

Toyota Fixes Accelerator Problem, But Sales May Still Slip

Tom Krisher, AP Auto Writer

DETROIT (AP) — Toyota Motor Corp. says it has figured out how to fix a problem with sticking accelerator pedals and will update employees with details.

The company said in an e-mail to workers Thursday night that it presented a remedy to federal regulators.

The e-mail obtained by The Associated Press says that plans are being developed on a variety of fronts. The company says it will update workers on Friday.

The company says its engineers are working around the clock to fix the problem in eight of its models, including the top-selling Camry midsize sedan.

Toyota says accelerators rarely stick. But earlier this week the company halted sales and production of the models. It has recalled at least 2.4 million cars and trucks in the U.S., Europe and China because of the problem.

THIS IS A BREAKING NEWS UPDATE. Check back soon for further information. AP's earlier story is below.

TOKYO (AP) — Toyota's still-expanding recalls over faulty gas pedals and an unprecedented decision to stop selling and building some of its top-selling models in the U.S. are costing the carmaker dearly: industry analysts are already forecasting its market share will sink to its lowest since 2006.

Japanese Trade Minister Masayuki Naoshima sounded a note of alarm Friday about the tarnished reputation of Toyota Motor Corp., the nation's iconic automaker.

"The scale of the recalls is huge. The situation is serious. It points to the possible dangers a global economy can bring," Naoshima told reporters. "I would like Toyota to respond properly to secure consumer confidence."

Toyota's U.S. recall woes have been making daily headlines around the world, setting off worries in Japan the automaker's once sterling image for top-rate manufacturing has failed to hold up to the pressures of rapid globalization.

In the U.S., House lawmakers have scheduled a Feb. 25 hearing to review the complaints of sudden unintended acceleration in Toyota vehicles, underlining the growing concerns there.

In its monthly report, U.S. auto research Web site Edmunds.com said Toyota's U.S. market share was likely to drop to 14.7 percent in January, its lowest since March

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

2006. Rival Ford Motor Co.'s would gain to 18 percent, its best performance since May 2006.

Toyota is expected to sell 103,000 vehicles in January, down 11.9 percent from January a year earlier and down 45.0 percent from December 2009, according to Edmunds.com.

Ford, the only U.S. automaker to avoid bankruptcy court, will sell 126,000 units in January, up 33.4 percent compared to January 2009 and down 30.4 percent from December 2009.

The cost of the recalls is likely to total about \$900 million, and lost sales is costing Toyota another \$155 million a week, according to Tatsuo Yoshida, auto analyst at UBS in Tokyo.

The sales suspension affects eight models in the U.S., including some of Toyota's most popular cars, including the top-selling Camry. Toyota has not said how long the sales suspension will last, and the damage would widen the longer the suspension continues.

Since November, Toyota has recalled some 5 million vehicles in the U.S. for problem gas pedals and floor mats that get stuck in the pedals, when accounting for vehicles that were recalled more than once.

The recall has widened to Europe and China, and beyond Toyota.

Ford stopped production of some full-sized commercial vehicles built by a Chinese joint venture because they have accelerators built by the same parts supplier as in the Toyota recall.

Toyota has not given a number on the recall in Europe but is recalling about 75,500 RAV4 sport-utility vehicles in China for pedal problems. Separately, Toyota recalled 1.1 million more vehicles this week in the U.S.

The gas pedal system recall includes 2009-2010 RAV4, the 2009-2010 Corolla, the 2009-2010 Matrix, the 2005-2010 Avalon, the 2007-2010 Camry, the 2010 Highlander, the 2007-2010 Tundra and the 2008-2010 Sequoia.

Toyota spokesman Paul Nolasco said timing was still undecided for a fix for the faulty pedals. He refused to confirm media reports that said Toyota was switching to parts made by Denso Corp. of Japan with which Toyota has had decades of tight relations. Denso declined comment.

Toyota said the maker of the faulty gas pedal systems, CTS Corp. of Elkhart, Ind., was cranking out replacements at three factories, and that some of them already been shipped to Toyota.

Toyota engineers are working with CTS to develop ways to repair, rather than replace, the pedal systems in existing cars and trucks, said spokesman Brian Lyons.

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Keinosuke Ono, professor of business at Chubu University in Kasugai, Japan, said the latest problems reflect the struggle Toyota faces in maintaining quality standards at overseas plants. In earlier years, Toyota would send its top officials to oversee production abroad, he said.

"Toyota set up so many plants, turning into an international company," he said. "It was inevitable that rank-and-file quality is becoming endangered."

Safety experts say the best thing to do if the gas pedal sticks is to hit the brake hard and hold it firmly, then shift into neutral or shut the car off and steer to the curb. They say drivers should not pump the brake.

CTS has said the problem is rare — occurring in fewer than a dozen cases — and that no accidents or injuries have been linked to the pedal. The head of CTS, Vinod Khilnani, said his company built the pedal to Toyota's specifications.

A consumer group, Safety Research and Strategies, has said it identified 2,274 cases of unintended acceleration in Toyotas leading to at least 275 crashes and 18 deaths since 1999. Toyota would not confirm those figures.

The costs for Toyota are high.

Jim Gillette, a supplier analyst with consulting company CSM Worldwide, estimated it might cost \$25 to \$30 per vehicle, plus labor.

But analysts say that, rather than the repair cost, the U.S. sales suspension, estimated to number 20,000 vehicles a week, is hurting the world's biggest automaker even more.

If consumers lose their confidence in Toyota cars, switching to other brands, that cost will be even most painful.

In the U.S., General Motors Co. is offering interest-free loans and incentives to Toyota owners, including \$1,000 toward a down payment on a GM vehicle, to get them to switch to a GM vehicle.

Ford is offering \$1,000 to Toyota, Lexus, Scion, Honda or Acura drivers who trade in vehicles or have leases expiring by June 30. The trades must be 1995 vehicles or newer.

Toyota shares fell for the sixth straight trading day in Tokyo, finishing at 3,490 yen (\$39), down 2 percent from the previous day. The issue has lost more than 10 percent of its value over the last week.

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Associated Press writers Shino Yuasa in Tokyo, Tom Krisher in Detroit and Ken Thomas in Washington contributed to this report.

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Source URL (retrieved on 04/26/2015 - 1:45am):

<http://www.impomag.com/news/2010/01/toyota-fixes-accelerator-problem-sales-may-still-slip>