacent," he says. ``Toyota provides improvement right away."

#### Can't Catch Up

GM, Ford and Chrysler all acknowledge, however ruefully, the positive impact that Toyota and others have had on vehicle quality and customer satisfaction. But Detroit hasn't been able to catch its rivals by learning their tricks and beating them at their own game.

Individually and through the Automotive Policy Trade Council, Detroit automakers instead complain that Japan manipulates its currency, keeping the value artificially low against the dollar to make imports cheaper for U.S. buyers. In luxury sedans alone, the weak yen results in an \$8,280 cost subsidy for cars such as Toyota's Lexus LS460.

Perhaps. It's hard to imagine the U.S. will pressure its most-important ally in the Far East to revalue its currency just to make life easier for Detroit's automakers. Foreign automakers are creating jobs, investing in new plants and winning friends in Congress.

#### Small-Town Boon

As more and more plants owned by foreign automaker have opened in the U.S., the economic benefits are being felt in smaller, once-rural communities, especially in the South, like Canton, Mississippi (Nissan Motor Co.); Greer, South Carolina (Bayerische Motoren Werke AG) and Montgomery, Alabama (Hyundai Motor Co.)

Toyota in February said it will build its next assembly plant in Tupelo, Mississippi, best known as the birthplace of Elvis Presley.

``These towns have good skilled work forces and the people value the jobs," said Mike Stanton, who heads the AIAM. The UAW has failed in every effort to organize U.S. workers at the foreign-owned auto plants, which has helped keep labor costs from ballooning as they have in Detroit.

In addition to passing GM in unit sales on a worldwide basis, Toyota is poised to steam past Ford in the U.S. to become No. 2. After that, the big milestone for Toyota will be to grab the No. 1 spot in the U.S. Toyota now has a bit less than 16 percent of the U.S. market, GM a bit less than 23 percent. If current trends continue, Toyota could be No. 1 in the U.S. within five years.

U.S. automaking has some pockets of trouble -- as an industry, it's still a powerhouse.

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