Toyota plans massive cost cutting

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Global auto giant Toyota is planning on implementing extreme cost-cutting measures. As CEO Akio Toyoda claimed in his fiscal year-end speech, Toyota is in a “life-or-death battle.”

Toyota reported a regional operating loss of $365.3 million in North America for the January-March period, down from a loss of $665.6 million the year before. Even with this decline in losses, the profit margin in North America stood at 1.3 percent, far below the company’s ambitions. According to Executive Vice President Koji Kobayashi, Toyota has a goal of 8 percent by 2020. Overall, Toyota reported record net income and record revenue globally for the fiscal year.

Toyota plans to reduce costs by $1.22 billion this year. In the last half of 2017, the company managed to save $875 million by cutting costs to manufacturing. Toyota expects that by implementing its new manufacturing system, Toyota New Global Architecture, it will cut manufacturing costs by 20 percent. The TNGA process implements a common underbody and an increased sharing of parts among models. Toyota plans to use the savings resulting from cutting manufacturing costs to increase funding for research and development towards electric and autonomous cars.

In North America, while customers are purchasing trucks and sport utility vehicles, overall sales of cars have declined. However, the Toyota Camry remains the top selling passenger car in North America, with the Toyota Corolla being the third.

The Ford Fusion was also in the top 10 of bestselling cars in North America. Despite this, Ford still announced it is eliminating all passenger car production in North America, save for the Mustang.

Toyota ceased operations at its Erlanger, Kentucky facility in 2017, resulting in job losses for 650 workers. Toyota said it was part of an effort to consolidate operations.

Last November, a video surfaced in which the president of the Georgetown, Kentucky Toyota plant, Wil James, warned workers at the factory that it was cheaper to build a Camry in Japan and ship it to the US than to manufacture it at Toyota’s plant in the state. “I’m not sharing this to scare you, but to heighten your awareness of the current risk we now have,” he said in the two-and-a-half-minute video.

The Georgetown plant, which manufactures the Toyota Camry, is ranked the second most productive car factory by volume in the US. It is also Toyota’s most productive factory worldwide. It employs around 8,000 permanent workers and 1,500 temporary workers.

The purpose of James’ message was twofold. First, it was meant to pit Toyota workers in the US against workers in Japan, by blaming Japanese workers for any future layoffs. Second, it was to deter any demands for higher wages at the plant. Many pro-union workers claimed the video was meant to dissuade workers from unionizing but had the opposite effect. “It actually made people mad,” Joe Smiddy, a welder at the Georgetown plant, told *Bloomberg News*. “We’ve had a spike in the number of people coming up to sign union cards.”

In reality, the United Auto Workers union has been instrumental in driving down wages and lowering living standards for decades. The union has long been complicit in enforcing substandard working conditions, as evidenced by recent job deaths and injuries in UAW-organized auto plants. When confronted by workers facing mass layoffs, the UAW shrugs its shoulders and claims it can’t be helped due to market conditions.

Despite the doom and gloom in the fiscal year-end message from Akio Toyoda, Toyota shares jumped 3.8 percent as he announced a massive stock buyback. “We aim at continuously improving our corporate value for our shareholders,” he said, “to make them feel rewarded for their long-term investment in Toyota." The carmaker plans on buying back $2.7 billion worth of Toyota shares this year.

Car companies across the world are attempting to offset declining sales by cutting costs. More often than not, this means mass layoffs, the implementation of grueling shifts and speedups, the forcing out of older workers with better pay, pensions and health care and their replacement by a younger workforce earning poverty wages.

The fact that Toyota and other so-called Asian transplants are implementing tremendous cost-cutting measures aimed at driving down wages in Southern US states—where industrial workers historically earn lower wages than their counterparts in the industrial Midwest—indicates a deepening crisis in the auto industry. It likewise reveals the crisis of the broader economy, particularly in the US, as workers who labor harder for less pay are buying fewer vehicles.

Moreover, because the pay of manufacturing workers has traditionally set the standard for wages in other industries and fueled support industries and local economies, planned cost-cutting in auto signals not only an attack on autoworkers, but on the working class as a whole.