

# REPUBLIC OF TURKEY PRIME MINISTRY

## Investment Support and Promotion Agency of Turkey ISPAT



### *Automotive Industry in Turkey*



Content:

*Overview of Turkish Automotive Market*

*Automotive Industry in Turkey*

*Automotive Supply Industry in Turkey*

*Investment Environment*



Content:

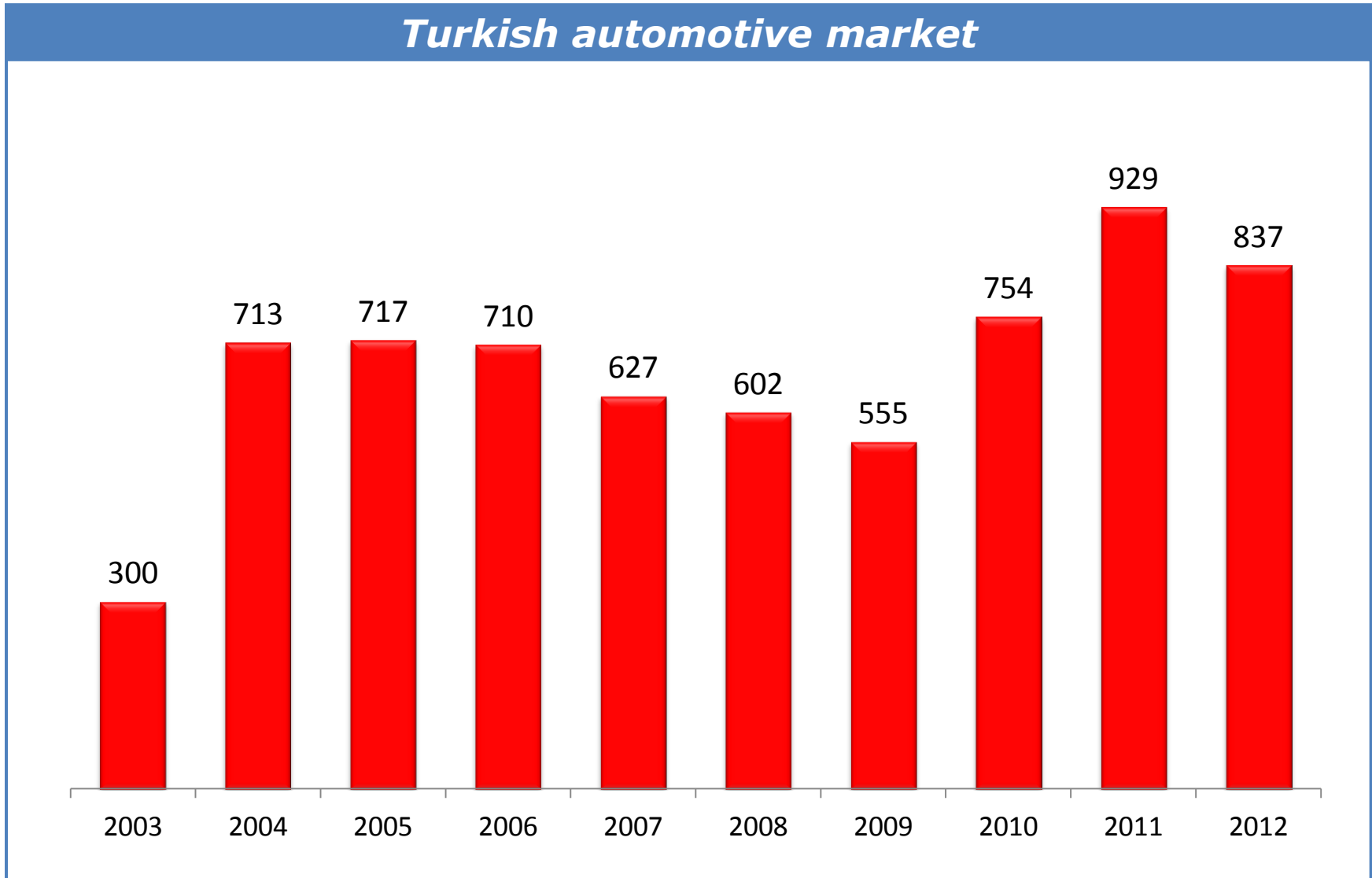
## ***Overview of Turkish Automotive Market***

Automotive Industry in Turkey

Automotive Supply Industry in Turkey

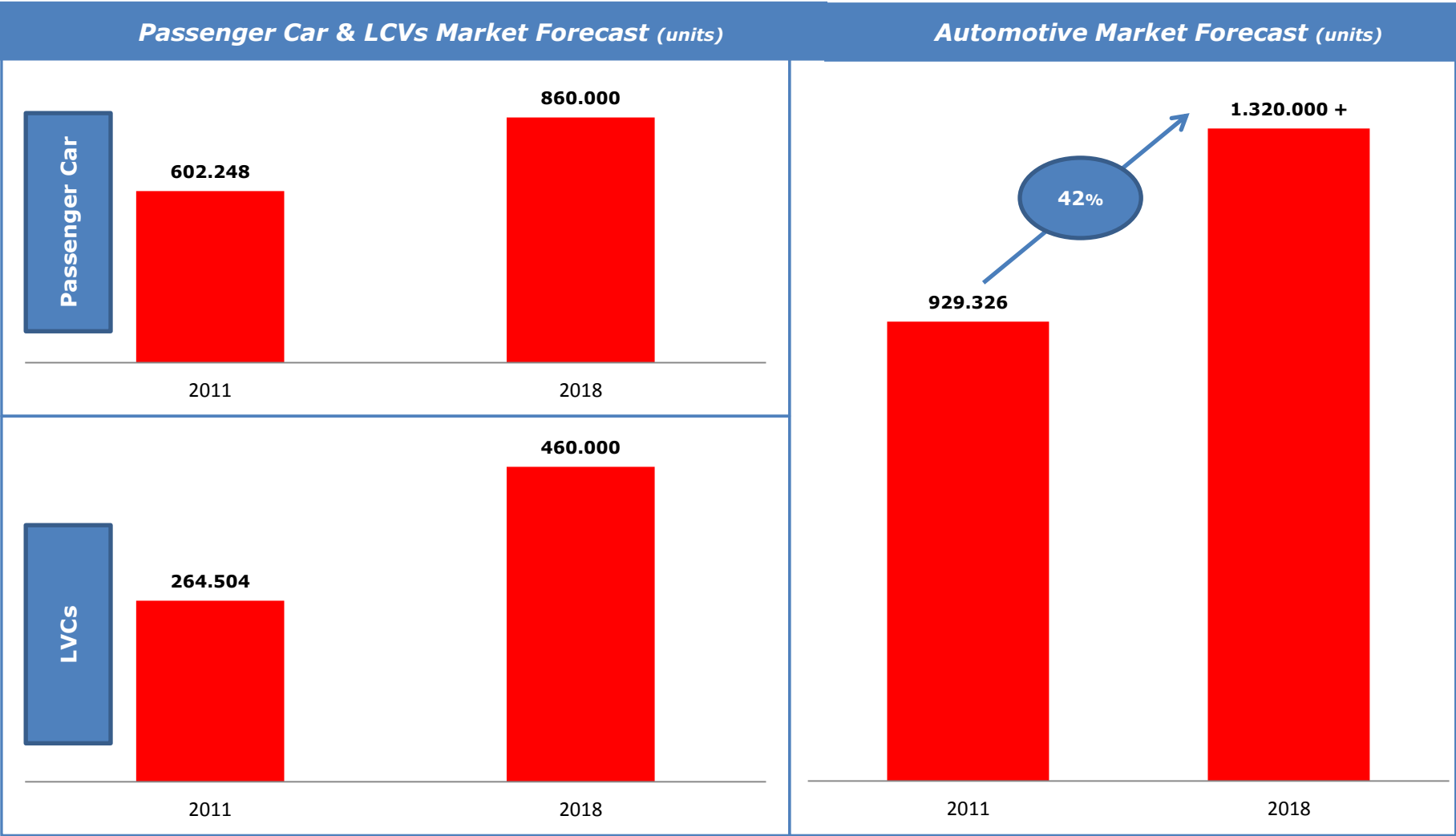
Investment Environment





\* Source: Turkish Statistical Institution ;

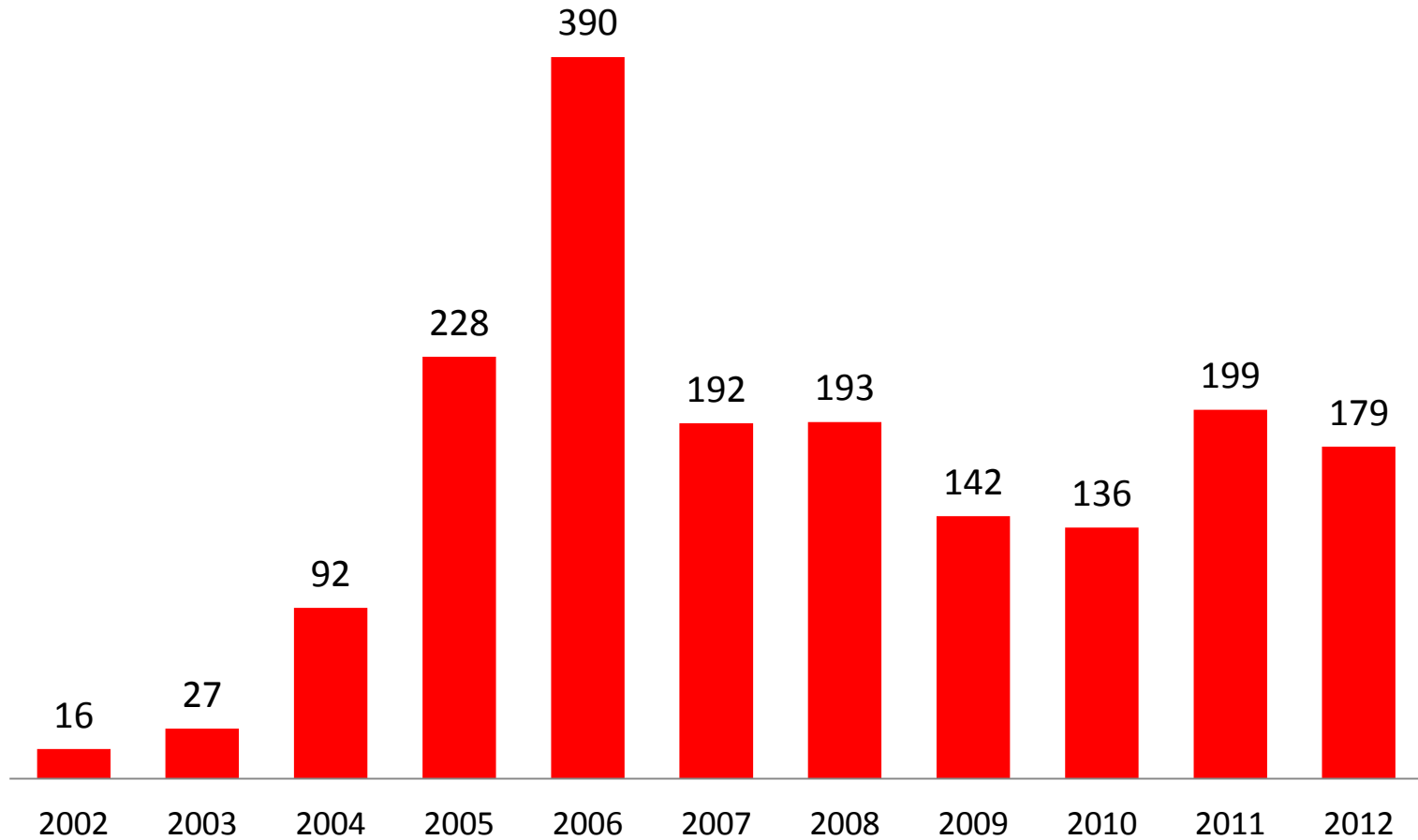
# Turkish Automotive MARKET FORECAST



Source: McKinsey

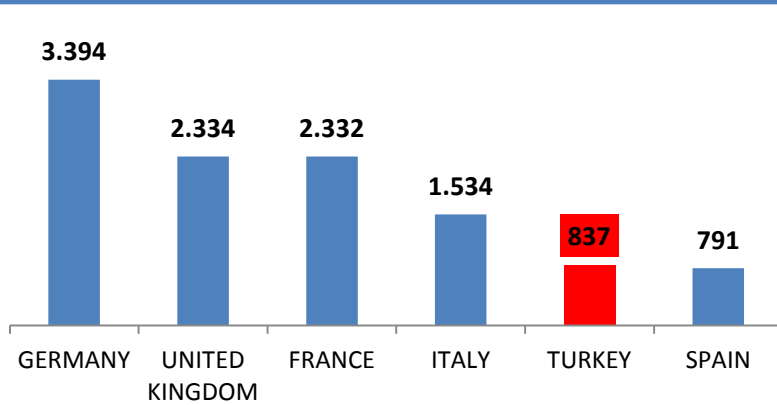


***Turkish motorcycle market***

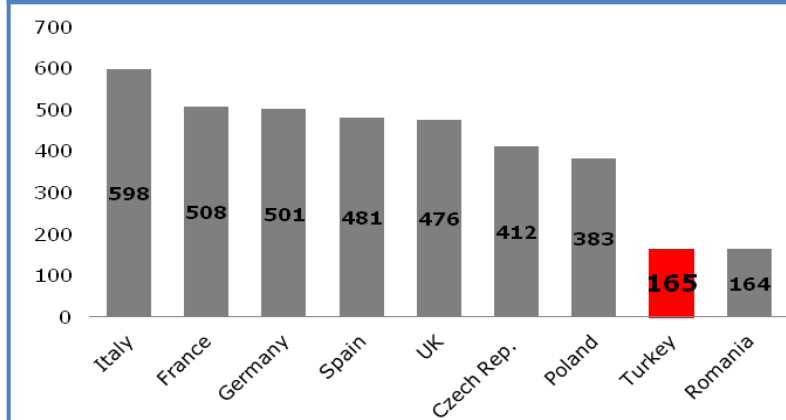


\* Source: Turkish Statistical Institution ;

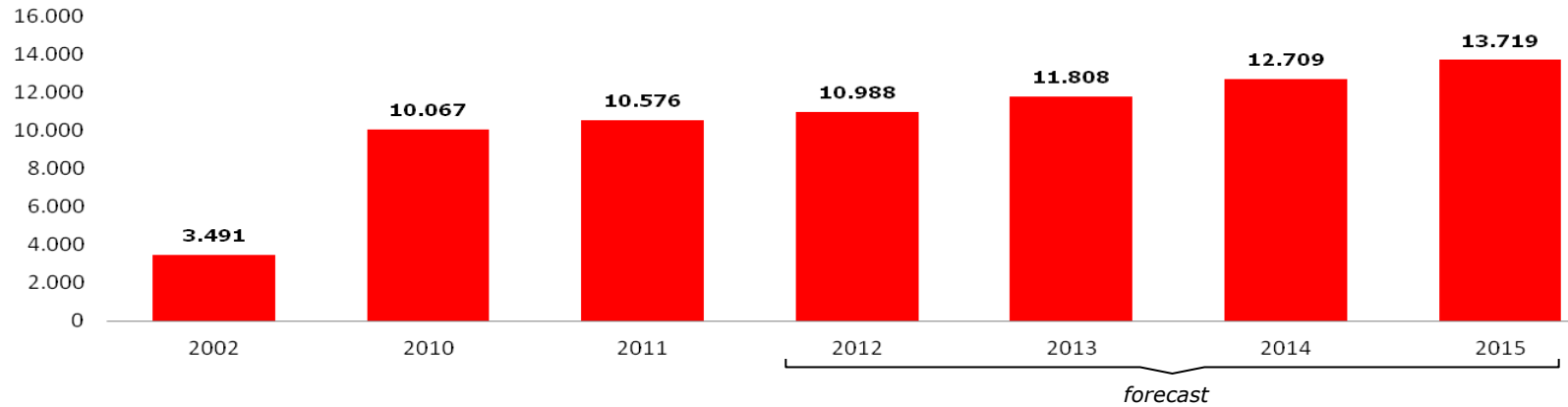
## European automotive market vs. Turkey



## Car density per 1000 inhabitants



## Purchasing power per capita (USD)



Source: Ministry of Finance, IMF



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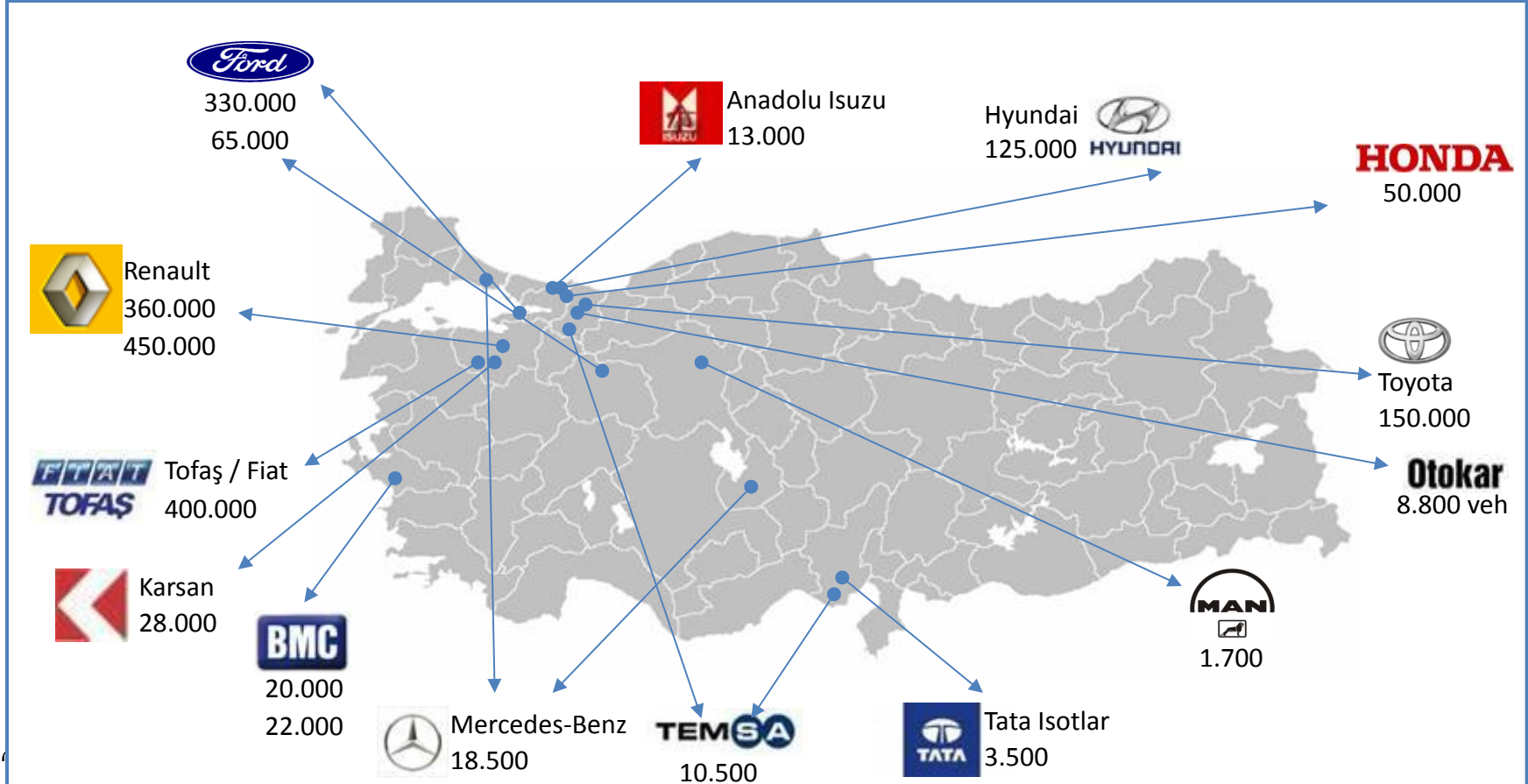
### *Automotive Industry in Turkey*

- The product portfolio of 22 automotive manufacturers in Turkey covers a range of vehicles from sedans to heavy trucks.
- Current production capacity of Turkey is 1,6 million vehicles per year.
- For the production of commercial vehicles Turkey has already become a center of excellence.
- According to the figures of 2011 Turkey was the largest light commercial vehicle producer of Europa.
- Turkey has become an integrated part of value chain of OEMs globally. This is not only valid for production but also for R&D activities.
- Today R&D centres in Turkey are working for the projects outside of Turkey, giving support to R&D offices of car makers in other countries as well.



Source:

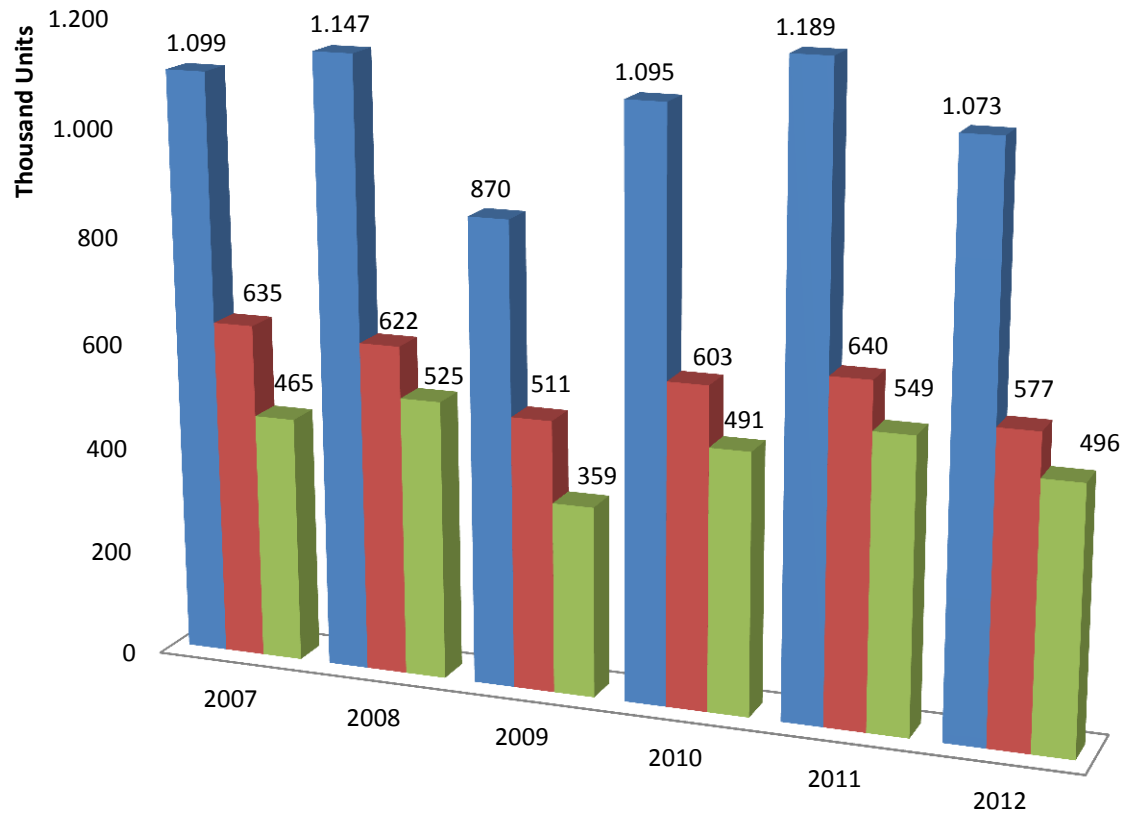
## Vehicle Manufacturers in Turkey



Source: Automotive Manufacturers Association



## Vehicle Production in Turkey



**55 % passenger car  
45 % light commercial  
vehicle production**

**#1 light commercial vehicle  
producer of Europa and # 9  
globally as of 2011**

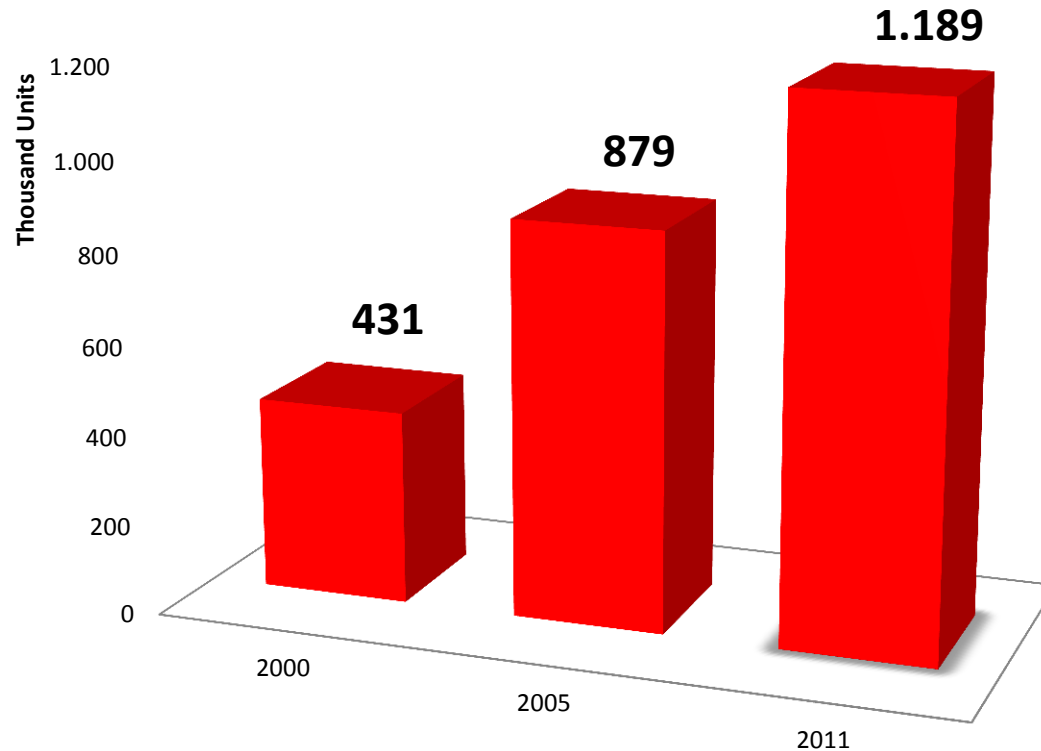
**#9 passenger car  
producer of Europa and #17  
globally as of 2011**

■ Total Vehicle Production   ■ Passenger Car Production   ■ Commercial Vehicle Production

Source: Automotive Manufacturers Association; OICA ;



## Vehicle Production in Turkey



**55 % passenger car  
45 % light commercial  
vehicle production**

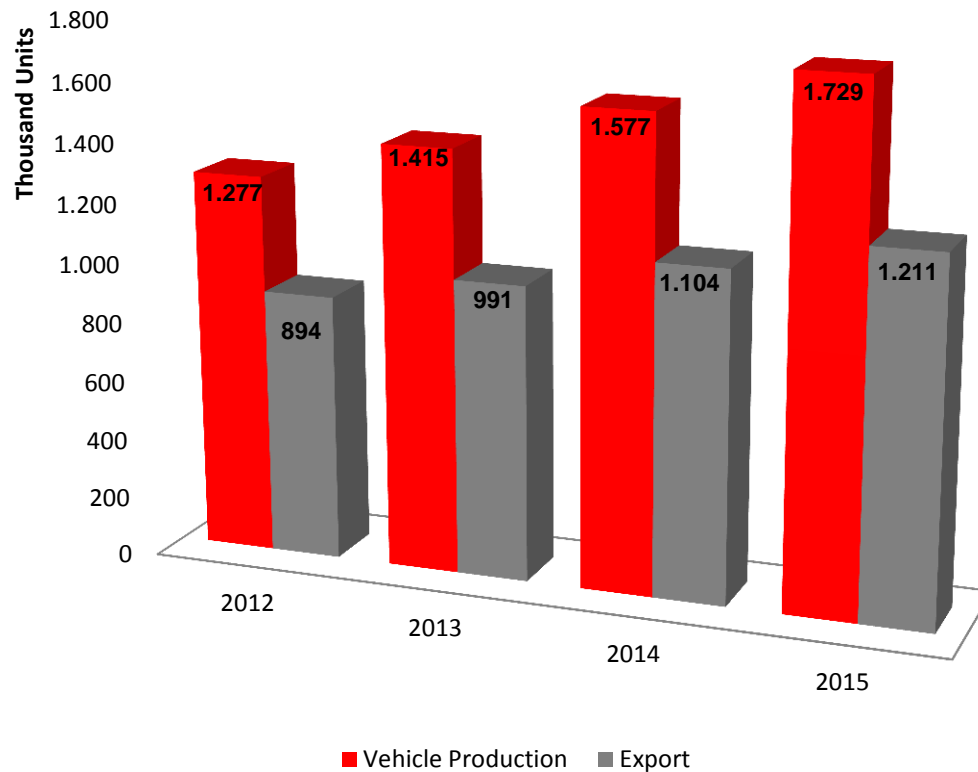
**#1 light commercial vehicle  
producer of Europa and # 9  
globally as of 2011**

**#9 passenger car  
producer of Europa and #17  
globally as of 2011**



Source: Automotive Manufacturers Association; OICA

## Vehicle Production vs. Export Forecast



***On average %70 of production goes to the world markets.***

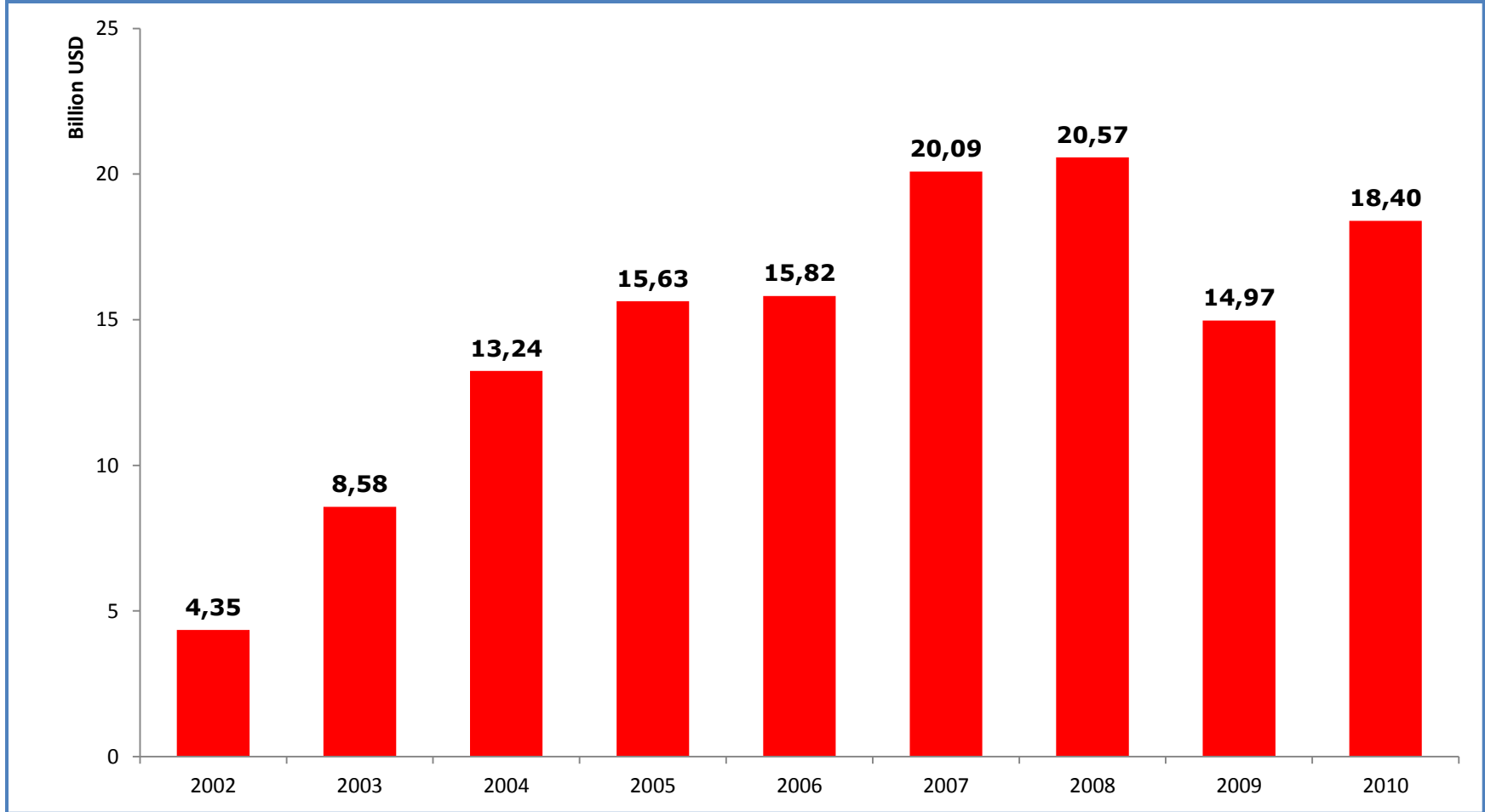
***Among the top 10 car makers worldwide and 3 in Europa***

***In the first 5 in terms of R&D activities in Europa***

Source: BMI

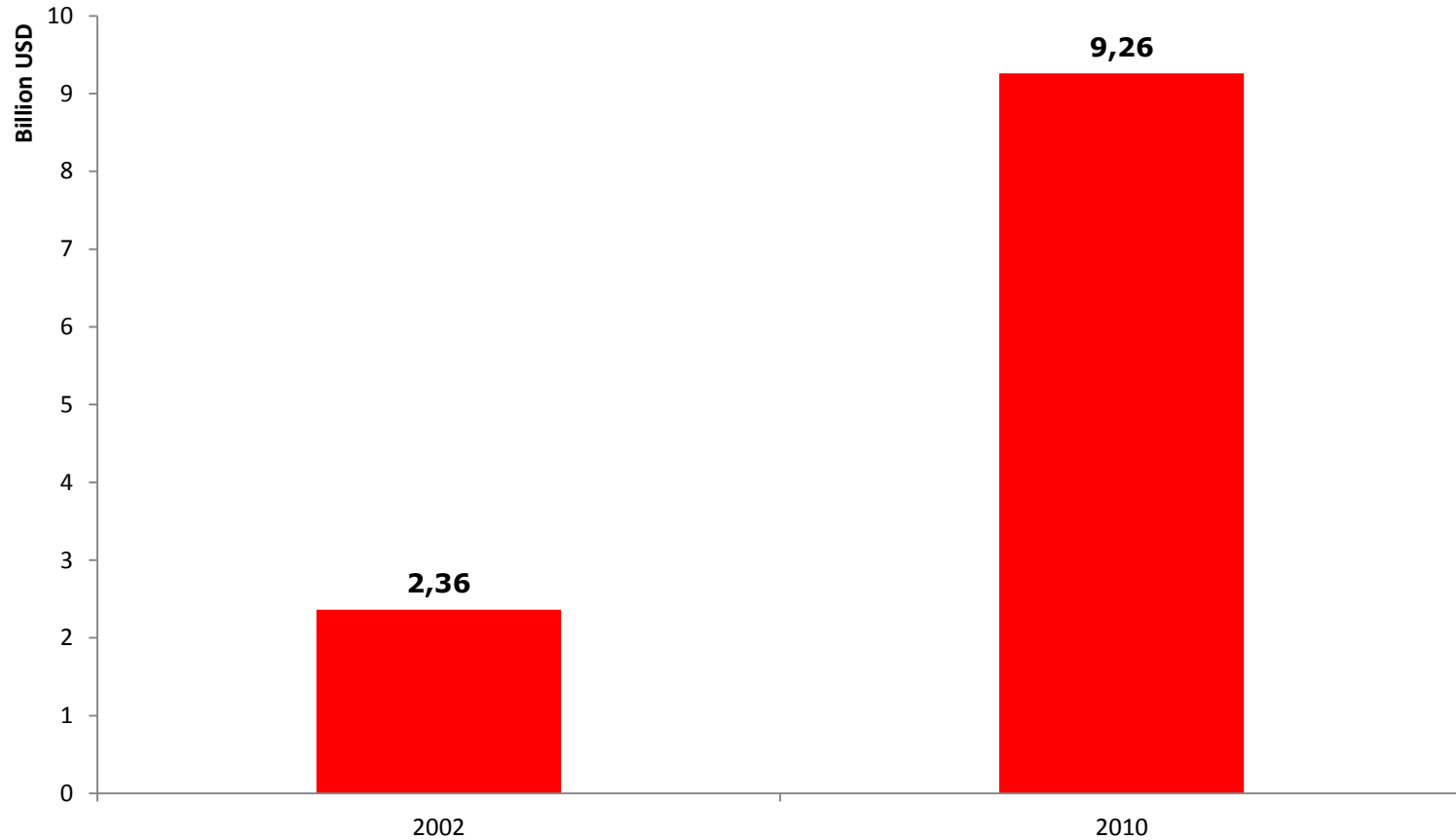


## Revenue of the Industry



Source: Automotive Manufacturers Association; Member information

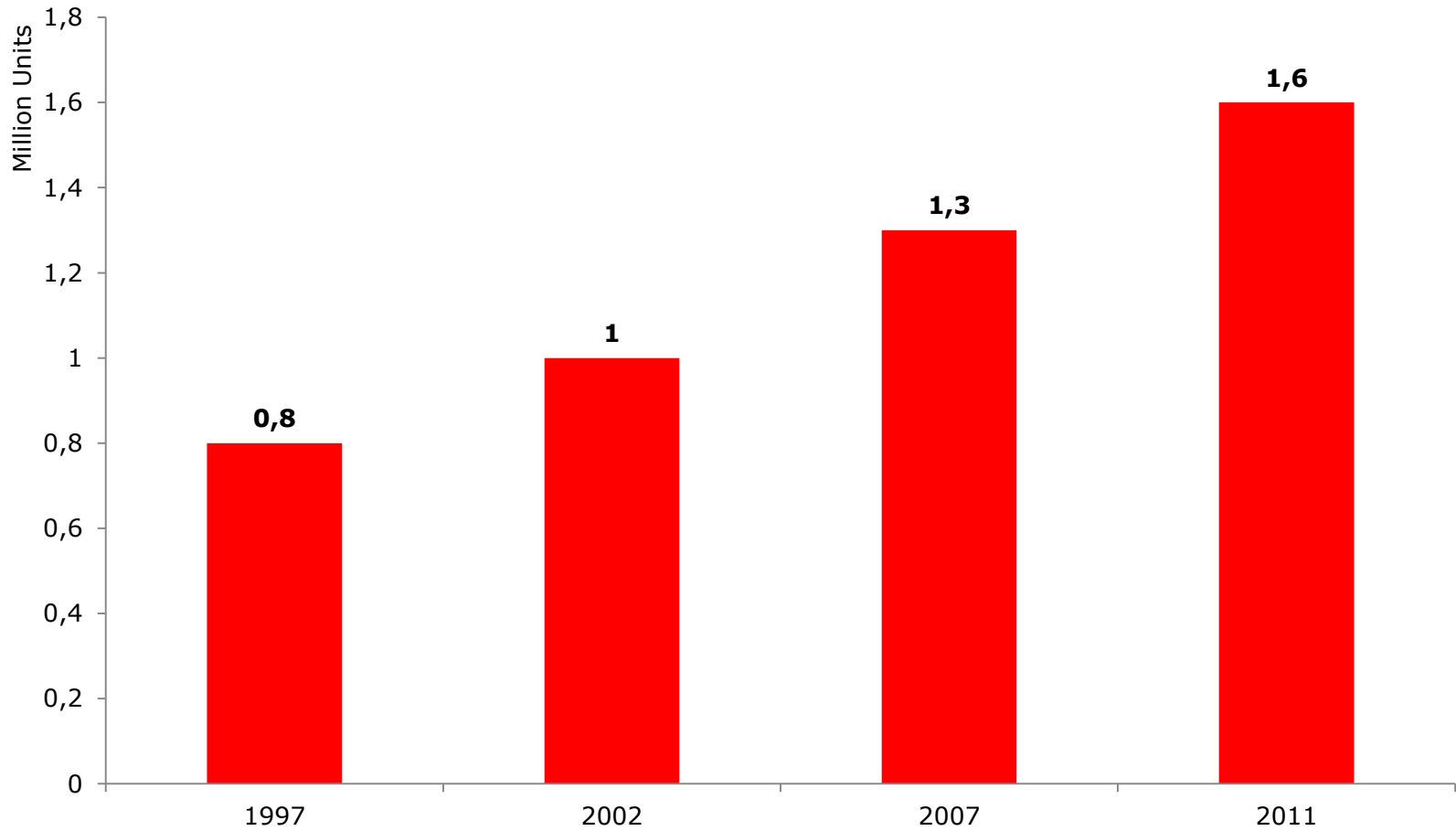
## ***FDI Stock in Motor Vehicle Industry***



Source: *International Trade Center*

**Investment Support and  
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## Investment in Production Capacity



Source: Automotive Manufacturers Association

## Projects by Global Automotive Companies



With a new investment package of 1 billion USD, Ford Otosan will increase its production capacity to 400.000 vehicle till 2014. In addition to New Ford Transit, a new light commercial vehicle will be produced at the new plant of Ford which is currently under construction.



The production of new Linea has started in Bursa fabric of Fiat.



First shipments of the electric version of the Fluence sedan will roll out of Renault's Bursa plant in September, 2011. The production of the company's new super mini, Clio 4, is slated to begin in 2012.



By 2013 Toyota will increase its production capacity to 180.000.



Planning to produce its I10 and I20 model in its Kocaeli plant, Hyundai will increase its production capacity from 100.000 to 200.000 vehicle per year. The estimated value of this investment is around USD 200 million.



### *Fuel Efficiency is the key:*

*To be competitive in the global market but also to reduce her dependency on fossil fuels Turkey is very eager to be the production base of fuel efficient cars:*

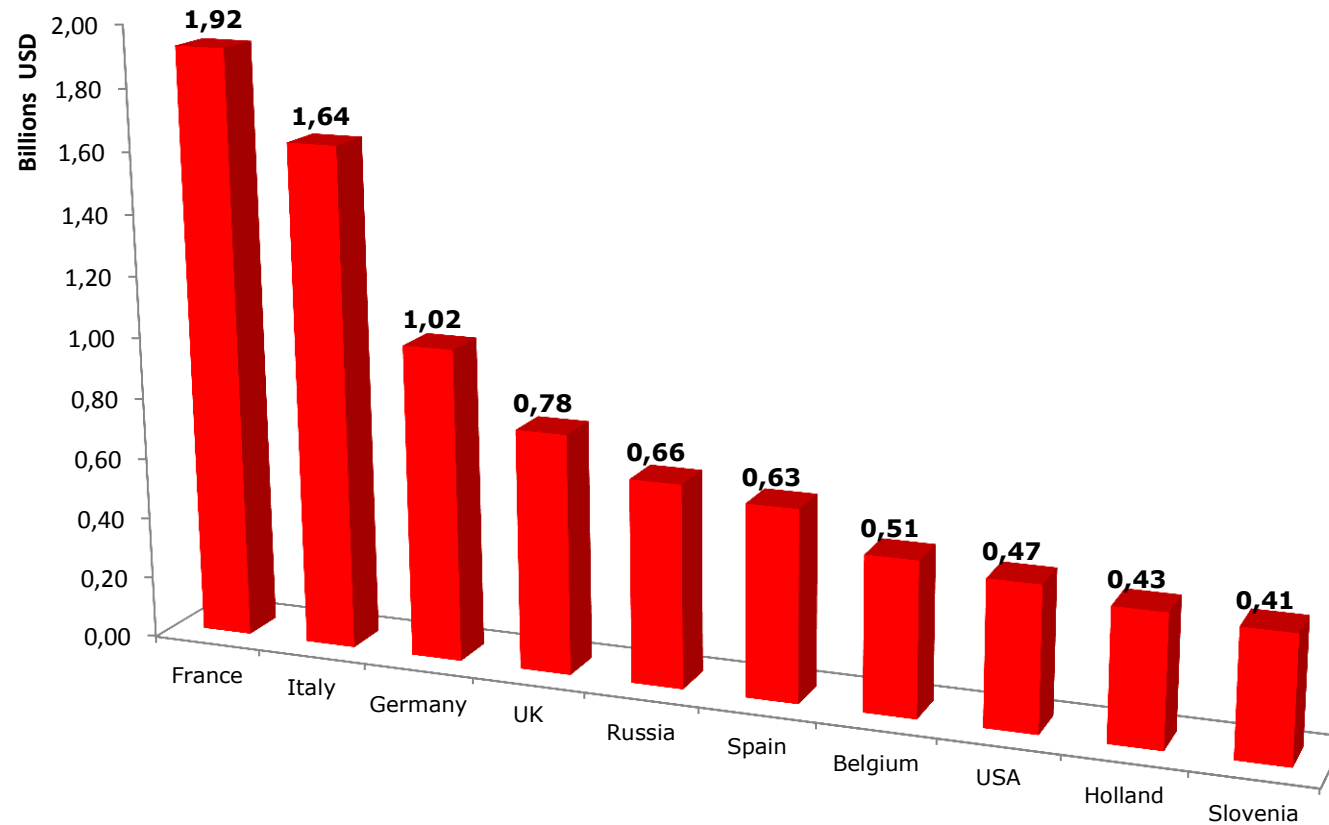
- To create a market for fuel efficient cars tax over passenger cars has been **reduced from 37 % to 3 % for electric cars.**
- In some major cities arrangements for setting up **charging stations** have been already done.
- By taking these measurements Turkey wants to encourage the manufacturing companies to produce electrical cars within her borders.



*This strategy has already paid off and Renault has decided to produce its electric version of its fluence model in Turkey.*



## The First 10 Largest Export Markets of Turkey as of 2011



Source: Turkish Statistical Institution

Content:

Overview of Turkish Automotive Market

Automotive Industry in Turkey

***Automotive Supply Industry in Turkey***

Investment Environment



### *Supply Industry in Turkey*

- ✓ As of today, there are more than 1500 companies operating in Turkish automobile supply industry. Around 450 of them is working directly with the OEMs.
- ✓ 190 companies with foreign capital do have manufacturing operations in Turkey. 17 of these companies are among the top 20 automotive suppliers.
- ✓ Backed with the goal of Turkish government being the excellence centre of the region, increasing number of the local companies in supply industry are improving their R&D infrastructure.
- ✓ Current engineering skills of companies are enabling them to make joint design as well as product development projects with OEMs in and outside of Turkey.
- ✓ An increasing number of Turkish suppliers are competing in the global arena with their own brand.
- ✓ As a result, today Turkish suppliers do belong to the supplier base of both premium car makers such as BMW, BENTLEY, MERCEDES and volume producers such as VW, FIAT, FORD, TOYOTA, RENAULT.
- ✓ Around 200.000 people are employed in the Turkish automotive supply industry



Source:

## Overview of Turkish Supply Industry

- ✓ More than 1100 supplier companies
- ✓ More than 200 international one
- ✓ 17 of companies are among the top 20 automotive suppliers

## Top Suppliers in Turkey

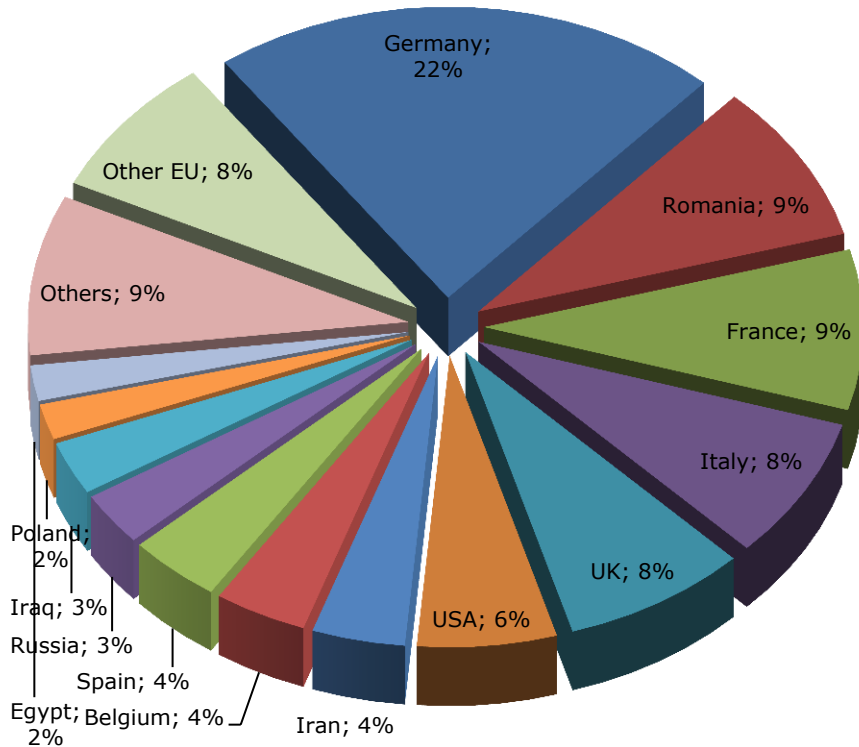
- ✓ Aisin Seiki
- ✓ Basf
- ✓ Benteler
- ✓ Bosch
- ✓ Continental
- ✓ Dana
- ✓ Delph
- ✓ Denso
- ✓ Lear
- ✓ Magna
- ✓ Thyssenkrupp
- ✓ Toyota Boshoku
- ✓ TRW
- ✓ Valeo
- ✓ Visteon
- ✓ Yazaki
- ✓ ZF

## Quality Certifications

ISO 9001	280
ISO/TS 16949	185
OHSAS 18001	105
ISO 14001	75
Q1	120
ISO 17025	1



## Export Markets of Turkish Supply Industry



## Parts Exported by Turkish Suppliers

- ✓ Engine Parts
- ✓ Tyres and tubes
- ✓ Road wheels and parts
- ✓ Accessories of bodies
- ✓ Transmission shaft and cranks, bearings
- ✓ Auto Glass
- ✓ Brake and servo brakes
- ✓ Safety seat belts
- ✓ Batteries and parts
- ✓ Clutches
- ✓ Axles
- ✓ Radiators
- ✓ Filters
- ✓ Mounted brake lining
- ✓ Bodies for the motor vehicles of heading
- ✓ Electrical lighting or signaling equipment
- ✓ Suspension shock-absorbers
- ✓ Silencers and exhaust pipes
- ✓ Diesel or semi-diesel engines
- ✓ Spark-ignition reciprocating or rotary internal combustion piston engines
- ✓ Engine pumps
- ✓ Bumpers
- ✓ Steering wheels, steering columns and steering boxes

Source: Turkish Exporter Association



Turkish supply industry is working with market leading brands



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***Investment Environment***



## Incentive System

### 1. General Incentives

- ✓ VAT Exemption
- ✓ Custom Duty Exemption

### 2. Regional Incentives

- ✓ VAT Exemption
- ✓ Custom Duty Exemption
- ✓ Tax Deduction
- ✓ Employer's share for insurance premium payment
- ✓ Land provision
- ✓ Interest Support (except 1<sup>st</sup> and 2<sup>nd</sup> regions)

### 3. Incentives for large-scale Investments

- ✓ VAT Exemption
- ✓ Custom Duty Exemption
- ✓ Tax Deduction
- ✓ Employer's share for insurance premium payment
- ✓ Land provision

### 4. Incentives for Strategic Investments

- ✓ VAT Exemption
- ✓ Custom Duty Exemption
- ✓ Tax Deduction
- ✓ Employer's share for insurance premium payment
- ✓ Land provision
- ✓ Interest Support
- ✓ VAT Refund

**In the 6<sup>th</sup> Region; income withholding tax and employee's share for insurance premium payment**



## Turkish Automotive Industry Strategy Document

### Vision

- ◆ Become a regional R&D and production base

### Mission

- ◆ Sustainable competitive advantage
- ◆ High added value through high technology utilization

### Targets

- ◆ Develop R&D infrastructure
- ◆ Develop design, production and branding
- ◆ Expand local and export markets
- ◆ Improve regulations
- ◆ Develop physical infrastructure

### Plans

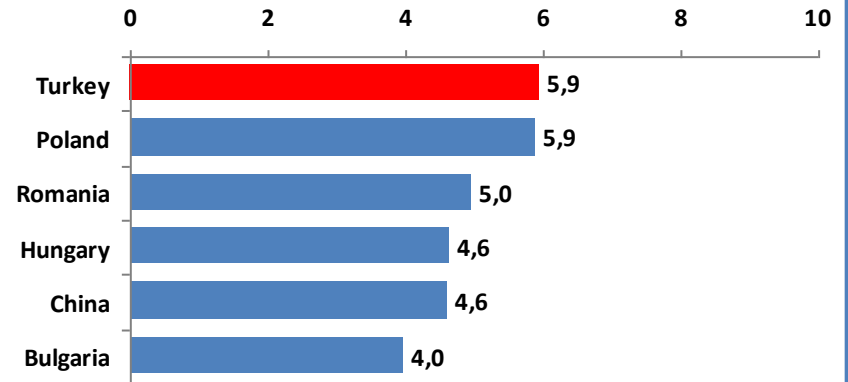
2014



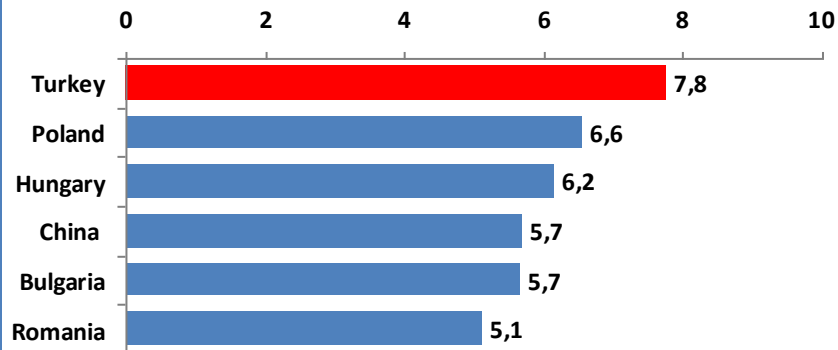
## R&D Activities

- There are 29 automotive companies with R&D departments in Turkey.
- International investors such as FIAT, Ford, Mercedes-Benz, Renault, Bosch, MAN and Grammer have R&D departments to support their production operations in Turkey.
- More than 2500 R&D personal are employed in these centers.

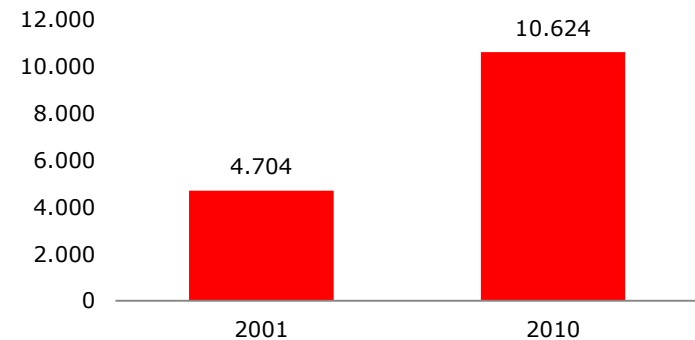
## Availability of Skilled Labor Force 2010



## Availability of Qualified Engineers 2010



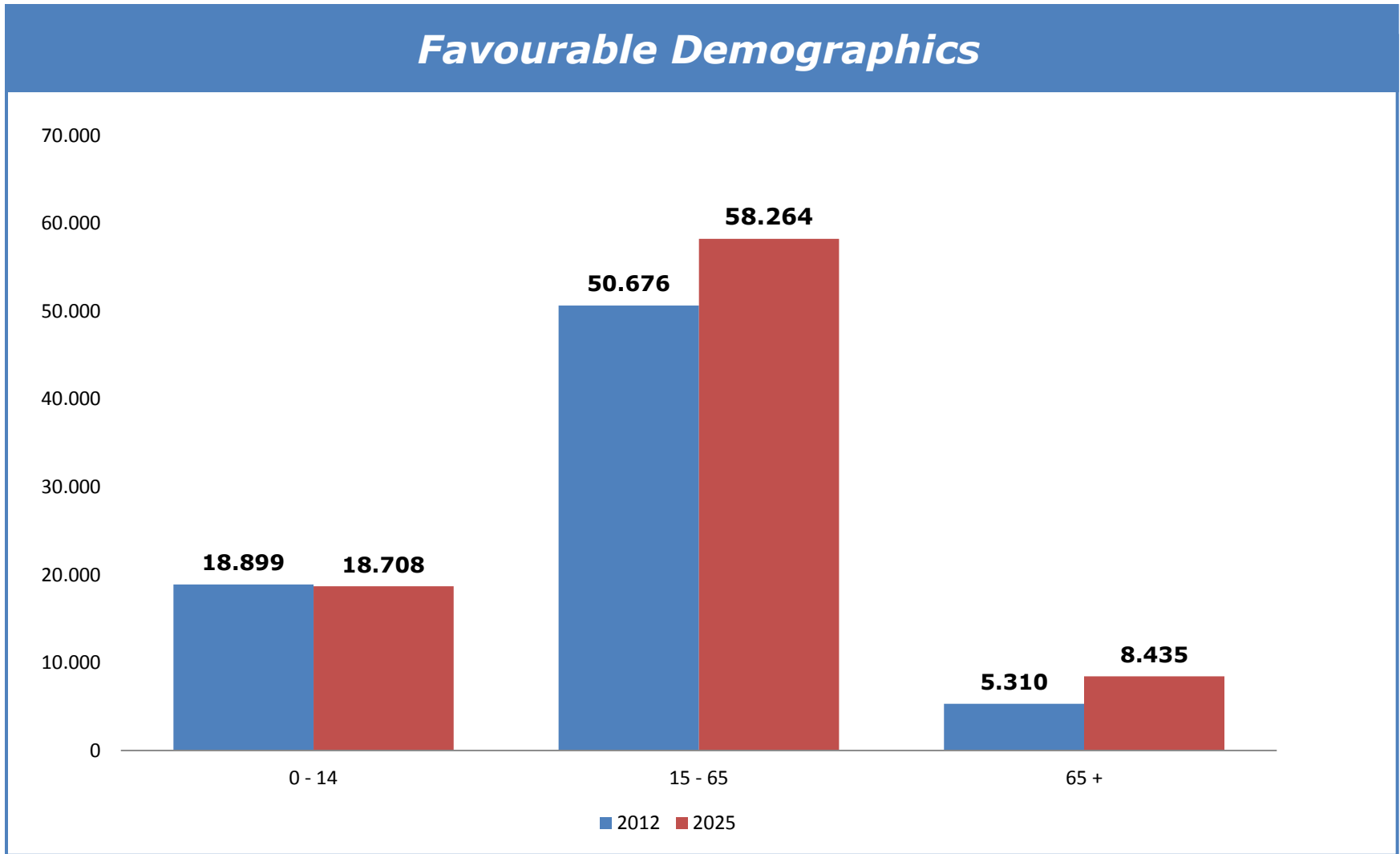
## Number of PhD Students in Technical Sciences



Source: IMD World Competitiveness Yearbook 2010, IMD WCY Executive Opinion Survey based on an index from 0 to 10



### *Favourable Demographics*



Source: Turkish Statistical Institution

## ❖ Customs Union with the EU

## ❖ Free Trade Agreements with 20 countries:

### Agreements in Force

1. Albania	12. Macedonia
2. Bosnia & Herzegovina	13. Mauritius*
3. Croatia	14. Montenegro
4. Chile	15. Morocco
5. Egypt	16. Norway
6. Georgia	17. Palestine
7. Iceland	18. Serbia
8. Israel	19. Switzerland
9. Jordan	20. Syria
10. Lebanon*	21. Tunisia
11. Lichtenstein	22. S. Korea

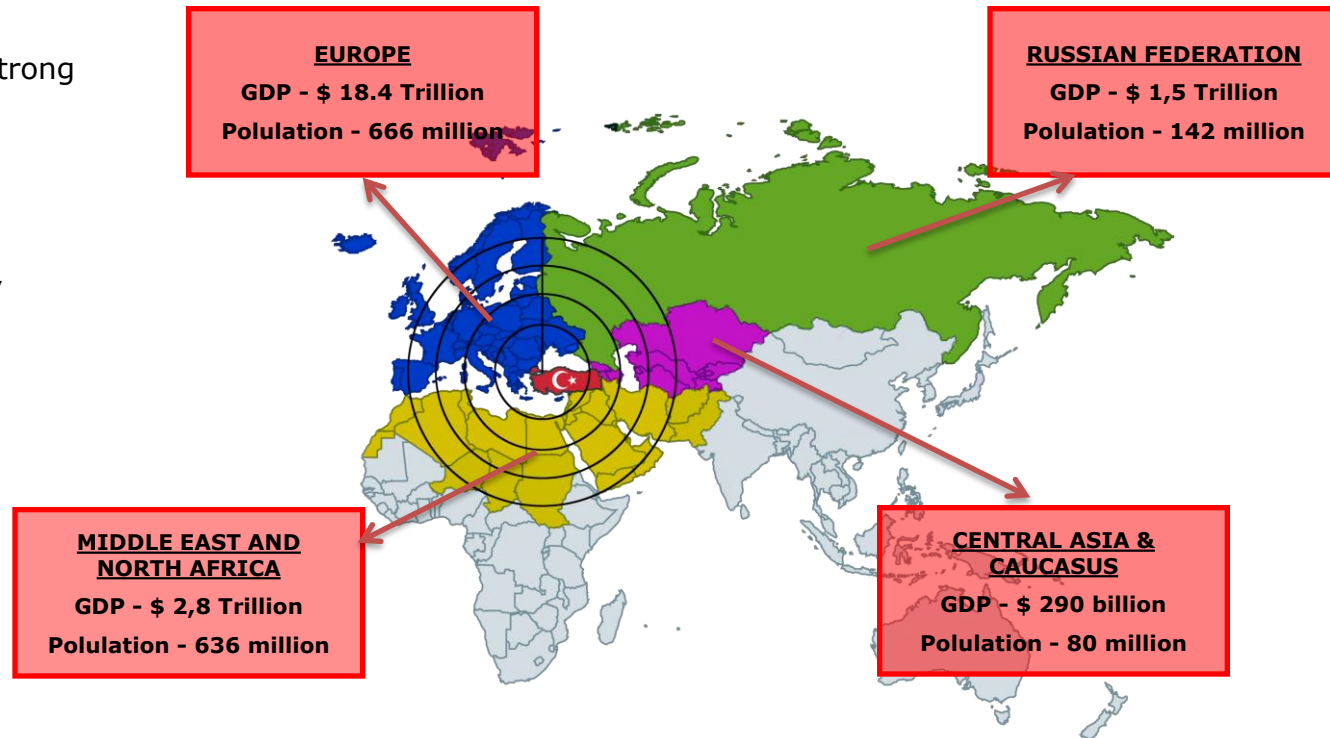
### Ongoing FTA negotiations

1. Cameroon	8. Malaysia
2. Colombia	9. MERCOSUR
3. Demographic Rep. Of Congo	10. Moldova
4. Ecuador	11. Seychelles
5. Faroe Islands	12. Ukraine
6. Gulf Cooperation Countries	
7. Libya	

Source: Ministry of Economy, \* In ratification process



- ✓ An increasing purchasing power backed with a low automobile ownership rate will boost the sales of automobiles in the coming years, providing higher returns for automotive manufacturers with local production.
- ✓ With its strong and export-oriented manufacturing segment Turkey is the leading production base in Emerging Europe and 6th largest automotive producer in whole Europe .
- ✓ Its proximity to emerging markets with higher growth potentials provide plenty of opportunities for automobile industry.
- ✓ With structurally strong economy and sound banking system, Turkey provides a healthy investment environment for international investors.



Source: IMF World Economic Outlook April 2011



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**INVEST IN TURKEY**