Toyoda Apologizes To Chinese Consumers

Joe McDonald, AP Business Writer

BEIJING (AP) — Toyota President Akio Toyoda brought his damage-control campaign to the world's biggest auto market Monday, apologizing to Chinese customers for quality problems and stressing their importance to the Japanese automaker.

Toyoda said he flew straight to Beijing from the United States to show his sincerity to Chinese customers after a string of vehicle recalls. He faced a grilling in Washington last week by angry American lawmakers.

"The incident has caused an impact and worries to Chinese consumers. I hereby express my sincere apologies for these worries," Toyoda said at a news conference. He apologized four times during the one-hour event.

Toyoda's promptness in flying to China reflected its importance to automakers that face weak sales elsewhere and the sensitivity of Japanese brands in a society where nationalist anger about Japan's wartime agression still lingers.

China overtook the United States last year as the biggest auto market with a 48 percent jump in sales. Automakers are looking to China to offset weak demand in traditional markets and to drive future growth.

The 75,522 RAV4 sport-utility vehicles recalled by Toyota in China in late January were a tiny fraction of the 8.5 million vehicles pulled worldwide since October over sticky gas pedals, faulty floor mats and glitches in braking software.

"The Chinese market is very important, so I flew here in person in the hope my personal expression of an apology and explanation will give customers some relief," Toyoda said.

Toyoda said the company will create a global quality committee led by him and with a chief quality officer from each region, including China. He repeated earlier comments that with his family name on the company, he was personally responsible for safety.

Asked why so few vehicles were recalled in China and whether that meant Toyota was discriminating against Chinese customers, Toyoda said the other vehicles sold in this country did not use components that led to recalls.

Toyoda's apology should help to restore consumer confidence, said Zhang Xin, an industry analyst for Guotai Junan Securities in Beijing.

"For Chinese people, Toyoda has shown sincerity, and the size of the recall is not that big," Zhang said. "So as long as they can make sure of their quality in the future, they can make a comeback."

China's state-run media have made only muted comment on Toyota's recalls, in contrast to the blistering criticism Toyoda faced from American lawmakers.

Toyoda met earlier Monday with Commerce Minister Chen Deming, said a ministry press official, Chen Rongkai. He said he had no details of the meeting.

China and Japan are among each other's biggest trading partners, but the communist Beijing government keeps alive memories of Japanese wartime atrocities through schoolbooks and the state-controlled media.

Despite the recalls, Toyota's China sales with two local joint venture partners were up in February from a year earlier, according to Passenger Car Association estimates. Sales for its venture with Guangzhou Automobile Group climbed 50 percent to 17,500 units. Sales at its FAW Group venture jumped 106 percent to 40,400 units.

"So far, it's hard to see any direct impact on Toyota's sales," said Rao Da, general secretary of the China Passenger Car Association, an industry group. "The crucial thing for them is brand reputation. If they don't pay great attention to this, it will eventually hurt the customers' trust."

A spokesman for Toyota China, Niu Yu, said monthly sales figures would be released Tuesday.

At the Xietong Toyota dealership in Shanghai, general manager Xu Chunlei said four customers canceled orders for RAV4s in February, out of about 20 sold.

"About a third of our customers who already ordered and paid a downpayment in the past two months have asked to postpone collecting the cars until they can see the final results of this incident," Xu said. "We cannot stop people from canceling, so we are hoping to get through all this fuss as soon as possible."

An RAV4 owner who identified himself as Mr. Wang said he brought the vehicle into the dealership because of the recall.

"Frankly, I don't feel anything wrong when driving, but I am still worried," he said.

Toyota got a relatively late start in China, after fitful efforts to break into the market using tie-ups between its subsidiary Daihatsu Motor Co. and state-run Tianjin Automobile Industry Holding Co.

Its sales growth lagged behind other foreign brands last year due to Toyota's focus on bigger cars while the government promoted smaller vehicles with tax breaks and subsidies. Toyota sales rose 50 percent, compared with 76 percent for Volkswagen AG and 219 percent for General Motors Co.'s Chevrolet unit.

Toyota is preparing to launch a lower-cost brand for China in response to demand for smaller cars, according to analysts.

In August, its joint venture with FAW recalled nearly 690,000 Camry and Yaris passenger cars after finding problems with electric window controls. There was no apparent effect on sales.

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AP Business Writer Elaine Kurtenbach in Shanghai and Associated Press researchers Bonnie Cao in Beijing and Ji Chen in Shanghai contributed to this report.

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