

Written evidence from Nissan (GPP 119)

Executive Summary

- The automotive industry contributes significantly to UK productivity growth; the best way to improve productivity is to back the sectors that have a track record of delivering growth
- Improving skills is vital in improving productivity; the Government must ensure that the Apprenticeship levy doesn't penalise those who already invest in training
- Keeping energy costs down is critical to improving productivity, and the Government should be prepared to support manufacturers with energy costs
- The Northern Powerhouse initiative must involve all of the North – including the North East
- To remain internationally competitive businesses in the UK must be able to attract the best and brightest from around the world

Overall, does the Plan adequately address the main causes of low productivity in the UK and will it have the desired results?

1. The UK automotive industry has workforce productivity twice the national average, and Nissan leads the way with investment at our Sunderland plant underpinned by our “Kaizen” philosophy of constant improvement. In Sunderland in 1999, 2,996 direct employees made 271,000 cars – 90 each. In 2014, 4,203 direct employees made 500,000 cars – 118 each. This is a direct result of investment both in high-tech machinery in our factory, and in the skills of the people who work there. This investment has been facilitated by a range of Government actions; from specific financing initiatives like the Regional Growth Fund, to the broader work of ensuring the UK remains a competitive place to make cars. To continue to improve productivity, the Government should support the sectors, like the automotive industry, that have a track record of delivering growth.
2. With the approaching Spending Review likely to squeeze support for business, and with an increasingly competitive global automotive sector, there is no room for complacency. Nissan welcomes the breadth of the Productivity Plan. It is not the case that one single policy will crack the productivity puzzle; a raft of measures is required to create the optimal conditions for businesses to invest, to grow, and ultimately to improve productivity. Although there remain questions about how policies like the apprenticeship levy will be implemented, and how the Government can best help businesses keep costs down, Nissan in particular welcomes the focus on improving skills, on empowering the north of England through the Northern Powerhouse, and the commitment to ensuring that business taxes and energy costs remain internationally competitive so as to attract inward investment.
3. Nissan has a proud history of training in the UK, with over 200 apprentices currently employed at our Sunderland plant. We welcome the Government's commitment to

improving skills – not just in the basics of literacy and numeracy - but in high-end vocational training. In the long run this is absolutely crucial to improving productivity. However we are concerned that the blunt apprenticeship levy as set out in the Plan could end up hitting those employers like Nissan who already invest in training employees. We believe that the levy should be focussed on encouraging those who currently fail to train their staff to pull their weight, and should avoid penalising those who already invest in skills.

4. Nissan also welcomes the Government's review of business energy tax policy. It is vital for businesses, and in particular manufacturers, that energy prices remain competitive. Unfortunately the removal of onshore wind subsidies hits businesses – like Nissan – that have invested in wind turbines to reduce both carbon emissions and energy costs. Whilst Nissan understands that many people feel strongly about wind turbines altering the natural beauty of the countryside, those adjacent to our Sunderland factory cannot be said to be spoiling a pre-industrial landscape, and Nissan would argue that there is a case for a business exemption to help firms keep energy costs down.
5. Inevitably in discussions about the Northern Powerhouse Nissan would like to ensure that as the Liverpool City Region, the Sheffield City Region, and others are given the powers they need to flourish; so the North East doesn't lose out, and that the region receives both its fair share of funding and the powers needed to attract investment.
6. Finally in order for the UK to remain competitive the country must be able to attract not just investment but talent, and measures that increase costs for businesses looking to bring the best and brightest from around the world to Britain only act as a drag on productivity.
7. Nissan is a British success story; producing more than one in three cars built in the UK. The Nissan Qashqai, one of the most popular cars in Europe, was designed in Paddington, researched in Cranfield, and is built in Sunderland. However Nissan is also a global business; and competition within the company for the production of upcoming models of car is fierce. Small costs make a big difference; and with the potential removal of support streams like the Regional Growth Fund, margins are set to become even tighter. The best way to improve productivity is to back those sectors, like the automotive industry, that have a track record of delivering high-skilled jobs, good products, and year on year improvements in productivity.

28 October 2015