

**BUSINESS TRANSFORMATION/06**



Since the announcement in 2014 that vehicle manufacturing operations would cease at our Altona plant, and sales and marketing functions would be consolidated to Melbourne, the focus has been on ensuring a respectful and smooth transition. The changes will have impacts on our staff, our suppliers and local communities. We have been working steadily over the past two years to put in place initiatives that support those affected through these changes, as well as planning for the future.

Our employees are the group most affected by these changes. We expect our workforce to decrease from over 4,000 staff to approximately 1,300 in 2017, with the majority of those affected in the Manufacturing and Purchasing operating arm. Our DRIVE program was established to support affected employees by offering one-to-one counselling, job centres and retraining. For more information on how we are supporting our employees through the transition, including DRIVE, please [see page 31](#).

During 2016/17 we have continued to implement Project ONE, our business transition program, as well as Project PACE and Franchise of the Future initiatives.

## Project ONE

Project ONE was established in 2014 to manage the company's transition and to achieve a smooth and orderly transition. 2017 marks the fourth year of Project ONE, with milestones achieved in the following focus areas:

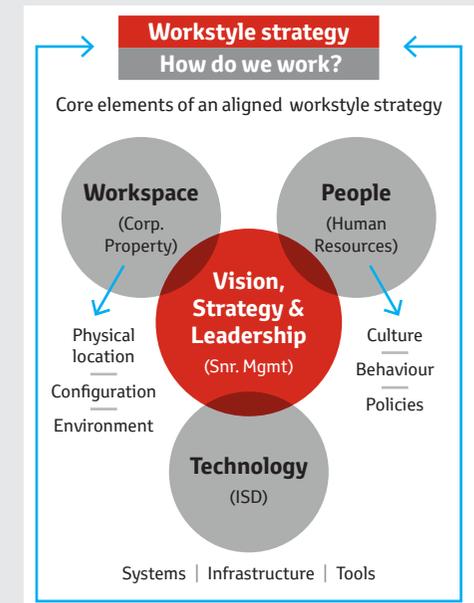
**Selection and transition** – Internal selection for roles in the new structure has been concluded with the majority of roles filled. Manufacturing employees have been offered the opportunity to be part of the 2018 selection pool. Individual and divisional transition plans have been developed and implementation commenced.



**Knowledge capture** – More than 1,200 sales and marketing processes have been documented and validated to ensure that tangible knowledge has been captured. Intangible knowledge, such as relationship-building, has been captured through “double teams” for up to three years, since the company's transition began. Achievement of this capture of tangible and intangible knowledge was important prior to consolidation of sales and marketing operations to secure business continuity and ensure smooth and orderly transition.

**Property** – The location of the new Sydney Toyota Parts Centre has been confirmed, and construction will begin by the end of 2017. The Eastern Regional Office will relocate to Mascot with Toyota Financial Services. The design process is underway for the Altona Centre of Excellence.

**Workstyle** – The Workstyle project team has continued the development of a number of initiatives designed to support a new way of working. These initiatives focus on technology solutions, HR policies, and developing work spaces for the future.



## Toyota Australia's Future Direction

Toyota Australia has a rich history in this country, manufacturing vehicles for more than fifty years. But as our manufacturing operations draw to a close and we commence our transition towards becoming a sales and distribution business, it is imperative we are able to respond to the rapid changes in the automotive industry.

To tackle this challenge, the '2025 Working Group' was formed in August 2016. Led by Vice-President Matt Callachor, this group comprised Toyota Australia senior management as well as representatives from Toyota Australia's finance and insurance arm, Toyota Finance Australia. This cross-business representation allowed for diverse perspectives and knowledge bases. Together, Working Group members collaborated to establish a 2025 direction for Toyota Australia.

To help realise direction for the future, our company will need to leverage its existing strengths in order to remain competitive in the unique Australian automotive market. From our guest-focused mindset and extensive model range to our strong brand reputation and extensive dealer network, Toyota Australia is well placed to remain an indispensable company in this country.

## Project PACE

Project PACE, which stands for Parts Centre Evolution, was launched in February 2015 to improve the competitiveness of Toyota's parts warehouses. Challenges for our parts and distribution business include the rise of cheap, non-genuine imports, parallel parts (parts not intended for the Australian market), reduced market growth and a decline in market share as a result of increased competition. Project PACE is focused on achieving significant improvements in safety, quality, lead time and productivity, aligning with global performance benchmarks set by Toyota.

Year two of Project PACE saw significant progress made, with some Toyota Parts Centres (TPCs) achieving their year two and even year three targets ahead of schedule. Our TPCs continue to work to ensure that the right part is in the right place, at the right time.



### Collecting and documenting our manufacturing history

As well as looking forward to the future, it is important to reflect on our past achievements and ensure that our manufacturing legacy is preserved. The Toyota Australia Heritage Project has to date collected and catalogued over 1,000 Toyota artefacts, ranging from concept vehicles to past marketing campaigns and soft toy mascots.

One such item is the TG Man suit. TG Man – Toyota Australia's very own superhero – was central to the brand's sales and marketing campaigns from 1996 to 2006. TG Man's mission was to educate Toyota owners on the importance of using Toyota Genuine parts. The TG Man suit was loaned to dealers for marketing events, and he even had his own anthem which was played when he made a promotional appearance.

## Toyota Technical Centre Australia

The Toyota Technical Centre Australia (TTC-Au), a research and development centre based in Notting Hill, Melbourne, was established by Toyota in 2003. As a result of our decision to cease local vehicle manufacturing operations in Australia, TTC-Au closed its operations in June 2016.

While the majority of TTC-Au functions have ceased, three functions have been transferred to Toyota Australia:

- > multimedia development will join the Product Development division
- > customer quality engineering will join the National Service division
- > vehicle evaluation will join the Product Development division.

We were pleased to welcome a number of new employees as a result of this transition.

## Our suppliers

Our automotive suppliers play a critical role in providing parts to support vehicle production. We recognise that they will be affected by the decision to cease manufacturing at our Altona site, and we are committed to helping them identify future opportunities for diversification to other industries to maintain viability.

Toyota Australia categorises its supply chain into three main groups:

- > indirect purchasing: Indirect purchases of goods and/or services to support the operation and maintenance of all buildings, plant and equipment, in addition to all corporate services
- > direct purchasing: Locally procured components and raw materials required for the manufacture of locally built vehicles
- > service parts and accessories: Locally procured service parts and accessories to support aftermarket sales.

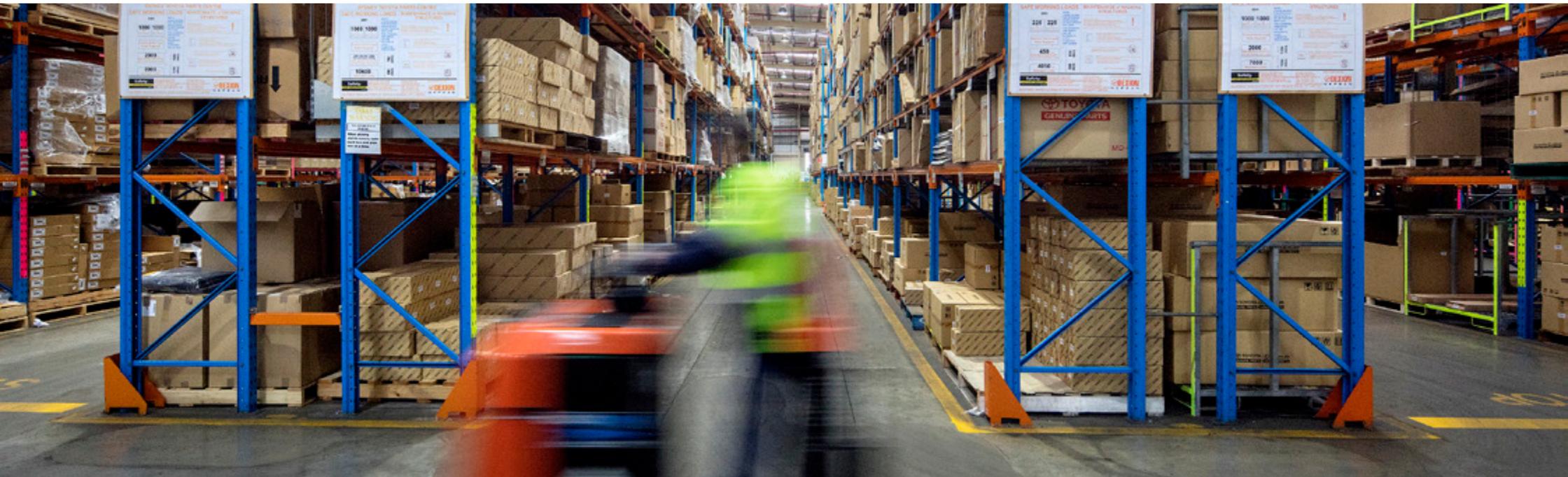
No new suppliers were added during the reporting period.

### Value of buy (US\$ billion)

	Indirect purchase	Direct purchase	Service parts and accessories
<b>2016/17</b>	0.9	0.9	0.3
<b>2015/16</b>	0.8	1.3	0.3
<b>2014/15</b>	0.8	0.9	0.3
<b>2013/14</b>	1.3	0.9	0.2
<b>2012/13</b>	1.2	1.0	0.3

### Number of suppliers

	Indirect purchase	Direct purchase	Service parts and accessories
<b>2016/17</b>	1513	49	100
<b>2015/16</b>	1483	53	109
<b>2014/15</b>	1527	59	119
<b>2013/14</b>	1464	62	98
<b>2012/13</b>	1299	67	101



### Supplier support

Toyota Australia has set up a \$15 million five-year Supplier Productivity and Capability Program to assist automotive suppliers with the transition towards other industries. The federal government contributed \$5 million to this program, which was announced in 2013. Over 50 companies participate in the program to different degrees.

The funding supports a team of some 20 experts in the Toyota Production System, which focuses on continuous improvement, or kaizen. The team works closely with suppliers, coaching them on safety, quality, productivity and environment, and human resource development, which in turn has positive impacts on their costs. During the reporting period Toyota Australia additionally held twelve training events and three forums for suppliers. The forums

facilitated connections at senior levels among suppliers and with other industries such as defence, mining and medical. Toyota Australia's aim is to develop a self-sustaining, independent, and driven network of Australian automotive suppliers who frequently communicate and collaborate.

Open and transparent communication is vital to ensure a smooth transition and minimum interruptions during the final

months of production. In February 2017, a supplier forum was held where our President, Dave Buttner, thanked delegates for their ongoing support to Toyota Australia and their efforts towards the 'last car = best global car' commitment. It was announced that the final day of production would be 3 October 2017 and a detailed production timeline was given, allowing suppliers to plan their own operations accordingly.