

## **Texas 2036 Interview: A Conversation With Chris Nielsen of Toyota Motor North America**

*The interview has been edited for clarity, brevity and key highlights.*

Today we speak with Chris Nielsen, Executive Vice President for one of Texas' top employers, Toyota Motor North America. He explains why Toyota selected Texas to locate its U.S. headquarters, how it is innovating to provide personal protective equipment (PPE) and ensure employees are safe when they return to work, and what the future looks like for the company and our state.

**Margaret Spellings: I want to dive right in with why you're in Texas, and what your growth here has meant to the company?**

**Chris Nielsen:** To tell a story about Toyota in Texas, we really need to step back about 60 years to when we started importing and selling vehicles in the U.S. Then about 30 years ago, we started manufacturing them here as well. Today, almost two thirds of the Toyota Lexus vehicles sold here are made in our network of 14 manufacturing plants in North America, nine of those, and soon to be 10, right here in the U.S.

The move to Texas was about bringing the company together so we could innovate, collaborate, and get faster. Once we made the decision, Texas was an easy choice. There's a strong workforce here. We did move 3,000 people here, but we also hired over 1,200 Texans after we found our local Texas hires to be outstanding. Secondly, it was about the outstanding business climate in this state that we all enjoy. Then finally, it was about the quality of life for our team members. We've really found that to be an outstanding component of our move here.

While our headquarters here is new, Toyota's not new to the state. We have the manufacturing plant in San Antonio, where we produce the Tundra and Tacoma pickup trucks, along with 23 onsite supplier partners. We have our great partners at Gulf States Toyota in Houston, and they've been in the state for 50 plus years. Then we have our Toyota Lexus dealers spread throughout the state. All told, about 21,000 Texans are a part of our Toyota family. Grant Thornton did a study when our headquarters moved here, and said that over the next decade, the move of our headquarters will have an economic impact of about \$7 billion. That's a big number and we're really proud of that. I think more than anything, we're about setting down our roots in the state and becoming a good neighbor and a good citizen in all the communities where we live and work.

**Margaret Spellings: Obviously, these are challenging times for employers, large and small, and the policy implications that are relevant to manufacturing create a lot of opportunities, and a lot of challenges. Talk about how you're dealing with the COVID issues as an employer, and how you're thinking about your human capital. Where are we going in the future as it relates to manufacturing?**

**Chris Nielsen:** Just like all businesses, COVID has had a substantial impact on us. Let me share what we've been doing during the last couple of months in three categories. First, automotive service and repair has been declared an essential business in every state, so that part of our business continues to operate. Our distribution facilities provide parts to all of our dealers so essential workers in the medical field and grocery stores can have their vehicles maintained and repaired throughout this. We're really proud that we've kept that part of the business going to support their needs. It's really about mobility, and in the U.S. most people get around in automobiles.

Second, we put our manufacturing operations on pause for the last six weeks. We did that for a couple of reasons. One is that we needed time to put in place protocols to protect our team members. There was also a dramatic reduction in demand. People stopped buying vehicles, so we used that time to gear up for the future. Now we're restarting our manufacturing facilities, but a lot of things had to change to allow for physical distancing and sanitation protocols. Automotive assembly plants employ a lot of people in close proximity, so we physically changed the layout of our plants. We put up barriers to protect employees along with instituting best practices as defined by the CDC and OSHA, things like face masks, and temperature checks. We feel like we're ready to go and are confident we can keep our team members safe.

Finally, for our corporate offices, including our new headquarters here in Plano, we effectively put in place a work from home strategy. We found that we're able to be effective and productive. For the foreseeable future, we're going to continue doing this at our corporate locations.

**Margaret Spellings: Toyota is famous for quality and innovation. In this new COVID era, there's opportunity for reinvention, innovation, and new ways of thinking and doing things that we might not have done before. How do you look down the line and think about that? How might we think about the automobile industry going forward?**

**Chris Nielsen:** There's the old adage, "Necessity's the mother of invention." And I think this crisis has allowed a lot of that to occur. In January 2018, my company declared we were transitioning from a traditional automotive company to a mobility company. We center that around four different areas. One, was connection, you're always going to be connected to various services. Second, was autonomy, moving towards more autonomy in vehicles. Third, was shared services, whether that be ride sharing or vehicle sharing. Fourth was electrification. During those times, manufacturing never stopped. We continued to innovate and think about advanced robotics, artificial intelligence, and additive manufacturing while the headlines continued to evolve and develop. We really hadn't scaled those things up substantially until this crisis. I mentioned additive manufacturing, and another part of that is 3D printing. We had 3D equipment in our labs and engineering facilities that we used during this pandemic to produce medical supplies, including face masks, for healthcare workers. To date,

we've produced over 400,000 of those and supplied them to hospitals in Texas and across the country. I think we'll eventually hit half a million. This crisis gave us an opportunity to scale up those technologies, which I think will benefit us in future automotive manufacturing as well.

**Margaret Spellings: You mentioned one of the major reasons that you came to Texas was the workforce. Talk about how your company is developing human capital, especially while we're working remotely.**

**Chris Nielsen:** The guiding principles of the Toyota production system are continuous improvement and respect for people. The core of that is developing human capital. We felt an obligation to expand that outside the company. Our Toyota Production System Support Center has been around for over 25 years now. They take things we've learned internally like how to be efficient, how to be productive, and expand them externally. We've worked through the years with food banks and children's hospitals to share these practices and know-how. The intent is to help develop employees at these organizations so they can take that knowledge and improve their operations, be more effective, and deliver better quality products and services.

In the spirit of our conversation about how COVID has changed things, we've taken that and applied it to this crisis as well. We're working to improve the efficiency and setup of drive-through testing centers in the state. We've also worked with PPE producers to help improve the output of critical products and supply chains of medical device producers. Some of that we're doing virtually or remotely. Here in the Dallas community, we've been able to do a lot of work with boots on the ground while maintaining safety and social distancing. It's all about sharing that know-how to improve our community, whether it be businesses or government agencies across the state.

**Margaret Spellings: Texas 2036 is preparing for the next legislative session and there are some big issues around health, infrastructure, workforce, justice, and the way our government performs. What advice do you have for our state policy makers as we look to pretty significant budget gaps?**

**Chris Nielsen:** First of all, I want to thank our state leadership and local communities for their overall response to this crisis. Nobody had a playbook for this and we're learning as we go. Their commitment to the health and safety of the citizens in Texas is really impressive. With that said though, there are many challenges. We're going to have to make some tough decisions in terms of priorities. Education is at the center of everything we do in Toyota. I know that is the case for Texas 2036 as well. How to deliver effective education to students throughout the state while facing budget constraints is going to be one of the key questions. As a parent of three children who are learning virtually at home right now, doing so presents a lot of challenges. There are good points and challenging points, but I think we're going to learn a lot from this. I

think we can learn ways to become more efficient and effective at delivering outstanding education to Texas students.

**Margaret Spellings: I appreciate your time today and for sharing your wisdom with us. Do you have any parting comments before we wrap up?**

**Chris Nielsen:** Margaret, thanks so much for this opportunity. It's been a great pleasure to be with you. Really, my closing thoughts are of optimism. Our nation will survive this. Texas has always been the shining star of our nation. Our economy is very diverse. It's the 10th largest economy in the world. More than that, it's the spirit we have as a state, that spirit of can-do optimism that's going to lead us out of this. Many challenges ahead, there's no doubt about this, but I have full confidence that Texas will continue to be the beacon of light for our nation, for all our citizens.