

EYES ON THE ROAD

By JOSEPH B. WHITE

**Toyota to Detroit: We Will Bury You****Lexus Flagship Bristles With New Features That Up the Ante as Detroit Rivals Wobble**

September 25, 2006; Page D5

Toyota Motor Corp. has a message for its struggling rivals in Detroit: We will bury you.

Of course, Toyota's leaders are far too diplomatic and cautious to say something as outrageous as that out loud.

Instead, Toyota delivers its message in more subtle ways. Such as bringing the new Lexus LS 460 to a hotel within sight of Ford Motor Co.'s Dearborn, Mich., headquarters and innocently demonstrating the fact that the new top-of-the-line Lexus has a feature that allows the car to park itself, with the driver playing a minor supporting role.

NO HANDS

See video of the Lexus LS 460 feature that allows the sedan to park itself, without the driver touching the wheel.



This is one of those see-it-to-believe-it features (See video). But the LS 460 can use an array of sonar distance-finding

devices linked to the navigation system that can slide the car into a parallel-parking slot without the driver touching the steering wheel.

While you are admiring that trick, you can ponder that the LS 460's lustrous paint job is the result of a new painting process that involves robots specifically developed for the LS production line that can buff the car's curvy body along six different axes, instead of just up and down. And when the robots are done, Lexus has workers who go over the finish by hand.

The LS 460 has an eight-speed automatic transmission -- an industry first -- a state-of-the-art aluminum V-8 engine that cranks out 380 horsepower and is expected to get 19 miles to the gallon in the city and 27 miles to the gallon on the highway. (The Cadillac STS's Northstar V-8 by comparison is rated at 320 horsepower, 17 city and 26 mpg highway.) The long wheelbase, limo version of the new LS has an optional climate-control system that uses infrared sensors to detect whether occupants are overheating. The car has systems that sense a crash coming and prepare the brakes and airbags for impact -- a system similar in intent to one available on top end Mercedes cars.

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The car's headlights were redesigned after the chief engineer decided the original prototypes didn't look enough like crystal. So he had a new prototype headlight made out of crystal, and had the supplier copy the look. The list goes on, and on and on.

Lexus's motto is "the relentless pursuit of perfection." It could just as well be simply, "Lexus. Relentless."



In addition to many new features, the LS 460 has a more aggressive design.

Lexus has problems. Sure. Lexus still isn't a major player in the market for cars priced above \$70,000 -- a rarified segment that has doubled in size during the past five years, according to Lexus general manager Bob Carter. Should Lexus look at building another sedan to compete against the likes of Bentley? Or a super sports car to rival Ferrari or Porsche? Lexus is looking at both options, Mr. Carter says.

The Lexus LS 460 represents, in one elegant package, most of the reasons why Toyota is widely expected to become the world's No. 1 auto maker sometime within the next two years. It is a technological tour de force by a company that, relative to its strapped U.S. competition, has bottomless resources. Tricks like automatic parking technology are a lot easier to do if your company is making billions, and has a top-shelf credit rating. For GM and Ford, Detroit's junk-rated giants, everything comes harder.

Toyota chose last week to mention that it expects profits in the six month period that ends Sept. 30 will be 500 billion yen (or about \$4.29 billion). Toyota's confident outlook, and its declaration that it intends to expand global vehicle sales to 9.8 million by 2008, an 11% increase from this year, stood in sharp contrast to the torrent of bad news hitting Detroit over the past several days. On a single day, Sept. 15, Ford outlined plans to hack 44,000 people off the payroll and Chrysler disclosed a likely \$1.5 billion third quarter loss.

As for those quality problems that have been embarrassing Toyota over the past year or so, Toyota said it will attack them by hiring 8,000 engineers. This is more bad news for Detroit, since some of those 8,000 will likely be Ford, Chrysler or GM engineers who decide that, all things considered, working for Toyota is a better idea. The Toyota hiring binge says something else, namely that Toyota can afford to add nearly \$1 billion a

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Even as Toyota executives sketch out plans to become the world's biggest auto maker, they still cling to the institutional inferiority complex that has characterized the corporate culture for more than 50 years, since the days when Toyota engineers humbly toured Ford's massive Rouge manufacturing complex in search of clues about how to make cars.

At Lexus for instance, Mr. Carter concedes that up until now, when wealthy customers considered their choices for premium luxury cars, "we weren't on those shopping lists" next to the segment defining Mercedes S Class and BMW 7 series. Now, Lexus hopes that the overachieving LS460, and the even more high-tech (and high priced) LS600h hybrid sedan, coming this spring, will be deemed worthy by these shoppers.

Lexus still has some road to travel to match the success of the two German luxury powerhouses, Mercedes and BMW. Globally, Lexus expects to sell about 400,000 cars this year, and aspires to get closer to 500,000 vehicles next year. BMW sold 597,120 BMW brand cars in the first half of this year alone.

Unlike baseball pennant races, contests for sales and dominance in the auto industry never end. A company's fortunes can change rapidly with a few bad calls on product, or some unforeseen shocks to the economy. Who knows? Maybe Lexus will bungle its plan to sell 30,000 or so of the new LS sedans in the US in 2007. More likely, the television spots and news stories last week about the Lexus that can park itself took care of next year's allocation.

So if you were wondering why GM, Ford and now Chrysler have been acting like the proverbial guys being chased through the woods by a grizzly bear, now you know what the bear looks like.

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Joe is the Detroit bureau chief for The Wall Street Journal, and has worked for the Journal since 1987. For most of that time, he has covered the auto industry from Detroit. In 1993, Joe and then-Detroit Bureau Chief Paul Ingrassia shared a Pulitzer Prize for beat reporting for their coverage of management turmoil at General Motors. Paul and Joe co-authored a 1994 book about the American auto industry in the 1980s and 1990s, "Comeback: The Fall and Rise of the American Automobile Industry." Joe also contributes new-car reviews to Smart Money magazine. A graduate of Harvard University, he lives with his family outside Detroit and commutes in a 2004 Subaru WRX.

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