Toyota in the UK: Partnership and competitiveness

Rob Gorton
TMUK Corporate Planning
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Toyota in the UK: Partnership for competitiveness

Introduction: Toyota and TMUK

Toyota & the UK

The UK’s Competitiveness Proposition

Summary
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

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
- Employees: 564 (incl. 137 agency)

**Burnaston, Derbyshire**
- Vehicle manufacturing
- Start of production: Dec 1992
- Employees: 2,554 (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]

Made 4 million vehicles and 3 million engines (inc CKD)
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Summary
**Economic impact: Direct benefit**

**Burnaston, Derbyshire**
Vehicle manufacturing

- 2,554 employees
- £1.5 billion investment

**Exports:**
- UK 15.7%
- EU28 (exc UK) 71.9%
- Norway 2.8%
- Turkey 3.8%
- Other EFTA 1.3%

**Deeside, North Wales**
Engine manufacturing

- 564 employees
- £700 million investment

**Exports:**
- TMUK, 37.0%
- TMMT, 57.0%
- TSAM, 4.0%
- TMC, 2.0%

**£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

Toyota 180,425 10%
Nissan 507,444 29%
Honda 134,146 8%
GM (Vauxhall) 118,182 7%
Jaguar Land Rover 544,401 32%
BMW (Mini) 210,973 12%
Others 27,127 2%

Japanese 822,015 48%
Non-Japanese 900,683 52%

TOTAL 1,722,698

Decline of UK-owned manufacturing
Entry of Japanese manufacturers & foreign acquisition
Exit of Peugeot, Rover
New investment & revival

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

Over £5.5 million donated to local & national charities

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

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
234,000m² habitat restoration by 2020.
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Summary
Burnaston – at start of construction

1988 - Greenfield site
Burnaston – at start of construction

1989
Burnaston – during construction

1991
Burnaston - 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

Agree long-list of indicators based on detailed discussions. Clarify availability & credibility of data.

Agree list of 25 comparator countries globally – based on automotive / economic weight.

Prioritise into KPIs and competitiveness drivers based on industry survey result

8 KPIs
29 competitiveness drivers

Key principle:

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

Research and Development

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<td>1</td>
<td>Availability of skilled engineers</td>
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<tr>
<td>2</td>
<td>R&amp;D tax relief</td>
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<tr>
<td>3</td>
<td>Government strategic engagement</td>
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<tr>
<td>4</td>
<td>University-industry collaboration</td>
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<td>Infrastructure</td>
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Manufacture of Vehicles or Parts

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Greenfield Site / Corporate HQ

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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

Dashboard

Full Matrix

Peer-reviewed by the Automotive Council

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.

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.

 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.

Availability of Skilled Operators

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.
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.

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 the broader tax environment, and will continue to advocate the most attractive regime to attract internationally mobile investment to the UK.

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.
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