Detroit Auto Show, Day 2: Toyota's Aging Lineup

Sharon Silke Carty, AP Auto Writer

Toyota's biggest problem: Aging lineup

DETROIT (AP) — It would be easy to think Toyota's biggest problem is its damaged reputation caused by sudden acceleration recalls, millions in government fines and massive lawsuits and settlements. But what's hurting the company most is an aging lineup of boring cars.

Over the past decade, Toyota and its U.S. dealers had it easy. Cutting edge design wasn't required because the cars sold themselves on reputation. Everyone knew Toyotas held their value, were safe and got drivers from point A to point B with little drama. Then came the recalls, which called all of that into question.

Ending the year on a low note, Camry sales fell 10 percent in December from a year earlier. Corolla sales plunged 35 percent. Unless things turn around quickly, Camry is in danger of losing its 10-year crown as the nation's top-selling car this year to the Honda Accord.

Boring cars are "probably the worst problem for them," says Jessica Caldwell, director of pricing and industry analysis for Edmunds.com. "They always had their (safety) reputation to fall back on, but now that's not the case."

CEO Akio Toyoda acknowledges that Toyota is at a design crossroads. He has told dealers several times that he's working to improve Toyota's exterior styling, pushing designers to come up with something more exciting. The company is "intent on making Toyota cars better looking," he told reporters Monday during his first-ever visit to the North American International Auto Show in Detroit.

After becoming the world's largest automaker in 2007, Toyota reversed course and resumed giving executives in Japan the final say on design decisions for the U.S. market. Some question whether that change left Toyota at a disadvantage as Hyundai, Ford and General Motors moved more quickly to tailor new designs specifically for U.S. car buyers.

Mike Jackson, CEO of Autonation, the country's largest car dealer network, says that in the past, sedans sold based primarily on their quality, reliability and resale values. Automakers believed "the styling should be conservative enough to not put people off," he said. "I don't think that's the future. Now you have to differentiate yourself."

Company insiders dispute that notion that Toyota is facing anything approaching a design crisis. "Styling is subjective," said Bob Carter, vice president and general manager of the Toyota division. Outsiders may say Toyota cars are boring, but that's the downside of being so popular, he said. "When you see so many of them

on the road, they start to look familiar."

The first peek at the next generation of Camry won't come until the New York Auto Show in April. They'll be in showrooms this fall. Early reviews of the next Corolla model were not enthusiastic when it was unveiled at the Los Angeles auto show in November. People at the show couldn't tell it from the 2010 Corolla unless they read a sticker Toyota put on the newer model.

Toyota is focusing most of its attention at the Detroit show on an expanded Prius lineup. The centerpiece is a Prius MPV, a minivan-like car. It's also showing a five-seater that is smaller than the current Prius sedan. It eventually will be sold in the U.S., although the timing is still unclear. And it's bringing a plug-in electric Prius to compete with the Nissan Leaf and Chevy Volt. The minivan goes on sale this summer, and the plug-in will be on sale this spring.

But even if the Prius debuts are hits at the auto show, hybrids aren't the company's bread and butter. They were outsold 4-to-1 by the Camry and Corolla in 2010, when Toyota was the only automaker to sell fewer cars and trucks than in 2009. Even after piling on incentives, it lost 2 percentage points of market share and slipped behind Ford as the runner up to GM in sales.

Working in Toyota's favor is that about 60 percent of its customer base have owned Toyotas in the past and are loyal to the brand. "The recall crisis is hurting them, but it's not like they are in dire straits," says David Whiston, an auto analyst with Morningstar investment research firm. "But they may never get back to that halo status they had a few years ago."

Toyoda says the company is recommitting to focusing on consumers and on styling, but they need to move fast if they want to keep up with the competition. "Their big mantra before the recalls flurry was that their customers liked predictability and reliability, and they gave them that more than any other manufacturer," says Peter DeLorenzo, editor of auto blog AutoExtremist. "But the game has changed."

Honda to offer natural gas, hybrid for 2012 Civic

by Dee-Ann Durbin, AP Auto Writer

DETROIT (AP) — Honda Motor Co. said Monday it plans to sell a nearly emission-free, natural gas-powered version of its new Civic sedan in all 50 states starting this year.

The company also plans to release a hybrid version of the 2012 Civic, which it debuted at the Detroit auto show. The Civic is set to go on sale later this spring.

The 2012 Civic is the ninth generation of the popular sedan, which first went on sale in 1972. It has a more sophisticated look than its predecessor, with chiseled lines in the sides and on the hood and a more aerodynamic roof.

Honda will offer two-door and four-door versions. It wouldn't reveal a price, but the

current Civic starts at $15,805.

The last generation of the Civic, which went on sale in late 2005 as a 2006 model, has been a perennial best-seller in the U.S. But sales began to taper off as newer competitors like the redesigned Toyota Corolla came on the market. Honda Civic sales were flat last year compared to the year before.

The small-car segment is expected to heat up in 2011 as gas prices rise and more new models come on the market, including the Chevrolet Cruze, Ford Focus and Hyundai Elantra. John Mendel, executive vice president for sales for Honda in the U.S., said he welcomes the competition.

"It's a great time to be a consumer in the marketplace," Mendel said.

Mendel dismissed concerns about the pace of Honda's U.S. sales in 2010. Honda's sales were up 7 percent over 2009, but the overall industry's sales were up 11 percent. He said Honda's sales didn't dip as far as some other companies in 2009, and it relied less on sales to daily-rental and commercial fleets in 2010 than some of its competitors.

"If you're looking for long, consistent, continual growth, you have to look at Honda," he said.

Honda sells about 1,500 natural-gas Civics each year, mostly to government fleets. Until now, it only sold natural-gas Civics to individual buyers in California, Oklahoma, New York and Utah.

But the company wants to widen access to the vehicle, which has a traditional internal combustion engine but produces almost no emissions. Ninety-eight percent of natural gas used in the U.S. also comes from North America, which advocates say lessens dependence on foreign oil. There are around 1,000 natural gas fueling stations in the U.S., and 500 of them are open to the public, according to Natural Gas Vehicles for America, a lobbying group.

The traditional gas-powered Civic will get around 40 miles per gallon, according to Mendel.

For the hybrid version, Honda will use a lithium-ion battery for the first time. Previously, it used a nickel-metal hydride battery, similar to the one used in the Toyota Prius.

BYD committed to selling electrics, hybrids in US

by David Runk, Associated Press

DETROIT (AP) — Chinese automaker BYD Co. is committed to selling electric and hybrid vehicles in the United States even after plans to offer an electric crossover to buyers in 2010 didn't materialize, the company's founder and chairman said Monday.

The U.S. market remains important to BYD not just for selling vehicles, but for other green technology such as solar panels, energy-efficient lighting and large-scale battery storage, Wang Chuan-fu told The Associated Press in an interview at the North American International Auto Show.

"We are still working on refining the strategy, the final sales business," Wang said through a translator. "We're working hard on that."

Last month, BYD — which stands for Build Your Dreams — started a trial program with a fleet of plug-in F3DM hybrids in Los Angeles, where the company plans to open its North American headquarters in August. It plans more car testing and sales of its K9 electric bus this year before expanding to U.S. consumer sales in 2012, Wang said. BYD wants to sell the e6 electric crossover in the U.S., and the 2012 e6 Premier being shown in Detroit promises a 186-mile (300-kilometer) range and a top speed of 87 mph (140 kph).

Rebecca Lindland, director of automotive research with consulting firm IHS Automotive, said BYD will soon need to start establishing a dealer network if its new target for selling in the U.S. will hold. The growth potential of the Chinese market makes moving quickly into the U.S. less appealing for companies like BYD.

"The U.S. market changed a lot in the last couple of years," Lindland said. "The restructuring changed everyone's plans. I'm not surprised BYD isn't here yet. I think it's harder to make a business case."

Backed by billionaire investor Warren Buffett, BYD is using the Detroit show to highlight its "Three Green Dreams" strategy, which focuses on renewable energy generation, environmentally friendly energy storage and efficient energy consumption. In addition to the e6, BYD is showing a new dual-mode electric S6DM sport utility vehicle. BYD also is promoting the K9 bus, which promises a more than 155-mile range on a single charge.

The company's effort includes "Green City Solutions," such as plans to help cities electrify public transportation and cut pollution. Wang told reporters that the company's plans go beyond environmentally friendly vehicles.

"Our dream is a zero-carbon, zero-emissions . . . template that we can create to run our homes and our cars, our businesses and all our transportation," Wang said.

Shenzhen-based BYD sold nearly 520,000 vehicles in China last year, up more than 15 percent from 2009 but still below its initial forecasts of 800,000 vehicles. Wang said BYD needs to better manage its dealer network to improve sales. He said the company didn't yet have 2011 targets.

The company started out building conventional cars, and Buffett's backing has boosted its profile. In 2008, it became the first automaker to launch mass production of a plug-in hybrid electric sedan — the F3DM — that can be charged off a standard home outlet.

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