

# Toyota Closing NUMMI Factory In California



BY LINDSAY CHAPPELL AND AUTOMOTIVE NEWS PUBLISHED: AUG 27, 2009



Toyota Motor Corp. plans to close its oldest U.S. auto plant, New United Motor Manufacturing Inc., a venture that once symbolized Toyota's zeal to learn the art of automaking in America.

Toyota's board decided to shut the Fremont, Calif., plant in March. The plant builds the Toyota Corolla and Tacoma.

Toyota has never closed an American factory and has spent the past 25 years carefully avoiding the political and public image stigma of plant closings and worker layoffs.

The move will mean that Toyota will rely on its Corolla assembly plant in Cambridge, Ontario, to fill all dealer orders for one of the market's most resilient models.

The Corolla was the biggest seller under the just-completed federal cash-for-clunker stimulus program.

"After the decision by General Motors to withdraw from the NUMMI joint venture, Toyota conducted a thorough review of its alternatives in light of current and anticipated market conditions," Toyota executive vice president Atsushi Niimi said in a statement. "Based on this review, we have determined that over the mid- to long-term, it just would not be economically viable to continue the production contract with NUMMI. This is most unfortunate, and we deeply regret having to take this action.

"We remain strongly committed to maintaining a substantial production presence in the U.S.A. and North America," Niimi said. "To that end, we will consider moving additional Corolla production back to North America over time."

A more challenging issue will be where to move production of the Tacoma pickup. Toyota builds some Tacomas at a small plant in Tijuana, Mexico. But it also has been struggling with excess plant capacity at its big San Antonio plant, which builds only the full-sized Tundra.

A Toyota spokesman says the company will provide details about closing NUMMI later Friday.

## **Hand-off**

The decision to close NUMMI was largely thrust onto Toyota when partner General Motors walked away from the 50-50 joint-venture during bankruptcy this summer. Toyota and GM opened the plant in 1984 to share resources on a small car based on a Toyota platform.

GM would distribute its version of the Toyota car through its Chevrolet dealerships at a time when rising Japanese market share was beginning to alarm Detroit.

GM provided managers to the joint venture in hopes of learning Toyota's unfamiliar approach to lean manufacturing. Toyota leaned on GM's American managers at NUMMI to learn how U.S. automakers handled human resources, the UAW, legal issues, regulatory and compliance requirements, government relations and other issues.

But things have changed in 25 years. Toyota now has 14 North American factories building cars, trucks, engines and other components. The politically charged U.S.-Japan trade friction of the 1980s and 1990s has eased.

Toyota has found itself in 2009 coping with the problems that dogged its U.S. competitors: excess factory capacity, eroding market share and operating losses. Toyota posted losses of \$7.7 billion for the January-March quarter, a worse performance than GM's.

GM's departure from NUMMI this summer left Toyota's new Japanese and North American management team to decide what to do with an uncompetitive plant as it slashed costs around the world.

## **Big factory**

NUMMI employs about 4,700 workers, working in 5.3 million square feet--an enormous plant constructed and closed by GM before Toyota arrived.

It is Toyota's only UAW-represented work force.

To cope with the shrunken U.S. sales market, Toyota has cut back factory schedules at all its U.S. operations this year. It also has stopped one large project in its tracks--a plan to build a \$1.3 billion Prius factory near Tupelo, Miss. Toyota recently completed the building shell for that plant and has now ceased activity there.

Toyota has avoided laying off any U.S. workers this year. Instead it has offered employees voluntary buyouts, flexible work schedules, and reduced hours and salaries.

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