

# **Toyota in the UK: Partnership and competitiveness**

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TMUK Corporate Planning

# Toyota in the UK: Partnership for competitiveness

Introduction: Toyota and TMUK

Toyota & the UK

The UK's Competitiveness Proposition

Summary

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# Toyota - In the World

- One of the world's leading automotive manufacturers
- Operates 53 overseas and 12 TMC manufacturing companies
- Markets vehicles in more than 170 countries



# European Manufacturing

## • 9 Manufacturing Plants



TME Head Office



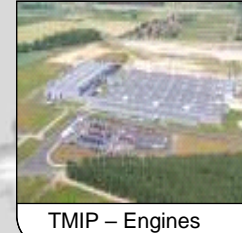
TME Technical Centre



TMUK – Engines  
inc Hybrid



TMUK – Auris (Hybrid),  
Auris Touring Sports  
(Hybrid) & Avensis



TMIP – Engines



TMMR  
– Camry & Rav4



TMMF – Yaris  
& Yaris Hybrid



TPCA - Aygo



TMMP – Engines &  
Transmissions



Toyota Caetano Portugal  
– Land Cruisers




TMMT- Verso, Corolla  
& C-HR

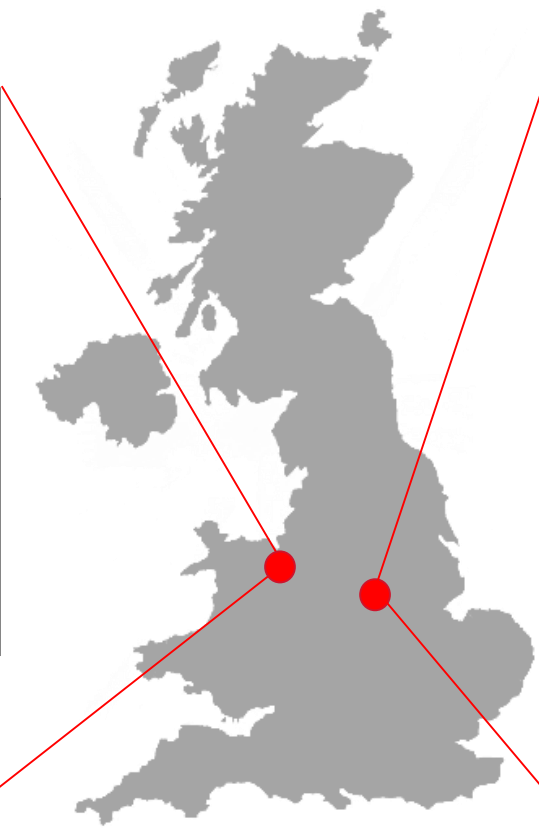
**Around two-thirds of Toyotas sold in Europe are made in Europe by Europeans**

# Toyota Motor Manufacturing UK Overview

**Deeside, North Wales**  
engine manufacturing



Start of production Sept 1992  
564 employees (incl. 137 agency)



**Burnaston, Derbyshire**  
vehicle manufacturing



Start of production Dec 1992  
2,554 employees (incl. 170 agency)

**Both plants represent a  
£2.5 billion Investment**



# Scale of our operations

## Burnaston plant: vehicle manufacturing

**Press**



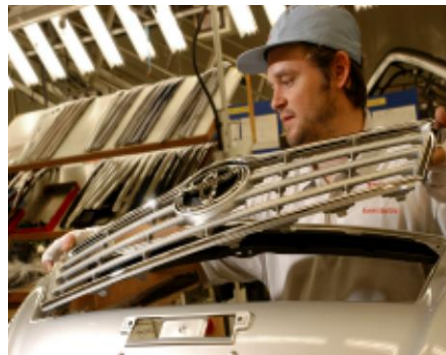
**Weld**



**Paint**



**Plastics**



**Assembly**



**Quality Assurance**



# Scale of our operations

## Deeside plant: engine manufacturing

### Casting & Machining



### Assembly



### Quality Assurance





# UK production history [1992-2016]

Engines



Vehicles

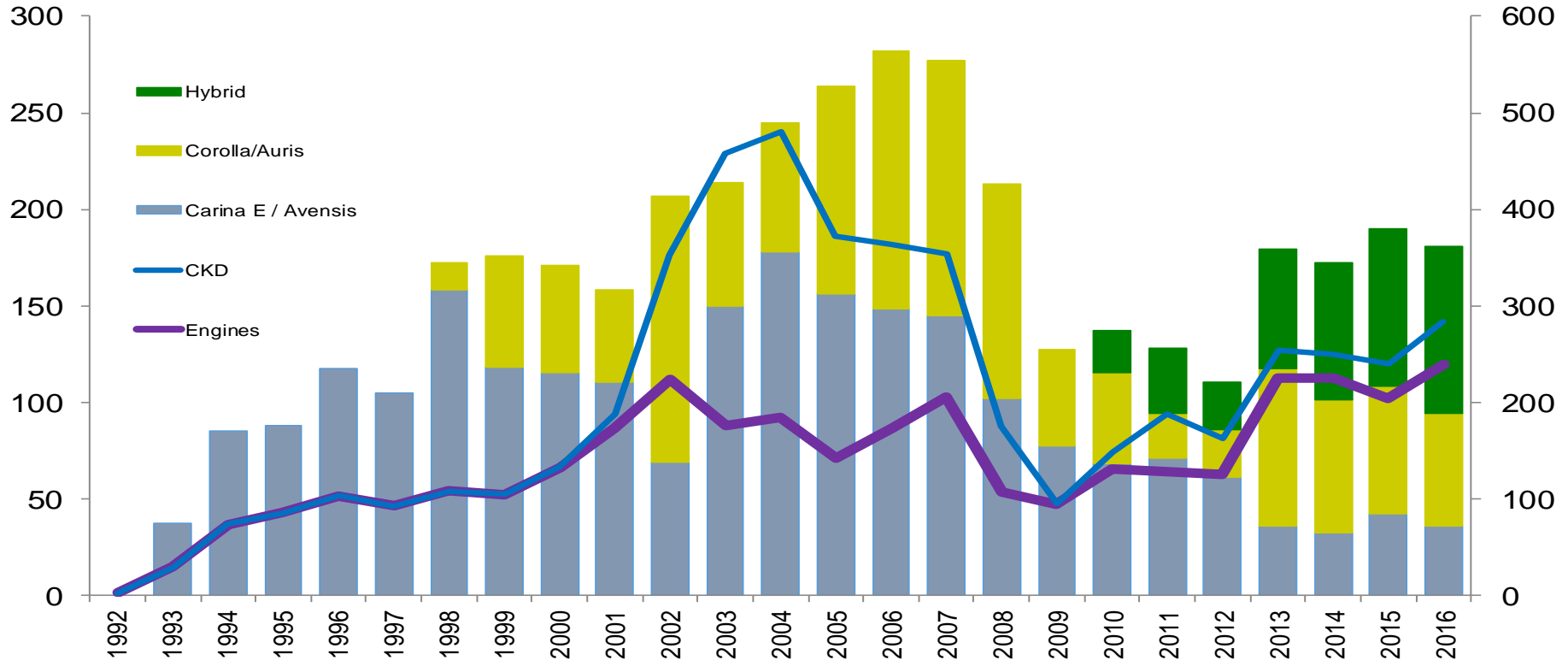


Vehicle  
x 1,000

**AURIS**

**AVENSIS**

Engines  
x 1,000



**Made 4 million vehicles and 3 million engines (inc CKD)**

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# Economic impact: Direct benefit

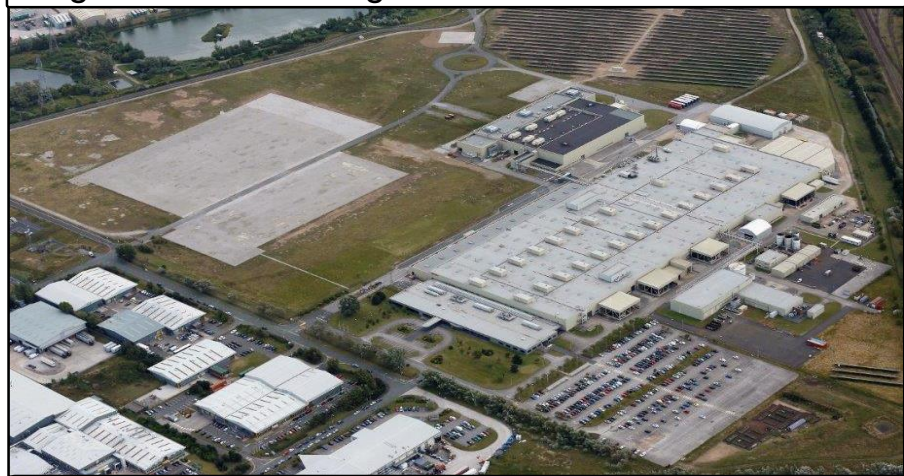
**Burnaston, Derbyshire**  
vehicle manufacturing



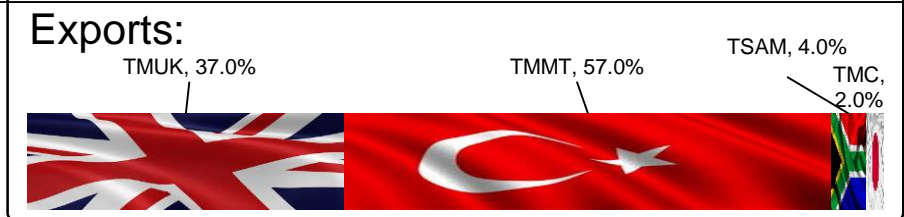
2,554 employees  
£1.5 billion investment



**Deeside, North Wales**  
engine manufacturing



564 employees  
£700 million investment



**£2.1 Billion Export Revenue (FY15)**

# Economic Impact: Supply Chain

**£900m**

Annual spend with TMUK  
suppliers by Toyota Motor Europe

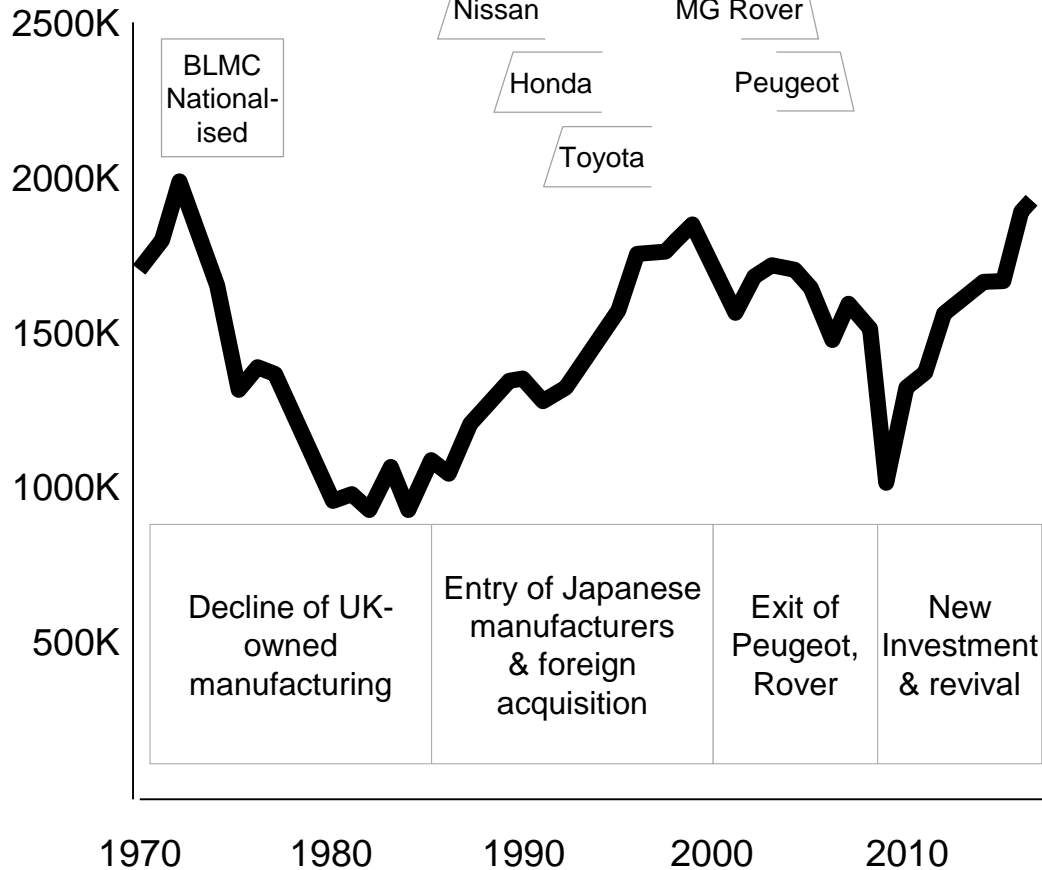
Total of all Toyota Motor  
Europe suppliers in the UK: **25%** *largest concentration  
by country in Europe*

**90** European plants supplied  
by Tier 1 suppliers

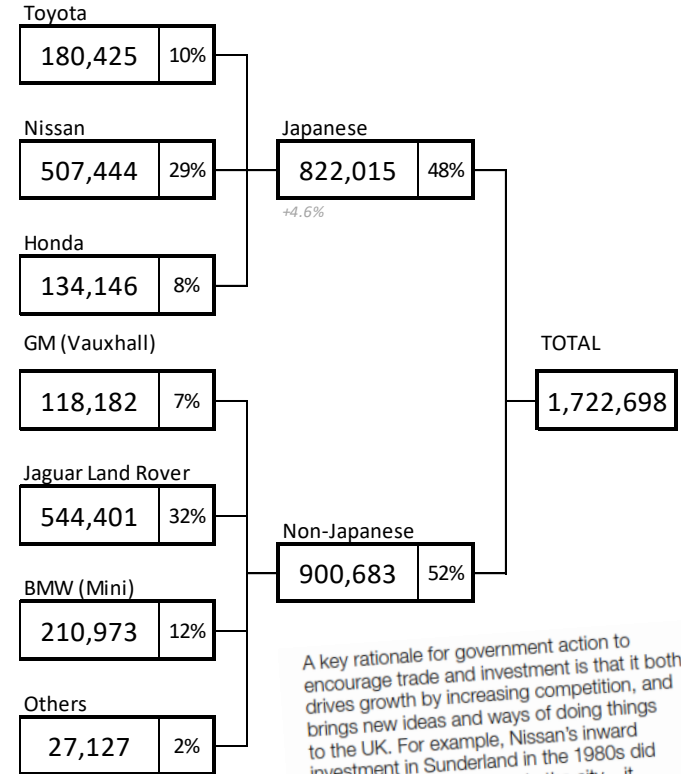


# Industry Impact: Manufacturing

UK Vehicle production



2016 Production



A key rationale for government action to encourage trade and investment is that it both drives growth by increasing competition, and brings new ideas and ways of doing things to the UK. For example, Nissan's inward investment in Sunderland in the 1980s did not only create good jobs in the city – it also brought new automated production techniques to the UK from which other companies learned, increasing competition in the industry. Economists describe these effects as productivity 'spill overs' – businesses best equipped to compete in a global marketplace possess particular organisational skills that can diffuse to other companies in the economy.

# Industry Impact: Manufacturing skills

## Toyota Academy / Apprentice Development Centre

- Partnership with Burton & South Derbyshire College
- Working with 25 different local suppliers & SMES
- training 104 apprentices.
- Toyota (GB) centralised training to co-locate to Burnaston, operational since September 2016.



## Programmes

- **Art of Manufacturing:** introduce Year 4-6 students to engineering and manufacturing (59 programmes = 1,785 pupils)
- **Industrial Cadets:** work experience for years 10-11: work through simulation whilst promoting careers in Manufacturing & Engineering (9 programmes = 137 pupils)
- UTC education design & delivery (JCB Academy UTC and Derby Manufacturing UTC)
- Educational Governorships



# Community Impact

## Donations

- 42 vehicles in past 2 years to Derbyshire Fire & Rescue for accident recovery training
- 50 airbags in 2016 for road safety initiatives in schools



## Volunteering

- Business in the Community (BITC) volunteering e.g. 2016 refurbishment of a Derby Community Centre
- Apprentice volunteering e.g. school garden regeneration



## Partnerships

**Business in the Community – Member** : Awards, Volunteering, Advisory board, Prince's Ambassador for Responsible Business in the East Midlands

**Derby County Football Club** – longest serving corporate partner

**CLC** – Community Liaison Committee – working with our local parishes. Egginton Flood defences. Etwall leisure centre.

**Local Nature Partnership** – Protecting & improving the natural environment.

**Derbyshire Wildlife Trust** - Corporate Member – First business to sign up to Transforming the Trent Valley Initiative – committing to preserving and restoring wildlife habitats on our land

**Derby Renaissance Board** – creating a thriving and attractive city for all.

**Marketing Derby** – Bondholder. Promoting Derby city to support and attract investment

**South Derbys District Council** – Partnership Board member & Community Strategy Review Working group

**Twinning** – Twinning partnership between Derbyshire, Derby City and South Derbyshire local government and Toyota City established 1998.

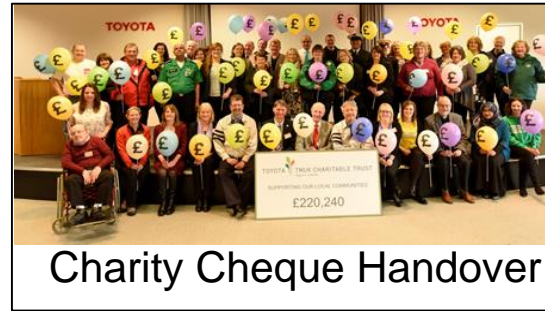


Eco Day 2016

# Community Impact: Charitable involvement

**TOYOTA**  
MANUFACTURING UK

Over **£5.5 million** donated to local & national charities



Charity Cheque Handover



**Toyota Manufacturing UK Charitable Trust.**  
**Est. 2008**

Focus Areas:

- Road Safety
- Health
- Social Inclusion

Fundraising through Lean Approach Seminars, Public Visits & member fundraising activities. Over £305k raised in 2016.

Managed by a team of 6 Trustees representing TMUK management & shop floor members.

## Employability Programmes



- “Toyota Road to Success” 9 week employability programme for young people (NEETs)
- 6 programmes within Derby city & South Derbyshire across 3 years
- Funded by The Charitable Trust



- Foyer Federation Working Assets Programme
- 6 month programme
- Since 2012
- Up to 12 participants per programme
- 2015/16: 100% participants now in training, employment or working in voluntary sector





# Community Impact: Environment

## Biodiversity promotion and performance

Site habitat monitoring and Management Since 2004



Created Toyota Nature Reserve in 2010



Education Activities and Annual family eco day



Employee volunteering



## Community Partnership

Founding partner of Trent Valley Living Landscape Initiative



Toyota nature reserve



Linking nature with peoples homes and places of work

Wildlife Trust Official Launch May 2010



# Green Grid – Partnership with Kew Royal Botanic Gardens



Toyota has joined forces with the Royal Botanic Gardens, Kew, in an industry-first partnership to promote biodiversity and environmental excellence at our UK sites.

**Natural surroundings...**

**In future it will create even more natural habitats**

**234,000m<sup>2</sup> habitat restoration by 2020.**

**Kew**  
ROYAL BOTANIC GARDENS



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# Burnaston – at start of construction



1988 - Greenfield site



# Burnaston – at start of construction



1989

# Burnaston – during construction



1991



# Burnaston - today



Today

# Reasons for a UK location

## Why the UK?

- Tradition of vehicle manufacturing
- Large domestic market
- Transport links
- Working practices
- **Positive attitude towards FDI from government**
- English language
  
- **Barrier-free single market access**

## Why Derbyshire & Flintshire?

- Availability of suitable land with good transport links
- Local skilled & flexible workforce
- **Local authority enthusiasm & willingness to assist**
  - **Infrastructure provision**
  - **Business and personnel support service to assist with local integration**



# Reasons for a UK location

What now in times of increased uncertainty?

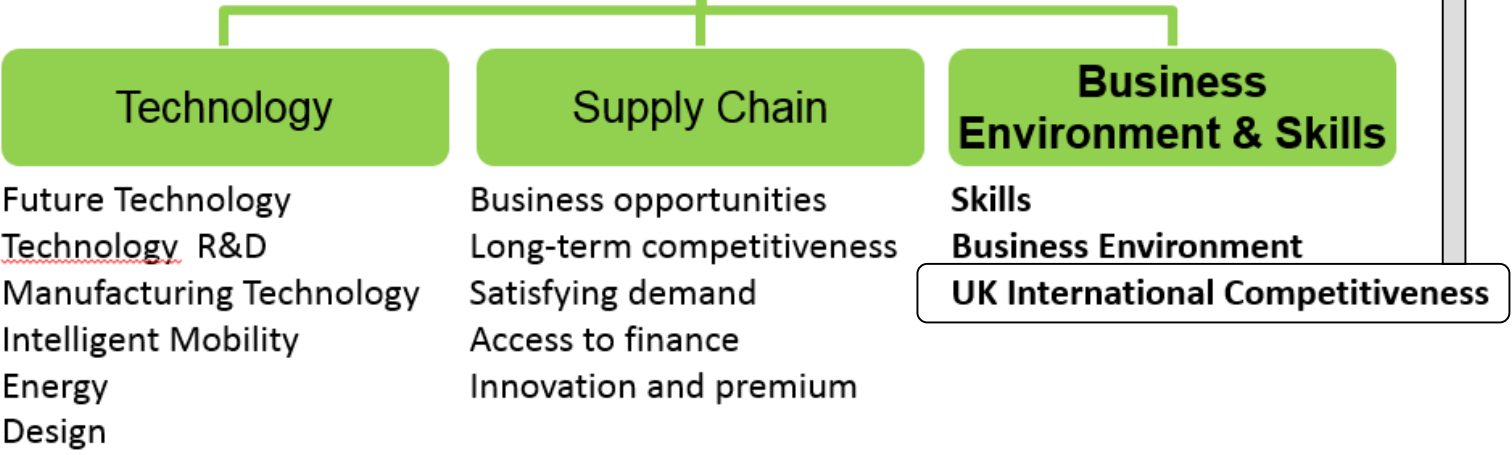


**Clearly understand own  
competitiveness**

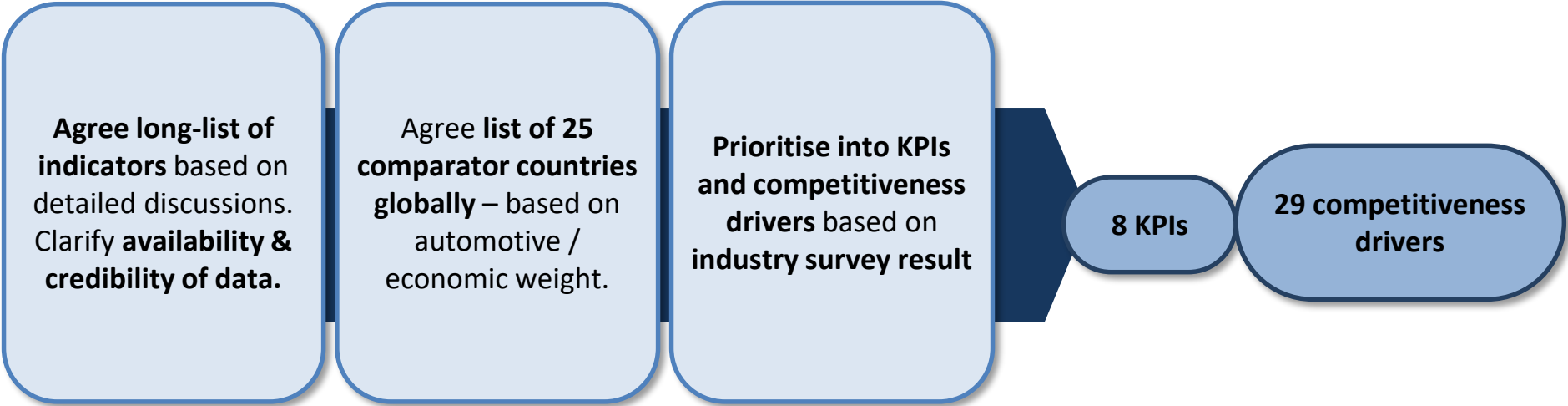
# Automotive Council Context



1. Maintain an objective set of KPIs based on real industry priority, to inform industry and government by clearly understanding the UK's strengths and weaknesses
2. Develop a set of "Killer facts" and use to demonstrate UK's competitive advantage, which can be delivered consistently to key decision makers in automotive



# The UK's International Competitiveness



Key principle:

What are the main drivers considered important by the people who make the real investment decisions

### Research and Development

Rank	Importance Indicator
1	Availability of skilled engineers
2	R&D tax relief
2	Government strategic engagement
4	University-industry collaboration
5	Labour flexibility
6	Accessibility of incentives
7	Investment in R&D by government
7	Availability of skilled operators
7	Political stability
10	Capital allowances
11	Corporation tax
11	Business rates
13	Energy cost
13	Infrastructure

### Manufacture of Vehicles or Parts

Rank	Importance Indicator
1	Labour productivity
2	Hourly labour cost
2	Labour flexibility
4	Availability of skilled engineers
5	Availability of skilled operators
6	Transport cost
7	Energy cost
7	Accessibility of incentives
7	Political stability
10	Infrastructure
11	Corporation tax
11	Government strategic engagement
13	Business rates
13	Capital allowances

### Greenfield Site / Corporate HQ

Rank	Importance Indicator
1	Labour productivity
1	Accessibility of incentives
3	Labour flexibility
3	Availability of skilled operators
3	Availability of skilled engineers
6	Hourly labour cost
6	Energy cost
8	Corporation tax
8	Capital allowances
8	Government strategic engagement
8	Infrastructure
8	Currency stability
13	Transport cost
13	Political stability
13	Level of corruption
16	Business rates

# Objectives & Output

Develop an objective set of KPIs

based on real industry priority, to inform industry and government by clearly understanding the UK's strengths and weaknesses

Maintain a set of "Killer facts" to demonstrate UK's competitive advantage, which can be delivered consistently to key decision makers in automotive

White Paper

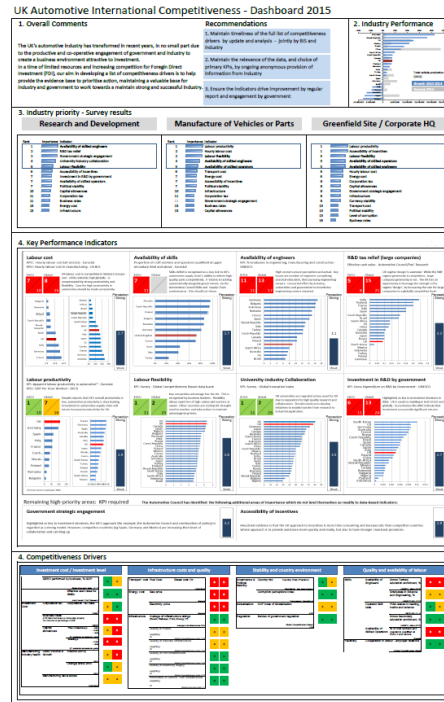


UK Automotive International Competitiveness Report 2015

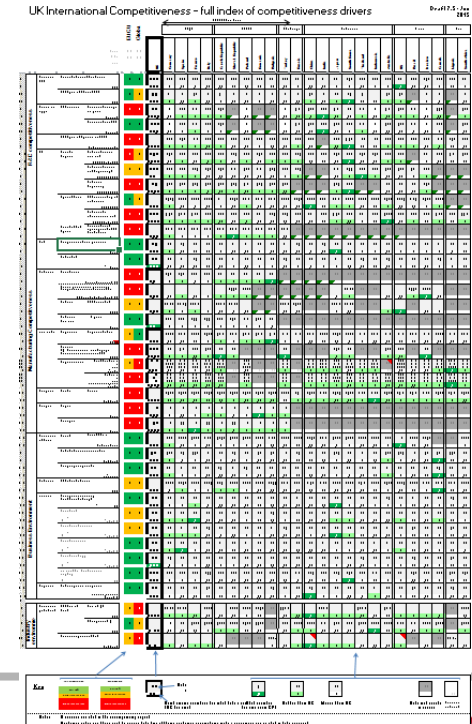


Peer-reviewed by the Automotive Council

Dashboard



Full Matrix



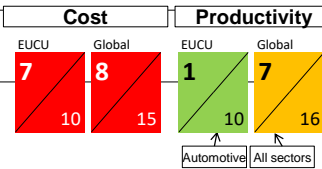
TOYOTA MOTOR MANUFACTURING (UK) LTD

All data sources quoted are verified and listed in the report

Published at: <http://www.automotivecouncil.co.uk/business-environment-and-skills-group/internationalcompetitiveness/>



## Labour Cost & Productivity



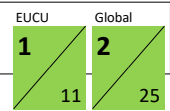
Wages in the UK are relatively high, but **productivity in automotive is a strength.**

### Productivity in UK Automotive is an outlier:

Investment in technology and production of high value product **make it a model** which the industry is working to roll out through the supply chain and wider industry.

1

## Labour Flexibility

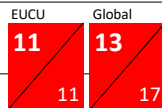


**Labour flexibility is a major strength for the UK**, and recognised as such.

The industry is **compiling evidence** to demonstrate the value of a **flexible employment regulation landscape**, striking the **right balance for sustainable job opportunities**

2

## Availability of Engineers

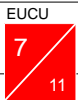


Engineers are critical – and there is a **serious gap in supply. Industry, Government and Academia are starting to take radical action to address this**

Through the **Automotive Industry Partnership**, industry and government **clearly identified skills gaps**, and are **enhancing training provision** to meet present and future needs

3

## Availability of Skilled Operators



< proportion of craft workers and operators qualified at upper secondary level and above. >

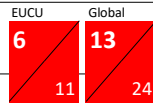
**The skills deficit is recognised as a key risk** which could reduce the UK's automotive supply-chain to deliver high quality parts competitively.

Introduction of the **UK Apprenticeship Levy** will be managed carefully to target up-skilling of operators who can contribute to the **high skill, high productivity work required by UK Automotive.**

4



## Government investment in R&D

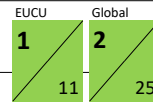


Investment by the government in innovation is good for business, and good for the country.  
**Automotive provides a real opportunity**

Investment in automotive R&D provides real returns. The government has demonstrated its commitment to the **securing the UK's potential as a high value R&D and manufacturing hub through** continued support in Catapult Centres and the APC

6

## University-Industry Collaboration

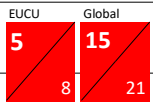


The UK's **excellence in research** and **high reputation for collaboration** are key driving innovation in UK automotive.

**Government, industry and academia are working in partnership;** initiatives like the **Catapult Centres** and **Advanced Propulsion Centre** are developing the capacity to facilitate collaboration.

5

## Large company R&D tax relief



This is a key tool to attract investment in innovation & technology.

**UK regime design is exemplary;** however, large companies are not granted relief at levels competitive with the best in the world

The Automotive Council is **monitoring the competitiveness of R&D tax** relief as part of to **broader tax environment**, and will continue to advocate the most attractive regime to attract internationally mobile investment to the UK.

# Next step

## Industry survey on competitiveness drivers

Broad consensus on key factors driving investment decisions  
based on real industry priority

## Individual Case Studies

Deep understanding of how real investment decisions are made – what drivers are important and when (hard & soft)

Key point:

Company and National Culture differ significantly:

Understand how and why decisions are made

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**Summary**

# Summary

- Investment is **based on business realities**, but for the **long term** – and to greater benefit than just jobs
- Success factors are simple but critical:
  - Understand the **business reality** (local and national competitiveness) – and what **you can do to increase the attractiveness**
  - Demonstrate the area's commitment to building a **long-term relationship**

# Thank you