




Toyota May Pass GM as Biggest Automaker Amid Slump (Update1)

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By Jeff Green



Jan. 21 (Bloomberg) -- **Toyota Motor Corp.** is poised to end **General Motors Corp.**'s 77-year reign as the world's largest automaker after avoiding the worst of the meltdown in global auto demand.

GM's 2008 sales probably fell more than 10 percent to about 8.34 million vehicles, based on preliminary regional figures. Toyota posted a 4 percent drop to 8.92 million. Detroit-based GM will announce its official tally at about 9 a.m. New York time.

Toyota may take the crown after boosting sales 70 percent since 1999 on demand for fuel-efficient cars in the U.S., Europe and emerging markets. Still, bragging rights may do little to revive growth amid a global recession that has forced the Japanese automaker to forecast its first **operating loss** in 71 years and caused GM to seek a government bailout.

"It's truly only a symbolic title," said **Rebecca Lindland**, an IHS Global Insight analyst in Lexington. Still, it may put "a lot of pressure on Toyota" as now other automakers will be chasing it, she said.

A GM spokesman, **John McDonald**, declined to comment before today's sales report.

Toyota dropped 3.9 percent to 2,980 yen at the close of trading in Tokyo. The stock tumbled 52 percent last year.

Shrinking GM

GM is trying to reduce labor costs, debt, dealers and brands to prove it should be allowed to keep a promised \$13.4 billion in U.S. loans to help restructure.

"General Motors needs to be smaller -- and smaller by hook or crook," said **Alan Baum**, director of automotive forecasting for consulting firm Planning Edge in Birmingham, Michigan. "GM had been shrinking voluntarily prior to the economy overtaking their efforts and overwhelming everything."

GM is working to lower its break-even point as the global economy worsens, Chief Operating Officer **Fritz Henderson** said in a Jan. 20 speech at the Automotive News World Congress in Detroit. The automaker last week cut its planning volume for U.S. sales to 10.5 million from a range of 10.5 million to 12 million.

He said losing the sales race to Toyota is not as important as return to profit and making GM successful. It remains to be seen if plans for government stimulus will be enough to end a global meltdown in housing prices, credit availability and stock market value, Henderson said.

"What if we have an \$800 billion fiscal stimulus package and it doesn't work?" he said.

Suppliers May Fail

The economic slowdown also means “hundreds” of parts suppliers may fail in the next few months because of declining automotive production in North America, said **Linda Hasenfratz**, chairwoman of the Original Equipment Suppliers Association and chief executive officer of Canadian parts-maker Linamar Corp.

Suppliers are seeking access to the same U.S. loans that are helping GM and are pushing to get support for other programs, such as government backing for loans on receivables, she said. If that fails, suppliers may need government help for funding to operate during bankruptcy, Hasenfratz said.

Toyota is overhauling its leadership after posting its first sales decline in 10 years. Executive Vice President **Akio Toyoda**, a grandson of the company’s founder, will become president in June, succeeding **Katsuaki Watanabe**, who will become vice chairman, the carmaker said yesterday.

“We’re facing a once-in-a-century crisis,” Toyoda, 52, told journalists in Tokyo yesterday. “I’ll try to make changes without being tied down by the past.”

The management shake-up “showed a sense of crisis at Toyota,” **Tatsuya Mizuno**, director at Fitch Ratings in Tokyo, said in a Bloomberg TV interview. “The company is considering how and which direction it should be heading for as it faces the structural change in the global market.”

GM’s Eclipse

GM’s eclipse was foreshadowed when it retained the 2007 sales crown by only about 3,100 vehicles, Baum said. For that year, GM’s total rose 3 percent to 9,369,524 units, compared with Toyota’s 9,366,418, a 6 percent gain. Toyota’s tally includes its Daihatsu Motor Co. and Hino Motors Ltd. units.

“If Toyota ends up ahead of GM there aren’t going to be any parties or banners, and if we end up behind in sales there won’t be a wake,” said **Mike Michels**, vice president of communications for Toyota’s U.S. sales unit in Torrance, California. “It means nothing to customers. The goal is to be the number one company with each customer.”

Industrywide sales in the U.S., the world’s largest auto market, fell in 2008 under the weight of record first-half fuel prices and the spreading recession. **GM’s domestic sales** tumbled 23 percent, outpacing the industry’s 18 percent slide.

U.S. industry sales in January are similar to December so far, “weak,” GM’s Henderson told reporters after the speech. Sales in December ran at an annualized rate of 10.3 million cars and trucks.

GM 2008 Sales

GM has reported 2008 sales for its three regions outside North America and sales by country for the U.S., Canada and Mexico. In 2007, the automaker had a category of Canada, Mexico and “other” of about 649,000 cars and trucks, or about 14,900 more than the 2008 total of 634,114 for just Mexico and Canada. McDonald had no comment on those figures.

Losses at GM have totaled about \$73 billion since the end of 2004. The automaker has pared profit-sapping sales incentives and moved to close more than a dozen factories and other locations in North America.

The company still expects to receive \$5.4 billion from the U.S. Treasury this week, after paperwork delayed a payment at the end of last week, Henderson said. He reiterated that GM can’t continue to operate without the U.S. money.

Survival Plan Overwhelmed

After announcing a new survival plan in July that included asset sales and salaried-job cuts, GM was overwhelmed after the September bankruptcy of **Lehman Brothers Holdings Inc.** hurt the ability of buyers to get auto loans and cut demand, Baum said.

In November, GM said it would run out of money by the end of 2008 without government loans or another source of funds. Chrysler LLC, which like GM received federal aid last month to avert collapse,

agreed yesterday to an alliance with **Fiat SpA** that includes a 35 percent stake for the Italian automaker.

GM took the world sales title from **Ford Motor Co.** in 1931, in the throes of the Great Depression, and retained it through World War II, the boom years of the 1950s and '60s, and the first five decades after Toyota began selling cars in the U.S.

"It's kind of sad to think GM isn't the biggest automaker anymore," Global Insight analyst Lindland. "But I'd rather have them be No. 2 and not bankrupt."

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