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Cover-Up: Toyota and Quality Control 隠蔽工作　トヨタのQC

David McNeill

Toyota is back on top after one of the worst crises in its history. But has it solved its problems, or just buried them?

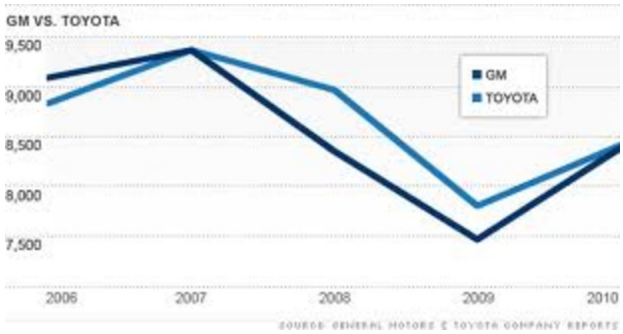
In 2008, Toyota faced an embarrassing problem: The Imperial Family's luxury Century Royal, used to carry Crown Prince Naruhito around Japan, was a dud. Memos flew back and forth between managers and senior engineers trying to find the cause of what appeared to be a speed-control fault. "This is a very difficult situation," fretted one engineer. "The Imperial Household Agency feels there is risk if it should recur." The unspoken concern was clear: What if a crash hurt or even killed Japan's heir to the Imperial throne?

The problem seemed rooted in electronics — but its solution was elusive, even to all those trained minds. Toyota replaced the gas pedal, the throttle system and the engine computer at its own expense. The crisis passed; the engineers heaved a collective sigh of relief.

For Betsy Benjaminson, however, that incident was a turning point. A professional translator, she had been privy to internal memos at Toyota and other large Japanese corporations since living and working in Japan in the 1970s. From 2000, she was exceptionally busy, thanks to the huge upsurge in legal translation among these companies. As they expanded abroad, the companies became ensnared in legal battles over price-fixing, bad deals, financial fraud and unreliable suppliers. Demand for experts able to bridge the linguistic and legal gaps was intense.

Betsy Benjaminson

Toyota was bigger than them all. In the seven years after 2000, the carmaker's U.S. sales rocketed by 80 percent and its market share almost doubled. Yet, just as it should have been celebrating ending General Motors' 76-year reign as the planet's largest automaker, it was battered by a series of scandals and recalls. Some experts said it had expanded too fast and let quality-control standards slip; others called it "big-company disease."



GM and Toyota Sales 2006-2010

Benjaminson, 56, found herself translating hundreds of internal Toyota documents for a New York law firm that was representing the motor company in dealings with the U.S. Department of Justice and the Securities and Exchange Commission. Toyota was under investigation for a string of sudden-acceleration incidents. Thousands of complaints alleged runaway cars; scores of people had been hurt or killed. An off-duty policeman and his wife, daughter and brother-in-law died when their Lexus sedan sped out of control and crashed near San Diego. An emergency services 911 dispatcher recorded a panic-stricken call from one of the doomed passengers: "Our accelerator is stuck!" A Minnesota man jailed for killing three occupants in a car he rear-ended insisted that his Toyota Camry had suddenly sped up. He was later released. Cars had driven into trees on straight roads, plunged into rivers and off cliffs.

Reading the Toyota documents, Benjaminson was shocked at the contrast between the frantic efforts to fix the Imperial limo and what she calls Toyota's "stonewalling" of consumers and investigators during the U.S. probe into these crashes. "The attitude in these memos between all the engineers working on the Crown Prince's car seemed very different," she says. "They brought a lot of people together and talked about the problem very seriously." In contrast, much of the company's energy in the United States seemed to be devoted to directing attention away from and covering up the problems.

Internal memos showed managers and executives "withholding, omitting or misstating facts" as they sought to "hoodwink" lawmakers, courts and regulators, according to Benjaminson. The reason was not hard to understand, she concluded: Electronic problems are notoriously time-consuming and expensive to fix. "I saw the huge discrepancy between what the company was doing publicly and what was being done internally. And I realized something was very wrong."

That epiphany triggered a profound decision: Benjaminson turned whistleblower. Ignoring legal warnings, she sent the incriminating memos to journalists, then to regulators and politicians. In March this year, after several years anonymously working for full

disclosure, she went public. Her claims are shocking.

Toyota has continually made misleading statements about defects in its in-car electronics, which had caused the sudden-acceleration accidents across the world, she says. Thousands of complaints have reached Toyota and the U.S. government. The company's engineers, quality-control managers, lawyers and executives know that the cars are defective but have stayed quiet, she says. As the accidents piled up, they blamed floor mats, sticky gas pedals and driver error — while Toyota's PR department produced what she calls "make believe" for public consumption. "I felt the public was undoubtedly at risk; cars on the road were dangerous and inside the company they seemed to know it," she says.

Benjaminson's claims were assessed this year by U.S.-based Corporate Counsel, a respected monthly magazine covering legal corporate affairs. The magazine's panel of experts did not find a legal smoking gun proving that Toyota had found and concealed "an electronic defect that was responsible for crashes." But it said many of the memos she leaked showed at the very least serious discrepancies between the turmoil inside the company and its bland public reassurances.

These discrepancies were evident during Congressional hearings held in 2010 at the peak of Toyota's U.S. crisis. Ray LaHood, secretary of the U.S. Department of Transportation, promised to hold Toyota's "feet in the fire." The company was forced to recall more than 8 million cars and pay fines of more than $50 million. More than $20 billion was wiped off its stock price. Toyota executives, including President Toyoda Akio and Jim Lentz, the CEO of Toyota Motor Sales USA Inc., were summoned to testify.

Lentz denied problems in the electronic throttle systems of its cars. "We have done extensive testing on this system, and we have never found a malfunction that caused unintended acceleration," he said. Toyoda struck a more conciliatory note: "Quite frankly, I fear the pace at which we have grown may have been too quick," he said. "We pursued growth over the speed at which we were able to develop our people and our organization."

But Congress never heard the private concerns of Takimoto Masatomi, Toyota's R&D chief. In his analysis of the company's structural problems sent to this reporter by Benjaminson, he blames cost-cutting, overexpansion, poorly educated workers, failure to source or integrate quality local parts, poor communications with overseas suppliers and other problems for the company's predicament. "These problems were described as so pervasive and wide-reaching that it is highly implausible that they could be resolved in a matter of months or even a few years," says Benjaminson.

Toyota has denied Benjaminson's claims, calling them "misleading and wrong." In a statement released in April, the company said the safety of its electronic throttle-control system had been "repeatedly confirmed." It cited a joint probe by the National Highway Traffic Safety Administration (NHTSA) and NASA scientists, who together lent their expertise in complex computer-controlled electronic systems. Toyota and the NHTSA say NASA found no electronic flaws capable of triggering unintended acceleration.

Instead, the NHTSA said the problem was mechanical, not electronic: a design flaw that trapped gas pedals in floor mats, and "sticky pedals, that made some accelerators too slow to release." Toyota insists it has fixed those problems in recalls. In February 2011, LaHood said he was satisfied that Toyota cars were safe.

Benjaminson and others call LaHood's verdict premature. She says the Toyota memos show that electronics issues related to unintended acceleration were known inside Toyota but ignored in the NHTSA and NASA probes. "It's an ongoing scandal and Toyota is still covering it up," she says.

Sean Kane, the head of Safety Research & Strategies, a U.S. company that investigates injury and death cases involving cars and other products, is more blunt. He says the regulators gave Toyota a pass after intense government pressure on both sides to wind up the crisis and return to business as normal. "They made it look like they were playing hardball, but those penalties amounted to just minutes of profits for this company," Kane maintains.

Stories of runaway cars continue to emerge. In March this year, Mussarat Chaudhary, a 58-year-old mother of seven, died after her 2009 Toyota Camry plunged into the Sacramento River in northern California. Her lawyer and family are suing Toyota, blaming sudden acceleration. Around 500 similar lawsuits are pending across the U.S.

Reporting on Toyota acceleration crashes

Toyota is hardly the only car giant to experience these problems. General Motors recalled over three a half million cars in 2004. Defective windscreen wipers forced Honda to fix 3.7 million cars in 2005. Around the same time as Toyota was on the rack in its core US market, Ford discovered a problem with faulty cruise-control switches that ultimately triggered 14 million recalls – the largest in automotive history. The Japanese weeklies pointed out – correctly – that Ford had a far worse record for quality: another Ford recall in 1996 affected 7.9 million cars. But Toyota had built much of its reputation on keeping tight control over quality.

In an attempt to end the affair, Toyota is expected to pay a stunning $1.3 billion to compensate owners for economic losses associated with its cars. The terms of those settlement agreements keep all discovered technical facts secret. Kane doubts the problems will end there. "It's pretty rare that we don't hear from consumers every single day about sudden acceleration," he says.

As one of Toyota's leading critics, Kane's research helped trigger the Congressional inquiry into the company. He claims to have examined thousands of complaints and says he has no doubt that electronic problems are to blame in many cases. "What's compelling is that there are patterns that stand out, and there is more going on than can be possibly explained through driver error or mechanical faults," he says. "Cars now have electronic control systems that have millions and millions of lines of code that take signals from all over the vehicle, so you're going to have problems." One reason why Toyota is struggling with sudden acceleration is its sheer success, says Kane. "When Toyota creates a technology, they use it across so many platforms that the breadth and scope of the vehicles involved causes problems. Ford and other companies may have pockets of problems with vehicles, but they tend to be limited to certain models."

In 2012, Benjaminson took her campaign to Washington. She sent her files to Sen. Charles Grassley, the ranking Republican on the powerful Judiciary Committee, which oversees antitrust law, among other issues. In meetings with Judiciary Committee staffers, technical experts substantiated her concerns that Toyota had not fully disclosed and the NHTSA had not fully investigated the root causes of unintended acceleration. But that investigation was then suspended, as is another potential probe — pending further evidence — by the House Energy & Commerce Committee.

In addition, the intense spotlight on Toyota in 2010-11 has seemingly created media and political fatigue. However, Benjaminson, the translator, who lives and works in Israel, says she has no intention of quitting. "The highest level of safety is to submit to third-party checking," she says. "Unfortunately, the auto industry has escaped this safety-certification system till now. Basically, consumers are being asked to trust the automakers with their lives. Toyota's engineers and executives may feel infallible and entitled to complete secrecy — but consumers deserve better."

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Toyota was famously slow to respond to the glut of claims of sudden acceleration problems afflicting some of its vehicles — at least until a now-notorious recording of an emergency 911 call made from one of the passengers stuck in 45-year-old California Highway Patrolman Mark Saylor's speeding Lexus on Aug. 28, 2009. "We're doing 120 (mph [193 kph]). We're in trouble … we can't … there's no brakes," said the caller, moments before the car crashed at a San Diego intersection and burst into flames, killing everyone inside — Saylor, his wife, daughter and brother-in-law.

The distress call, repeatedly aired on network TV and posted on YouTube, triggered a very public media trial of the Japanese carmaker.

Four years later, and after one of the worst periods in the company's 75-year history, Toyota is back. It posted quarterly profits in March of $3.2 billion, its best financial showing in five years. Sales in America, its biggest export market, have rebounded strongly. In the April-July quarter, the company hauled in profits of $5.5 billion, larger than chief rivals Ford and General Motors *combined.* Last year, it produced 9.75 million vehicles — half a million more than GM, making it again the world's No. 1 carmaker. In 2010 Toyota quietly settled a compensation suit with Saylor's family on condition that it accepted no liability.

Despite a string of looming lawsuits and continuing questions about the safety of its in-car electronics, the crisis that some thought might knock Toyota from its perch seems to have passed — to great relief in the city of Toyota, Aichi Prefecture. Fortunes in this city of 420,000 people rise and fall on the back of Toyota's balance sheet. About 80 percent of the local workforce are said to depend directly or indirectly on the company's seven factories in the area and its thousands of subsidiaries and suppliers.

Toyota Motor Corporation is largely responsible for one of the lowest regional unemployment rates in Japan, and one of its busiest hubs: Goods passing through nearby Nagoya Port have for years accounted for around half the country's trade surplus. In 1959 residents of Koromo opted to permanently change the city's name to Toyota. There, Toyota's museum proudly notes the company's phenomenal two-decade expansion, pointing out that it now makes vehicles in "26 countries and regions around the world." Cars are just part of a growing multinational portfolio that includes homes, boats, industrial robots, biotechnology and financial services.

Toyota workers

Many folk there believed the U.S. safety crisis was overhyped — a claim backed in Japan's mass-selling weekly magazines. "America is at war with Toyota," screamed *Shukan Shincho* in 2009. Many Japanese commentators accused U.S. newspapers and TV of playing up Toyota's problems for political effect. "Behind this story is the collapse of General Motors," said *Shukan Shincho,* bitterly criticizing the media feeding frenzy against Toyota — a company that employs 200,000 American workers. But Toyota itself has learned a lesson, says John Harris, a Japan-based communications consultant to the car industry, declaring, "It was a wakeup call and by all accounts they have woken up."

He says the company has been quietly devolving power from its Japanese heartland to America and Europe, a strategy announced in March 2011, promising more "local initiative in management." For his part, Toyota President Toyoda Akio insists the company is leaner, more nimble and transparent.

Harris believes Toyota grew too big too fast, and lost control over its key selling point: quality. "In manufacturing, you can have good, quick and cheap, but you can't have all three," he notes. "Toyota tried to have all three. They were cutting costs faster and harder than other car companies, while bringing in new plant and people. Expansion and cost cutting puts a strain on any organization. Something was bound to give."

Employees say Toyota's enthusiasm for cutting costs grew after the shock waves from September 2008's collapse of U.S. financial giant Lehman Brothers hit in 2009. Consequently, production lines were shut down and contract workers, including many from abroad, were sacked, leaving a pared-down workforce of full-time employees. The pressures of globalization and the company's determination to overtake General Motors eroded the very qualities that helped make it successful: the efficiency and loyalty of its suppliers and the thousands of smaller companies that labor in its shadow.

Stories of how Toyota relentlessly drove its suppliers to cut prices, in some cases even putting them out of business, grew around the company's heartland. One supplier, Sankyo Seiko in the industrial town of Kariya in central Aichi Prefecture, did the unthinkable in 2010 when its owner, Moewaki Teruo, went on TV to publicly say he would no longer take orders from the car giant. "Toyota said we were all one big family," he told *The New York Times.* "But now they are betraying us."

Local pride in the achievements of the company is still strong. Crime is low, the streets are pristine and few shops have visibly shuttered. Unlike the hucksterism of its Detroit rival, General Motors, the atmosphere is low-key: Toyota Motors' headquarters squats in the center of a sprawling complex of nondescript factories and office blocks, its tiny logo barely visible in the orderly urban landscape that has grown around it.

The carmaker seems to have heeded the advice of experts who warned after 2009 that it had to return to basics — shifting from expansion back to maintaining quality. Toyoda, the company's president, said this year that growth must be slow and sustainable. "We have to keep improving, getting better and better, not taking for granted that we have recovered," he said. Whatever happens, however, Toyota has "lost something", says Harris. "It used to have this godlike reputation for quality. But now it has shown that it has feet of clay."

The Toyota You Don't Know

Critics say Toyota has largely escaped media scrutiny at home. In their book "Toyota no Shotai" ("The True Colors of Toyota") published in Japanese in 2006, Yokota Hajime and Sataka Makoto catalog the Japanese media's timidity when it comes to covering the nation's top advertiser.

In May 2004, an accident resulting in death occurred in Toyota's Tsutsumi factory in the city of Toyota, Aichi Prefecture. Yet, the book says, the mainstream media ignored the event for months, along with allegations made by the victim's father that it was the result of Toyota's emphasis on efficiency.

The book also references how, after a Toyota employee murdered his wife and child in 1992, editors in the mainstream media mostly ignored his connections to Toyota — instead referring to him as "a resident of the city of Toyota" to avoid stigmatizing the carmaker.

In 2008, the Pittsburg, Pennsylvania-based National Labor Committee, a nonprofit, nongovernmental human-rights group (renamed as the Institute for Global Labor and Human Rights in 2011), slammed working conditions at the company's Prius factory in the city of Toyota, alleging that it relied heavily on sweatshop labor from China and Vietnam.

In a 65-page report titled "The Toyota You Don't Know," the committee said workers are "stripped of their passports and often forced to work — including at subcontract plants supplying Toyota — 16 hours a day, seven days a week, while being paid less than half the legal minimum wage."

The report said a third of Toyota's assembly line workers in Japan were temporary staff. As well as their low pay, many had few rights and were forced to live in company dormitories, often two to three people sharing a small room. Any who complained were deported, said the authors. Toyota said it would look into the allegations.

In 2006, workers at Toyota said they were ignored after warning company management that its drive to become the world's No.1 carmaker had dangerously compromised product safety. Failure to act could endanger the company's survival, said one of the workers, Wakatsuki Tadao.

"People were overworked; some were committing suicide," he told the *Los Angeles Times.* "Of course, Toyota did nothing, but looking back we see how important this was. We just told them what we saw." Toyota declined to comment on the allegations.

In 2005, Darius Mehri, an R&D engineer who worked in the engine department for a Toyota subsidiary in Japan for more than three years in the late 1990s, published a book that praised Toyota's remarkable production innovations — but lamented its human costs.

In "Notes from Toyota-land: An American Engineer in Japan," Mehri said the system involved a "punishing amount of work for its employees and parts suppliers." Deadlines were unyielding, 16-hour working days for months on end were not uncommon. The practice of "service" (unpaid) overtime was rife.

"Under conditions of unrelenting overwork, it is simply too hard for engineers to produce products without design flaws and too easy for managers to hide those flaws. The author said overwork was a key reason for the growing quality problems at Toyota and other Japanese firms.

In 2006, the Toyo Keizai business magazine also warned that Toyota's relentless expansion had created a surge of design and manufacturing flaws and was behind a rising number of recalls. The warning came before the U.S. recall scandal erupted in 2009.

Toyo Keizai said everyone from shop-floor workers to managers was being stretched to the limit by the demands to expand. It said the growing use of temporary workers to cut costs had driven standards down and stored up quality and safety problems. The article quoted managers who said they wanted to slow down the expansion of new factories but didn't know how to do so.

When allegations of accidents involving alleged faults in Toyota cars have emerged, the company has stonewalled victims, say families. Some have been angered by their treatment at the hands of the company.

Ron Eves, a Canadian who lost his son Chris in what he calls a "mysterious" single-vehicle 2007 crash in Washington State, found some of his son's hair and scalp tissue near the gas pedal of his U.S.-built Toyota Tundra, indicating he was reaching down to release the pedal at the time of impact.

Eves pressed Toyota to disclose the contents of the car's electronic data recorder, which might reveal the cause of the accident. However, the company refused. After a legal struggle, Toyota released data that was "flawed and incomplete," Eves told a Canadian parliamentary hearing.

Commenting on this, Eves said, with remarkable restraint: "Even with this incorrect or flawed readout, Toyota refused to examine the situation further."

David McNeill writes for The Independent and other publications, including The Irish Times, The Economist and The Chronicle of Higher Education. He is an Asia-Pacific Journal coordinator and coauthor of *Strong in the Rain: Surviving Japan's Earthquake, Tsunami and Fukushima Nuclear Disaster* (Palgrave Macmillan, 2012). This is a revised and expanded version of an article that appeared in The Japan Times newspaper on June 9, 2013.

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