



The Chartered
Institute of Marketing

Professional Certificate in Marketing (New Syllabus)

521 – Assessing the Marketing Environment

Toyota Case Study June 2009



Important notes for candidates

The examination is designed to assess your knowledge and understanding of the Assessing the Marketing Environment syllabus in the context of the chosen case study. The examiners will be marking your scripts on the basis of questions put to you in the examination room. You are advised to pay particular attention to the mark allocation on the examination paper and plan your time accordingly.

Your role is outlined in the Candidate's Brief and you will be required to recommend clear courses of action.

You are advised not to waste valuable time collecting unnecessary data. The cases are based upon real-life situations and all the information you will require about the chosen organisation is contained within the case study. No useful purpose will therefore be served by contacting companies in the industry and you are strictly instructed not to do so as it may cause unnecessary confusion.

As in real life, anomalies will be found in the information provided within this Case Study. Please simply state your assumptions, where necessary, when answering questions. The Chartered Institute of Marketing is not in a position to answer queries on case data. You are tested on your overall understanding of the case and its key issues, not on minor details. There are no catch questions or hidden agendas.

As part of your preparation for the examination, you need to carry out a detailed analysis of this Case Study. You will then need to condense your analysis into both a PESTEL and SWOT analysis (a maximum of **FOUR** sides of A4, no smaller than font size 11. The content of tables, models or diagram must be in a minimum of font size 8). Although no marks are awarded for the analyses, you will be awarded marks for how you use them to answer the questions set. The analyses must be attached, with a treasury tag, to your answer booklet at the end of the examination.

The copying of pre-prepared 'group' answers, including those written by consultants/tutors, or by any third party, is strictly forbidden and will be penalised by failure. The questions will demand analysis in the examination itself and individually composed answers are required in order to pass.

Important Notice

The following data has been based on real-life organisations, but details have been changed for assessment purposes and do not necessarily reflect current management practices of the industries or the views and opinions of The Chartered Institute of Marketing.

Candidates are strictly instructed **NOT** to contact individuals or organisations mentioned in the Case Study or any other organisations in the industry. Copies of the Case Study can be downloaded from the CIM student website www.cimlearningzone.co.uk

PROFESSIONAL CERTIFICATE IN MARKETING

ASSESSING THE MARKETING ENVIRONMENT

CASE STUDY

Preparation

In preparation for the examination you will need to analyse the Toyota Motor Corporation case material provided, in order to prepare both PESTEL and SWOT analyses of the company. You will be given a clean copy of the Case Study on the day of the examination, but you must bring the PESTEL and SWOT analyses with you into the examination. Your written analyses must not exceed **FOUR** A4 sides and must be submitted with your answer book as appendices on completion of the examination.

CASE STUDY

Toyota Motor Corporation

The Toyota Motor Corporation, the world's biggest car producer, was founded by Kiichiro Toyoda in 1937 and has since developed into one of the world's best known car manufacturers. The Toyota Group sold over 8.5 million vehicles under the Toyota, Lexus, Daihatsu, and Hino brands in more than 170 countries and regions in 2007. Further, the company's production is firmly rooted in local communities, with 52 companies manufacturing vehicles and parts in 26 countries and regions. Toyota had approximately 300,000 employees at the end of 2007.

Product Demand

Demand for Toyota vehicles has until recently grown in many regions in the world. The company prepares production plans based on medium to long term demand projections. However, changes in macroeconomic factors, such as the fluctuations of crude oil prices or currency exchange rates, can quickly affect demand for cars. Toyota is introducing a 'global link' production system to enable flexible responses to demand shifts. This means that plants with low operating rates take on part of the production of plants with high operating rates. The aim is to raise the overall production capacity utilisation by establishing a mutually supportive global system based on monitoring demand trends.

Demand for small, fuel-efficient models, such as the Corolla and Yaris, has increased rapidly around the world, spurred by recent increases in crude oil prices. As a result of the effectively functioning global link production system, Toyota has maintained a timely supply of these vehicles and avoided losing sales opportunities.

All the markets in which Toyota competes have been subject to considerable instability in demand. Demand for car sales depends to a large extent on general, social, political and economic conditions in a given market, and the introduction of new vehicles and technologies. As Toyota's revenues are derived from sales in markets worldwide, such as Japan, North America and Europe, economic conditions in all these countries and regions are important to Toyota. Demand may also be affected by factors directly impacting car prices or the cost of purchasing and operating cars, such as sales and financing incentives, prices of raw materials, parts and components, cost of fuel and governmental regulations (including tariffs, import regulation and other taxes).

Economic Downturn

Concerns about the future of the car industry were expressed at the annual Geneva Motor Show, which opened in March 2009. The recent economic downturn has affected the automotive industry globally and there have been forecasts that overall European sales will collapse by 30% in 2009, to 15m cars and vans. This forecast represents the biggest slump in car sales for 35 years. It has been suggested that a recovery will take three to four years.

Some forecasters have predicted that 1.5m cars will be sold in the UK in 2009, which represents 900,000 fewer than the 2.4m sold in 2007. This decline of 37.5% is worse than that estimated by the industry lobby, the Society of Motor Manufacturers and Traders (the SMMT), which had suggested that 2009 would see sales in the region of 1.72m.

UK Government Intervention

The UK government is looking to provide a package of support to address the crisis facing carmakers located in the UK, including Toyota. The government has promised to help the industry by offering a £2.3bn package, including £1.3bn from the European investment Bank. The automotive assistance programme will provide support for low-carbon initiatives by the industry, helping British car companies to become leading players in the low-carbon economy.

In addition, the UK government is being lobbied by executives in the car industry to follow other EU countries and introduce a scheme where consumers are given financial incentives to scrap older vehicles with higher emissions and replace them with new, fuel efficient models. It is claimed the scheme is revenue-neutral for the Treasury, because the financial incentives are offset against the VAT generated by increased sales.

David Frost, Director General of the British Chamber of Commerce, said:

'It is vital that the finance now available reaches businesses in the automotive supply chain. There has been much talk about helping the industry but we need to see action. We may also need further measures, not least the scrap and build policy which exists in Germany.'

Impact of Market Fluctuations on Toyota

Toyota is subject to various risks associated with conducting business worldwide. These risks include political and economic instability, natural calamities, fuel shortages, interruption in transportation systems, wars, terrorism, labour strikes and work stoppages. The occurrence of any of these events in the major markets in which Toyota purchases materials, components and supplies for the manufacture of its products, or in which its products are produced, distributed or sold, may result in disruptions and delays in Toyota's operations.

Toyota predicts that the overall market in Europe, including Russia, Ukraine and Turkey, will decline by 30% in 2009. Despite this, the company is hoping to increase its market share from 5.3% in 2008 to 6% in 2009 as a result of introducing new environmentally friendly vehicles.

Self-Reliance

Toyota is establishing self-reliant overseas operations to maintain a timely, lower-cost, and more stable supply of quality cars around the world. Overseas production is about to overtake domestic vehicle production. Therefore, Toyota is moving from the traditional system, whereby mother plants in Japan provided comprehensive support to new overseas plants, towards a network of global collaborations.

In particular, the company has focused efforts on prompt human resources development. It has implemented a variety of measures to ensure that locally employed personnel acquire skills and contribute to operations as soon as possible. It is also pursuing innovations to make it easier for new plants to start up and become independent. In production engineering, those innovations include efforts on a worldwide scale to simplify and standardise production equipment and systems.

Relations with Employees

Toyota conducts company-wide 80,000 person Workplace Communications Inspection Activities to determine if workplace communications are being carried out effectively and efficiently. Toyota has established the BR Career and Life Design Department to support the development of autonomous careers by women and to create workplace environments that enable women to work to their full potential.

Before locally employed personnel begin working on production lines, they undergo rigorous skills training. Toyota has introduced the standard works that form the foundation of the Toyota Production System at its plants around the world. Personnel must acquire skills to follow those standard works correctly. Toyota established the Global Production Center (GPC) in July 2003 to improve the efficiency and speed of such skills acquisition.

Impact of the Recession on the Workforce

Toyota has the capacity to build 800,000 cars a year in Europe. However, output this year is likely to be in the region of a quarter of what was produced prior to the downturn. This is likely to have a major impact on the 22,000 Toyota employees in Europe, including 4,500 in Britain.

Discussions are currently taking place with Unite, the main industry union in the UK, to review possible options as a result of the slump in the car industry, in order to help Toyota cope with the problems. Suggested strategies include:

- cutting working hours by 10% and moving to a three- or four-day working week
- closing one of its UK plants for three months and giving staff just five days' pay
- voluntary redundancies.

Thierry Dombrevail, Chief Operating Officer for Toyota Motor Europe, said that the goal was 'to protect permanent employment as much as possible. There is no suggestion we would be tempted to close or significantly reduce structural capacity. We have cut temporary staff to an absolute minimum and we envisage moving to work-sharing for our permanent employees.' He went on to say that it would be short-sighted to close plants needed in the longer term. 'These are assets for the future,' he said.

Miguel Fonseca, Head of Toyota Sales in the UK, said: 'We want to avoid building excessive stocks so the company is sound and robust. If our sales forecast is too conservative we can easily bring production back up again.'

Continuous Improvement

Based on the 'Kaizen' (continuous improvements) philosophy at the heart of its manufacturing activities, Toyota is working hard to continuously improve customer satisfaction through initiatives in all areas of its business activities, including development, purchasing, production, sales, and after-sales services, throughout the Toyota Group. The core of Toyota's 'Customer First' (CF) policy is to establish superiority with regard to quality. To achieve this, Toyota has been promoting CF activities through the entire Group.

Toyota has long believed in building quality into products in the production process. Rather than inspectors ensuring product quality, each operator and piece of

equipment ensures quality so that defective products are never passed on to the next process. Therefore, operators can stop the production line to avoid forwarding defective products on to the next process if they discover a defect or something unusual.

Competition

The worldwide automotive market is highly competitive. Toyota faces strong competition from car manufacturers in the various markets in which it operates. Competition is likely to further intensify in the light of continuing globalisation and consolidation in the worldwide automotive industry. Factors affecting competition include product quality and features, innovation and development time, pricing, reliability, safety, fuel economy, customer service and financing terms. Toyota's ability to maintain its competitiveness will be fundamental to its future success in existing and new markets and to its market share.

Currency Fluctuations

Toyota is sensitive to fluctuations in foreign currency exchange rates and is principally exposed to fluctuations in the value of the Japanese yen, the US dollar and the Euro and, to a lesser extent, the Australian dollar and the British pound. Changes in foreign currency exchange rates may affect Toyota's pricing of products sold and materials purchased in foreign currencies. In particular, a strengthening of the Japanese yen against the US dollar can have a material negative effect on Toyota's operating results. Toyota believes that its increased localised production of its products has reduced, but not eliminated, the effects of interest rate and foreign currency exchange rate fluctuations, which in some years can be significant.

Corporate Social Responsibility

The worldwide automotive industry is subject to various governmental laws and regulations, including those related to vehicle safety and environmental matters, such as emission levels, fuel economy, noise and pollution. Many governments also regulate local content, impose tariffs and other trade barriers, taxes and levies, and enact price or exchange controls. Toyota has incurred, and expects to incur in the future, significant costs in complying with these regulations. New legislation or changes in existing legislation may also subject Toyota to additional future expense.

In addition to making safer vehicles with a focus on reducing injury to people, Toyota has adopted an approach based on the 'Safety: Basic Concept'. New passive safety technologies and the Pre-crash Safety System have been adopted in the LS460 and Corolla AXIO. The Estima received the Level 5 rating (the highest) in the Pedestrian Head Protection Performance Test conducted by the Ministry of Land Infrastructure and Transport in Japan.

Toyota is responding to energy and global warming issues by promoting measures to reduce CO₂ emissions in both the development and design stages, as well as during production and logistics, while also taking action to improve traffic flows and promote reforestation – planting trees to offset carbon emissions. Toyota has specified the reduction of exhaust and Volatile Organic Compound (VOC) emissions as action items and, in the area of products, is developing low emission technologies and introducing low emission vehicles according to local conditions in various countries. In the area of production, Toyota is promoting the introduction of waterborne paints.

Toyota is due to launch its 'third generation' Prius hybrid, which emits just 89 grams of carbon per kilometre and is equipped with a 'beltless' 1.8l four cylinder engine, electric water pump, exhaust gas recycling system and photovoltaic sunroof to cool the car in summer heat. Toyota hopes to sell 400,000 of the new Prius by 2010, despite the economic downturn and competition from the new hybrid Honda Insight, launched in February 2009.

In response to increasing environmental concerns, Toyota is planning to offer a hybrid version of every model it produces by 2020, and has forecasted that hybrids will be the mainstream car in ten years' time. The company sold 58,000 hybrids in 2008.

Tadashi Arashima, the Chief Executive of Toyota Motor Europe, said: 'Our idea is quite simple: whether you choose petrol, diesel or hybrid, each new Toyota vehicle should squeeze the best possible performance out of the least amount of fuel.'

Masatami Takimoto, Head of Global R&D, explained further: 'By the time we reach 2030 there will be another oil price shock and petrol will become prohibitively expensive but by then we should have developed cars that run on alternative energy – whether from biomass, liquid coal and gas, nuclear power and renewable.'

In order to improve resource productivity, Toyota is promoting the effective utilisation of resources, reducing water consumption, and encouraging the development of designs for recycling. Reduction goals have been set for the volume of waste not processed within Toyota.

Toyota is managing substances of concern in its company-wide system, under a basic policy of implementing thorough measures to totally eliminate substances of concern from all vehicles, and is taking actions globally, in the areas of both products and production. Toyota launched the LS460 and Corolla, which contain absolutely no substances of concern.

Uncertain Future

Britain's Society of Motor Manufacturers and Traders (SMMT) has recently reported that car sales have fallen by 30.5% in March 2009, with 313,912 new UK registrations recorded, compared with 451,642 for the same month in 2008. Sales of new cars fell in all sectors, except for the smallest cars, classified as the 'mini segment'.

SMMT reported that this decline was particularly disappointing, given that March is usually a peak period for UK car registrations. According to SMMT, March typically accounts for 17.9% of the annual market and last year accounted for a 21.2% share. Concern has been expressed that volumes could now slide below 1.7 million units by the end of the year.

Paul Everitt, SMTT Chief Executive, stated:

'March new car registrations are a barometer of confidence in the economy, from business and consumers alike. The fall in the market shows that government needs to do more to boost confidence.'

Toyota's future success will depend on its ability to accurately forecast market trends in order to counter the global slump in demand. The company has had to review its vehicle sales forecasts as a result of reduced demand in Western markets. It hopes

that by offering innovative, new, price-competitive, environmentally friendly products that meet and satisfy customer demand on a timely basis, the company will be able to meet its revised targets despite the economic slowdown and uncertain future.

Interview with Toyota Motor Corporation President, Katsuaki Watanabe in 2007

Market Overview

Q: Looking back over the past year, what were the main industry and market trends?

A: Competition is becoming more intense, especially in the areas of environmental technologies and cost competitiveness. Worldwide, the deep-seated demand for automobiles remained unchanged. However, differences among regional automotive markets emerged throughout the year. Markets in the United States and Europe remained solid, and the Chinese market continued to see strong growth. On the other hand, Asian markets slumped, especially in Indonesia and Taiwan. And, Japan's market shrunk year on year, mainly in the registered vehicle category.

Meanwhile, demand is shifting toward fuel-efficient vehicles and compact vehicles due to global oil price hikes [*i.e. rises*] and increasing concern over environmental issues. That trend will likely continue as gasoline prices remain high and countries strengthen environmental regulations. Due in part to those factors, I expect that competition in the global automotive industry will become even more fierce, especially in the areas of environmental technologies and cost competitiveness.

Performance Evaluation

Q: Given those market trends, what is your evaluation of Toyota's business results?

A: Despite tough business conditions, we increased revenues and earnings. I think we deserve credit for achieving our best-ever performance while investing for the future. We were able to grow earnings in 2007 due to increased global vehicle sales and cost reduction efforts. This growth came despite more challenging business conditions, such as material price hikes and tougher sales competition as well as higher fixed costs, such as capital investment and research and development expenses.

Management Issues

Q: What issues does Toyota need to overcome in order to achieve sustainable growth?

A: For sustainable growth, we need to turn issues and risks into opportunities. In the past 20 years, car ownership around the world has increased by 100 million vehicles every five years. By 2010, ownership is projected to exceed one billion vehicles. Led by Brazil, Russia, India, and China, emerging markets have fuelled that growth. In regions that already have widespread motorisation, such as Europe and North America, we expect demand for cars that offer new technologies and concepts to continue to grow steadily.

However, there is a long list of issues that we must address in order to benefit from those growing markets – environmental and safety measures, responses to energy diversification, the maintenance of uniform quality worldwide, the development of low-cost technologies, cost reductions to offset hikes in material costs, among others. But, if we change our way of thinking, overcoming such issues and risks will lead to major business opportunities. With that in mind, I want to clear these obstacles one at a time and advance Toyota's growth.

Management Philosophy and Targets

Q: Would you explain your basic management approach and Toyota's management targets?

A: With an operating income margin target of 10% in the medium to long term, we will improve quality across many different facets of our operations. I believe that rather than vehicle sales and other volume-related results we should take pride in quality – or the extent to which the vehicles we build meet the needs of our customers. Therefore, I would like to improve many different aspects of Toyota's operations to become number one globally in terms of products, manufacturing speed, manufacturing cost, and sales services. Through those efforts, I want to build a rock-solid foundation for further dramatic improvements. I firmly believe that by strengthening our overall quality in this way we will achieve high levels of profitability.

Strategies for Building Our Foundation

Q: Specifically, what measures is Toyota taking to secure its foundation?

A: We will further improve Toyota's quality levels. In an effort to build a solid foundation for sustainable growth, we are focusing on three areas: quality, cost competitiveness, and personnel training. Of those, quality has been my number one priority over the past year. And, the Toyota Group, including suppliers and dealers, has made concerted efforts to improve quality, Toyota's lifeblood.

As part of our Customer First initiative, we are reinforcing our systems for building in quality that reflects the customer's perspective. Literally going back to the drawing board, we are painstakingly improving "design quality" by analysing the causes of problems from the design stage, which is the source of quality. We are also honing [*i.e. improving*] our ability to analyse quality on production lines by introducing in-line measurement. And, we are reasserting our basic conviction that assembly processes build in quality by introducing a team-leader system for training production personnel. Moreover, in an effort to improve quality through production and development, we are collaborating closely with suppliers.

Q: Would you explain the progress of Toyota's cost reduction initiatives?

A: Our cost reduction efforts are counteracting higher material costs and growing earnings. In 2007, while absorbing an increase in material costs, Toyota achieved cost reductions of roughly ¥100 billion. Cost reductions will become more important than ever as a way of strengthening cost competitiveness, prevailing against market competition, and securing high earnings. One example of our cost reduction efforts is the Value Innovation initiative, which began in 2005. Through this initiative, we look to reduce costs in the development and design stages by taking a systems-based approach. Using Value Innovation, we have prepared plans for models all the way through to 2010.

Q: What steps is Toyota taking in personnel training?

A: True to our basic belief that manufacturing is about developing people, we are concentrating on personnel training. At Toyota, we believe that a combination of people and technology lies at the heart of a company's competitiveness. Therefore, we are moving forward with personnel training based on the philosophy that developing human resources is a key part of manufacturing. These efforts extend beyond simply having employees acquire knowledge and skills that development,

production, or sales divisions need. Globally, we are implementing programmes to enable all employees to embrace Toyota's culture and values and understand the Toyota Way.

An important factor in training employees is the establishment of systems that encourage co-workers to share goals and work as a team. Bearing that in mind, this year we introduced a team-leader system in divisions to make it easier for senior employees to develop the skills of their junior colleagues through on-the-job training.

Growth Strategies

Q: From a medium to long term viewpoint, what is Toyota's growth strategy?

A: We will pursue long term technological innovation to propel growth for the future. I believe that technological capabilities – not only in product development but also in production engineering – will be the most important factor for future success. Advanced technology development, particularly in the fields of the environment, energy, and safety, is Toyota's responsibility as an automaker and a precondition for survival amid ever-increasing competition. By rigorously developing such technologies ahead of our competition, I want to take on the challenge of realising dream cars that make the air cleaner as customers drive them and cars that avoid accidents and injury.

As for development initiatives in environmental technologies, Toyota recently identified hybrids as a core technology that will contribute to the solution of environmental issues. We are currently moving forward with the development of next-generation systems. Since launching the Prius in 1997 as the world's first mass-produced hybrid vehicle, we have diversified our line up of hybrid models. As a result, cumulative worldwide sales of hybrid models passed the one-million-vehicle milestone in May 2007. Hybrid vehicles help curb emissions of CO₂ compared to vehicles powered only by gasoline [*i.e. petrol*] engines.

To cater to energy diversification among regions, we follow a strategy of providing *the right vehicle for the right place at the right time* by developing environmentally friendly technologies or deploying eco-cars that reflect the infrastructure and customer needs of each region. For example, last year we concluded an agreement with Isuzu Motors Limited for the joint development of diesel engines that place even less burden on the environment. Also, in Brazil, where bioethanol is a widely used fuel, we recently launched a flexible-fuel Corolla that runs on pure bioethanol.

Q: Would you explain Toyota's sales plans and the market strategies that will support them?

A: We plan to increase sales globally by aggressively rolling out appealing new products. In the medium term, we are targeting Group vehicle sales of about 9.8 million units in 2008. In 2006, Group vehicle sales totalled 8.81 million units, and we project sales of 9.34 million vehicles in 2007.

Our strategy is to continuously launch products that will stimulate market demand. For example, having unveiled a hybrid version of the Lexus LS in Japan in May 2007, we are releasing it in regions around the world in stages. Similarly, we launched the new Corolla – a core global model – in Japan during 2007, and we are now introducing it in markets worldwide. Further, the strategic Auris model is already selling in Japan and in countries throughout Europe. In addition, full-fledged production and sales of the new Tundra have begun in the North American market.

And, Toyota will have more new-model launches in Japan during the second half of 2007 than it did in the entire previous year.

The ability to draw on a full product lineup to achieve balanced sales in regions worldwide is one of Toyota's strengths. Another of our major competitive advantages is that we cater to regional characteristics by carefully adjusting strategies across all operational stages, from product development to production and sales.

Q: Faced with escalating global demand, what kind of measures is Toyota taking?

A: Toyota will continue to increase local production capacity to strengthen its vehicle supply capabilities. Vehicle supply capabilities are as fundamental to maintaining stable growth as technological and marketing capabilities. At Toyota, we are continuously increasing overseas production capacity to cater to growing demand in regions around the world. In 2006, new plants came on line in Texas, in the United States, and Guangzhou, in China, and we ramped up production capacity at plants in France and Thailand. In 2007, production started up at new plants in Thailand and in Tianjin, China, while production of the Camry began at Fuji Heavy Industries' North American plant. Through that series of projects, in roughly two and a half years, from January 2005 to the end of March 2007, our overseas production capacity rose by more than 1.1 million vehicles.

We will continue to increase production capacity in a globally balanced way while reflecting our basic philosophy of "building vehicles where demand is found" by making overseas manufacturing companies more self-reliant and growing hand-in-hand with local economies.

Performance Outlook

Q: What is the outlook for Toyota's business results in the current financial year?

A: We expect to record further gains in revenues and earnings as sales volumes increase globally. In the current financial year, ending March 31, 2008, we anticipate year-on-year increases of 366,000 units in consolidated vehicle sales, to 8.89 million units. We expect an increase in vehicle sales in regions across the world, including in Asia, which saw vehicle sales decline in 2007. Given currency exchange rate fluctuations and material cost trends, business conditions by no means warrant optimism. However, while investing for future growth, we aim to achieve higher revenues and earnings again in the current financial year.

President, Toyota Motor Corporation, Katsuaki Watanabe.

© Toyota Motor Corporation Annual Report 2007
"Building a Platform for Growth"
www.toyota.co.jp

Table One: Toyota Performance

<p>Net Revenues</p> <p>(¥ Billion)</p> <p>FY '02 '03 '04 '05 '06</p>	<p>+13.4%</p> <p>¥21.04 trillion</p> <p>A new record</p>	<p>Vehicle Production</p> <p>(Thousands of units)</p> <p>FY '02 '03 '04 '05 '06</p>	<p>+6.6%</p> <p>7.71 million units</p> <p>A new record</p>
<p>Operating Income</p> <p>(¥ Billion)</p> <p>FY '02 '03 '04 '05 '06</p>	<p>+12.3%</p> <p>¥1.88 trillion</p> <p>A new record</p>	<p>Vehicle Production by Region</p> <p>FY 2006</p>	<p>A new record</p>
<p>Net Income</p> <p>(¥ Billion)</p> <p>FY '02 '03 '04 '05 '06</p>	<p>+17.2%</p> <p>¥1.37 trillion</p> <p>A new record</p>	<p>Vehicle Sales</p> <p>(Thousands of units)</p> <p>FY '02 '03 '04 '05 '06</p>	<p>+7.6%</p> <p>7.97 million units</p> <p>A new record</p>
<p>Cash Dividends per Share</p> <p>(¥)</p> <p>FY '02 '03 '04 '05 '06</p>	<p>+¥25.00</p> <p>Annual Cash Dividends per Share</p> <p>¥90.00</p> <p>7 consecutive years of increased dividends</p>	<p>Vehicle Sales by Region</p> <p>FY 2006</p>	<p>A new record</p>

Table Two: Selected Leading UK-Registered Motor Vehicle Manufacturers by Turnover and Pre-Tax Profit (£m), 2006/2007.

Company	Turnover (£m)	Pre-Tax Profit (£m)	Year End
Ford Motor Company Ltd	7,845.0	214.0	31/12/06
Volkswagen Group UK Ltd	5,583.2	156.2	31/12/06
Honda Motor Europe Ltd	4,521.8	38.1	31/03/07
Vauxhall Motors Ltd	3,753.3	-18.7	31/12/06
BMW (UK) Ltd	3,395.4	236.2	31/12/06
Mercedes-Benz UK Ltd	3,348.6	9.5	31/12/06
Toyota (GB) Ltd	1,937.7	0.7	31/03/07
Renault UK Ltd	1,617.8	47.5	31/12/06
Peugeot Motor Company PLC	1,491.5	15.4	31/12/06
Citroën UK Ltd	1,030.6	13.0	31/12/06
Nissan Motor (GB) Ltd	921.9	14.1	31/12/07
Fiat Group Automobiles UK Ltd	585.2	-25.9	31/12/06

Source: www.myicc.co.uk

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Table Three: The Forecast Apparent UK Market for Motor Vehicles and Components by Sector by Value (£m at msp), 2008-2012.

	2008	2009	2010	2011	2012
Cars	42,220	43,060	44,140	45,240	46,370
Commercial Vehicles	4,400	4,465	4,530	4,600	4,670

msp – manufacturers' selling prices

© Key Note 2008

Gordon Brown announces green budget plans

Source: Andrew Sparrow and agencies
The Guardian
Wednesday 8 April 2009

Measures to promote electric cars and other environmental innovations will be a major part of 22 April budget, says PM.

Gordon Brown said today that measures to promote electric cars and other green innovations would be a "major part" of the government's plans for recovery being unveiled in the budget later this month.

In an interview with The Independent the prime minister said the government would announce incentives intended to enable Britain to become a market leader across the world for electric and hybrid cars.

Alistair Darling, the Chancellor, is expected to say that trials for electric cars will begin in two or three cities next year. The government will also open negotiations with power companies to ensure that vehicles can be recharged at the roadside.

However, after the warning by the governor of the Bank of England, Mervyn King, that the country could not afford another big "stimulus" package to boost the economy, Brown also acknowledged in the interview that his room for manoeuvre was limited.

"It is not just what we do to give real help to people and business now, but about setting a path for the future as well. We always take into account both what we need to do now and what is best future for the fiscal position," he said.

In a reference to green initiatives in the budget, which will be on Wednesday 22 April, Brown said: "This is a major part of our plan for recovery in the budget. We will set our proposals for greener economy."

He went on: "This is a job creator, a quality of life improver, and an environment-enhancing measure. We want to harness a general desire among people to be part of this. A better Britain means building a greener Britain."

The government is also expected to announce a relaxation of the planning rules to enable the building of more wind farms to ensure that the UK meets its target of getting 15% of its energy from renewable sources by 2020.

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UK moves towards car scrap scheme

The government is likely to introduce an incentive scheme for car owners to scrap old vehicles in exchange for new ones, the BBC has learned.

The move would probably involve a payment of £2,000 to trade in cars that are a certain number of years old.

The controversial plans are designed to boost demand for new cars and help struggling carmakers who are suffering during the recession.

A similar scheme in Germany has seen demand for new cars rise dramatically.

France and Italy have also introduced so-called car scrappage schemes to boost their beleaguered car industries.

Details of the UK scheme are likely to be announced in the Chancellor's budget on 22 April, according to BBC correspondent Joe Lynam.

"A scrappage scheme will provide the incentive needed and the evidence is clear that schemes already implemented across Europe do work to increase demand," said Paul Everitt at the Society of Motor Manufacturers and Traders (SMMT).

Record falls

The government has been reluctant to introduce a scheme at a time when its finances are being stretched by a series of economic stimulus packages.

It is also concerned about supporting one struggling industry over another.

But it appears that the dire state of the automotive industry has forced its hand.

Car sales fell by almost a third in March this year compared with last year.

The drop was viewed as particularly disappointing given that March is the month for new car registrations and sales are, therefore, usually strong.

Car production has been affected even more dramatically, with the number of new cars produced in the UK falling by a record 59% in February, year-on-year.

This represents the largest monthly fall since records began in 1970, according to the SMMT.

Root cause

Carmakers have been forced into drastic action in order to survive.

For example, Honda has closed its Swindon plant for four months, while Toyota has reduced pay across its UK factories by 10%.

While sales have been falling in the UK, new car registrations in Germany rose 40% in March and by 10% in France after both countries adopted scrappage schemes.

In Germany, drivers get 2,500 euros (£2,250; \$3,299) for trading in a car more than nine years old, while in France motorists can receive up to 1,000 euros. Scrappage has also recently been introduced in Spain.

The UK government has already announced some help for UK carmakers.

In January, it revealed its £2.3bn Automotive Assistance Programme to provide loans to troubled car manufacturers, while Jaguar Land Rover has been granted £27m to develop a fuel efficient vehicle.

But car scrappage schemes are seen as targeting the root cause of the industry's woes - a lack of demand for its products. They also, the government argues, help the environment by replacing old, inefficient vehicles with cleaner, more efficient ones.

However, their environmental credentials are not universally accepted.

"This scheme won't create jobs and it won't help the environment. All that you're going to get is a switch to more polluting, bigger vehicles. And that's not going to help anyone," said Peter Cranie of the Green Party.

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Plan to boost electric car sales

Motorists will be offered subsidies of up to £5,000 to encourage them to buy electric or plug-in hybrid cars under plans announced by the government.

It is part of the government's £250m plan to promote low carbon transport over the next five years.

But ministers do not expect eligible cars to hit the showrooms until 2011.

The car industry as a whole welcomed the plan, but George Osborne, the shadow chancellor, dismissed the initiative as a "fantasy announcement."

Critics said the government needed to invest more in places to recharge the vehicles and in public transport.

The strategy includes plans to provide £20m for charging points and other necessary infrastructure. At present they are very limited.

'Next generation'

Transport Secretary Geoff Hoon said that there was huge potential to reduce emissions, with less than 0.1% of the UK's 26 million cars now electric.

" The Labour plan announced today is like giving people a grant to buy an internal combustion engine, without bothering to set up any petrol stations "
George Osborne, shadow chancellor

The available funding would only be for fully electric and plug-in petrol-electric hybrids. As such, currently commercially available hybrids, such as the Toyota Prius, would not be eligible.

There is a limited range of electric vehicles on the market, which range in price from about £8,000 to more than £80,000 for high-performance models.

Sales have been held back by a number of factors: They commonly have a limited range of about 40 miles, take several hours to charge, and have only two seats.

But the government hopes to target drivers of a new generation of all electric or plug-in petrol-electric cars, which are expected to go on sale in two years time.

Business Secretary Lord Mandelson said: "When people see the electric car - the speed, the lack of noise - they are going to fall in love with it."

"We need to lead this green motoring revolution," he added.

Speaking at a racing circuit in Dunfermline, Geoff Hoon said the plan was about "encouraging the idea that electric vehicles will become part of everyday life, that people will take them for granted and they will look and feel the same as any other car".

Jay Nagley, an analyst at Spyder Automotive, said the announcement was very significant for the car industry.

"The big problem is that the next generation of electric cars will initially be very expensive to make - manufacturers say about double the price of a petrol car," he told the BBC.

"Without subsidies, nobody will buy them, so manufacturers won't be able to increase production and get the price down."

Mr Nagley added that by 2020 about a quarter of all cars sold could be electric.

But the RAC Foundation, which lobbies on behalf of British motorists, questioned the amount of money being spent by the government, and how it would be put to use.

"If the whole £250m were divided up so £5,000 is allocated per person, this would only put an extra 50,000 electric cars on the road - out of an annual total of some 2.7 million cars sold in the UK," said director Stephen Glaister.

How green?

Jorn Madslie, business reporter, BBC News The future of electric motoring is no longer remote. Modern lithium-ion batteries have already been installed in prototype cars, such as the Mini E, which handles like an ordinary car and offers a range of 150 miles. But the batteries are huge, so the car has no back seats. Plug-in petrol-electric hybrids will soon offer five-seat alternatives. In these, a petrol engine takes over once the battery has run out. This is the solution favoured by Toyota. Alternatively, a small petrol engine recharges the battery whilst driving - the General Motors solution. Either way, in the future motorists will increasingly buy power from electricity companies rather than from the oil industry.

Environmental campaigners Friends of the Earth said that financial support for electric cars was a step in the right direction but said investment in public transport was also needed.

"Electric cars are only as green as the electricity they run on - ministers must do far more to boost the UK's flagging renewable energy industry," said the group's transport campaigner Tony Bosworth.

Shadow chancellor George Osborne said that the government's announcement lacked detail on the measures needed to make electric cars a mainstream reality.

He said more information was needed on how the higher demand for electricity would be managed and on how a national network of car charging points would be created.

"The Labour plan announced today is like giving people a grant to buy an internal combustion engine, without bothering to set up any petrol stations," he said.

The Liberal Democrat shadow transport secretary, Norman Baker, said the government scheme was a gimmick that would only benefit the few.

"Discounts on electric cars are all very well for those who can afford to buy a new car but it cannot hide the fact that the government has forced up rail fares and destroyed many local bus services," he said.

Trade-in scheme

Government incentives to stimulate the sales of cars are spreading.

In a separate initiative, Chancellor Alistair Darling is expected to reveal an incentive scheme for motorists to trade old cars in for new ones in next week's Budget.

This could provide £2,000 for car owners to trade in their old cars to buy new ones.

The plan is designed to boost demand for new cars and help struggling carmakers who are suffering during the recession.

Similar schemes have proved successful in boosting new car sales in continental Europe.

In Germany, for example, car sales increased by 40% in March compared with a year earlier.

Critics of the scheme, however, have complained about the environmental impact of encouraging people to buy new cars.

And they have argued that the overall effect on the industry will be limited as they believe buyers have simply brought forward purchases they intended to make anyway.

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