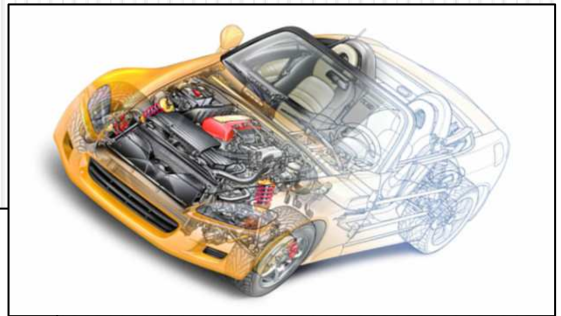
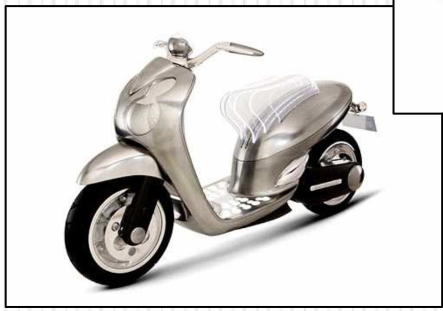
Indonesia Automotive Industry

Automotive & Machinery Working Group on EIBD Conference
Tuesday, 30 November 2010

Ir. Agus Tjahajana , SE.MSc

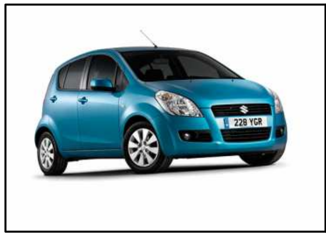
Director General International Industrial Cooperation
Ministry of Industry of The Republic of Indonesia

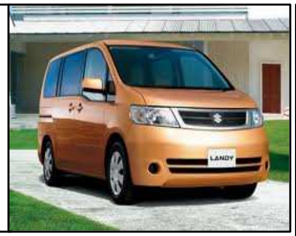


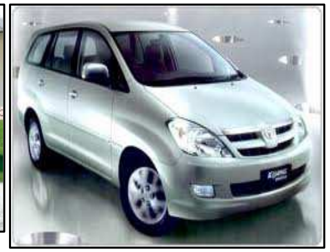


INDONESIAN AUTOMOTIVE IN BRIEF

- National Automotive industry has developed for more than 30 years.
- Tens of assemblers of various types of Cars and motorcycles have now existed in the country.
- Also, there are hundreds of component industries producing various types of components to support assemblers of motor vehicle, as vendor items and for export market.
- Market for MPV (Multi Purpose Vehicle) is very strong, making Indonesia is considered as one of production bases of MPV for domestic and export markets.
- Automotive industry absorbs large number of labours, using simple to high technologies, and become pull sector for SMIs development
- With those progress Indonesia has a strong basis in automotive industries







Market and Production

➢ Supply and demand

- Regional and global automotive market demand (Source : Jama 2010)
  - – Dominated by world players that control market ,supply of material and component, as well as technology.
  - – From 2006, world automotive market demand tends to decrease; car market in 2008 was only 63,1 million units (growth trends = -1,12 % / year)
  - – But Asia and ASEAN demands for car were increased, where in 2008 Asian was 19,4 million units (growth trends = 5,62 % / year) and ASEAN was 1,77 million units (growth trends = 8,90 % / year)
  - – Growth from 2006 up to 2008 : Indonesia = 37,92 % ; Thailand = -5,12 % ; Malaysia = 5,68 %.

- During the last 5 years, Indonesia's market and production for cars and motorcycle has grown around 7-8% each year.
- For 2010, market demand for cars in Indonesia is predicted to be around 750.000 units, while Motorcycle is predicted 7,4 million units

Market and Production (cont'd)

- Production of European Premium Sedans was 2.824 in 2009 and predicted will be around 5000 this year or grew 6,78% / year in the last 5 years
- Sales of European Premium Sedans in 2010 is predicted to be around 6.000 unit, or grow around 4,84% during the last 5 years
- Export of CBU Unit and CKD Sets as well as Component Pieces this year are slowing down compared in 2008 though the growth during the last 5 years are still positive especially in CBU unit (29,52%)
- Imports of CBU Unit in 2010 is also slowing down compared to 2008 though the growth during the last 5 years are still positive around 15,45%

AVERAGE AUTOMOTIVE IMPORT DUTIES (%)

YEAR Tariff	2010	2012	2014	2016
MFN	16,57	16,57	16,57	16,57
CEPT-AFTA	0,00	0,00	0,00	0,00
ACFTA	16,14	15,70	15,70	15,51
AKFTA	8,40	7,55	7,55	7,55
IJEPA	6,94	2,77	2,77	2,77

Source : PP-KIUI MOI

Indonesia Automotive Import Duty & Luxury Tax

Category	Remarks	Import Duty								Luxury Tax
		CBU				CKD		IKD		
		2007	2008	2009	2010	2007	2008	2008	2010	2009
Sedan Type	cc≤1.5 (G/D)	55	50	50	40	25	15	15	7.5	30
	1.5<cc≤3.0 (G) / 2.5(D)	55	50	50	40	30	15	-	-	40
	cc > 3.0 (G) / 2.5 (D)	55	50	50	40	40	15	-	-	75
4X2 Type	cc≤1.5 (G/D)	45	45	45	40	20	15	15	7.5	10
	1.5<cc≤ 2.5 (G/D)	45	45	45	40	20	15	15	7.5	20
	2.5 <cc ≤ 3.0 (G/D)	45	45	45	40	20	15	15	7.5	40
	cc > 3.0 (G) / 2.5 (D)	45	45	45	40	20	15	15	7.5	75
4X4 Type	cc≤1.5 (G/D)	45	45	45	40	20	15	-	7.5	30
	1.5<cc≤3.0 (G) / 2.5(D)	45	45	45	40	20	15	-	-	40
	cc > 3.0 (G) / 2.5 (D)	45	45	45	40	20	15	-	-	75
Bus	GVW 5-24 ton(G/D)	40	40	40	40	20	15	5	0	10
	GVW> 24 ton (G/D)	10	10	10	10	5	5	5	0	10
Pick Up/Truck	GVW < 5 ton (G/D)	45	45	45	40	20	15	15	7.5	0
	GVW 5-24 ton(G/D)	40	40	40	40	20	15	5	0	0
	GVW> 24 ton (G/D)	10	10	10	10	5	5	5	0	0
Double Cabin 4X2 / 4X4	GVW < 5 ton (G/D) For All cc	45	45	45	40	25	15	15	7.5	20

➢ Production

Production of Cars : Total Work Force : ± 380.000

- 20 Assembling Companies (Work Force : 19.000 people) Avg : 950 People/Company
- 150 Lvl 1 Component Industries Companies (Work Force : 42.000 people) Avg : 280 People/Company
- 350 Companies Lvl 2 Component Industries (Work Force : 11.000 people) Avg : 32 People/Company
- + 11.000 Authorized Outlet (Work Force : + 77.000 people) Avg : 7 People/Outlet
- + 33.000 Non Authorized Outlet (Work Force : + 231.500 people) Avg: 8 People/Outlet

Production of Motor Cycles : Total Work Force : 1.653.600

- 40 Assembling Companies (Work Force : 27.600 people) Avg : 690 People/Company
- 195 Lvl 1 Component Industries Companies (Work Force : 39.375 people) Avg : 202 People/company
- 600 Companies Lvl 2 Component Industries (Work Force : 11.625 people) Avg : 20 People/Company
- + 18.000 Authorized Outlet (Work Force : + 262.500 people) Avg : 15 People/Outlet
- + 90.000 Non Authorized Outlet (Work Force : + 1.312.500 people) Avg : 15 People/Outlet

State of Play of Automotive Business

Automotive tends to become Seller Market,
(*to meet demand of Developed Countries buyers)*

Design & features are based to the demand of developed countries Buyers

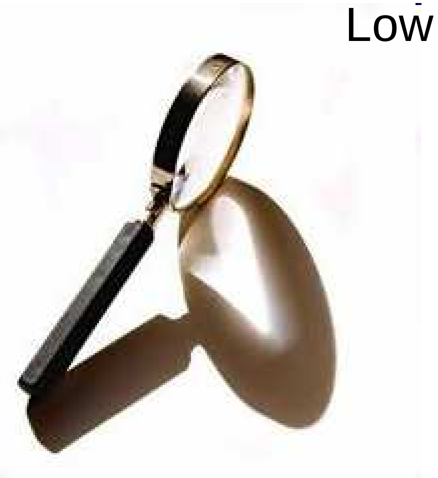
This spoiled the emerging economies buyers

With their purchasing power, emerging countries mostly need car only for transportation

Low cost car will become a strategic target to mass develop

Low Cost Car (safely and Environmentally Friendly)

Niche Market



Demand Forecast

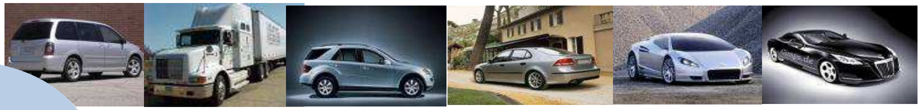
DESCRIPTION	UP TO 2010	UP TO 2015	UP TO 2020	UP TO 2025
car :				
Production	750.000 unit	1.207.883 unit	1.945.307 unit	3.132.936 unit
Sale	750.390 unit	1.208.511 unit	1.946.318 unit	3.134.565 unit
Export	111.741 unit	179.960 unit	289.827 unit	466.770 unit
Production (Billion Rupiah)	81.000	130.451	210.093	338.357
Motorcycle:				
Production	7.579.000 unit	8.164.735 unit	8.795.739 unit	8.795.739 unit
Sale	7.470.355 unit	8.047.694 unit	8.669.652 unit	8.669.652 unit
Export	26.100 unit	28.117 unit	30.290 unit	30.290 unit
Production (Billion Rupiah)	98.527	106142	114.345	114.345

Notes: car, average annual growth rate after 2010 is assumed to be 10%
2-WHEEL, average annual growth rate after 2010 up to 2020 is assumed to be 1.5 %, and there will be no increase from 2020 up to 2025.

Road Map

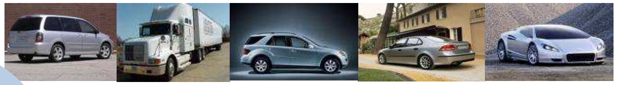
DESCRIPTION	UP TO 2010	UP TO 2010	UP TO 2020	UPTO 2025
Type of motor vehicle	MPV, Light Commercial Truck.	MPV, Commercial Truck up to 24 ton, SUV and small economical sedan	MPV, SUV, small economical sedan, Commercial truck > 24 ton, medium size sedan, Hybrid car	MPV, SUV, small economical sedan, Commercial truck > 24 ton, medium size sedan, Hybrid car, Luxury car.
Production base	Production base of MPV, Light Commercial Truck.	Production base of MPV, Commercial Truck up to 24 ton, SUV small economical sedan	Production base of MPV, SUV, small economical sedan, Commercial truck > 24 ton, medium size sedan, Hybrid car	Production base of MPV, SUV, small economical sedan, Commercial truck > 24 ton, medium size sedan, Hybrid car, Luxury car.
Technology acquired	Capable of designing up to 80% of motor cycle Manufacture of engine, transmission, production base for MPV and Light Commercial Truck.	Capable of designing up to 80% of car motor vehicle for MPV and Light commercial truck Manufacture of engine, transmission for motor vehice production base, Commercial Truck up to 24 ton, SUV and small economical sedan	Capable of designing up to 80% of car motor vehicle for SUV and small size sedan, Light commercial truck Manufacture of engine (hybrid engine). Integration of ECU (engine control unit) system	Capable of designing up to 80% of car motor vehicle for medium size sedan . Manufacture of motor vehicle component for Luxury Car quality level.
Capability of component industry	Capable of supplying component for MPV and Light Commercial Truck.	Capable of supplying component for Commercial Truck up to 24 ton, SUV and small size sedan	Capable of supplying component for Commercial Truck up to > 24 ton, medium size sedan, Hybrid car.	Capable of supplying component for Luxury car quality level

Road Map



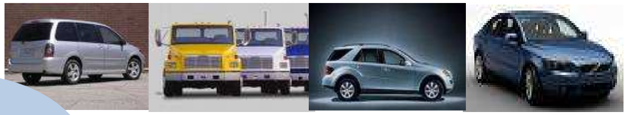
2025

-MPV, SUV, Small economical sedan, Commercial truck > 24 ton, Medium size sedan, Hybrid car and Luxury car.
- 80% design of 4W motor vehicle for medium size sedan.
- Manufacture of luxury car quality component.
- Supplier of luxury car quality component.



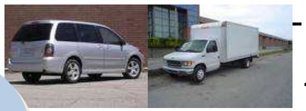
2020

- MPV, SUV, Small economical sedan, Commercial truck > 24 ton, Medium size sedan, Hybrid car.
- 80% design of 4W motor vehicle for sedan and SUV.
- Hybrid engine, ECU integration system.
- Commercial truck component > 24 ton, Medium size sedan, Hybrid car.



2015

- MPV, Commercial Truck until 24 ton, SUV and small economical sedan.
-80% design of 4W motor vehicle for MPV and Light commercial truck.
- Manufacture of engine, transmission for Commercial Truck up to 24 ton, SUV and small economical sedan .
- Supplier of component for Commercial Truck up to 24 ton, SUV and small size sedan.

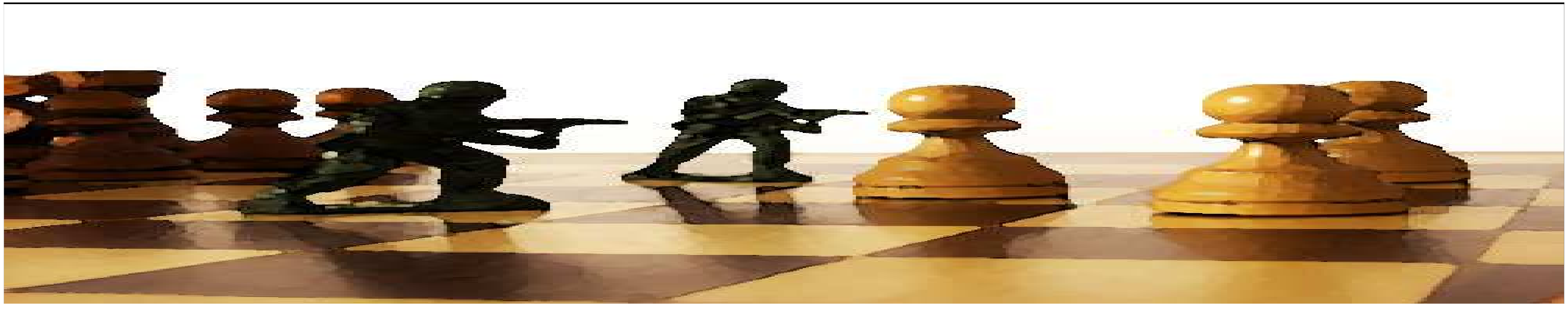


2010

- MPV, Light Commercial Truck.
- 80% design of motor cycle.
- Manufacture of engine, transmission for MPV and Light Commercial Truck.
- Supplier of component for MPV and Light Commercial Truck.

POLICY

- Development of domestic market through tariff harmonization and taxation.
- Increasing domestic component industry capability.
- Providing incentive for development of R&D.
- Providing fiscal incentive to attract investment in high technology component industry.



STRATEGY

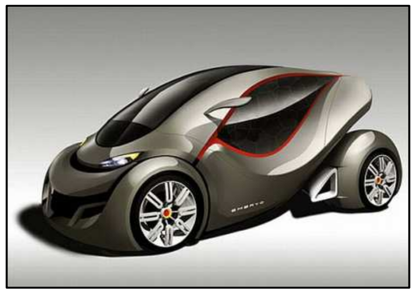
- Sector :
  - To strengthen production basis commercial vehicle, small passenger car, and motor cycle.
  - To increase product and manufacturing technology capability motor vehicle component industries.
  - To strengthen industrial structure in all value chain through development of automotive clusters.
  - To develop interlinkage of supply chain through clusters.
- Technology :
  - To develop design engineering and development of automotive component, full manufacturing of motor cycle.

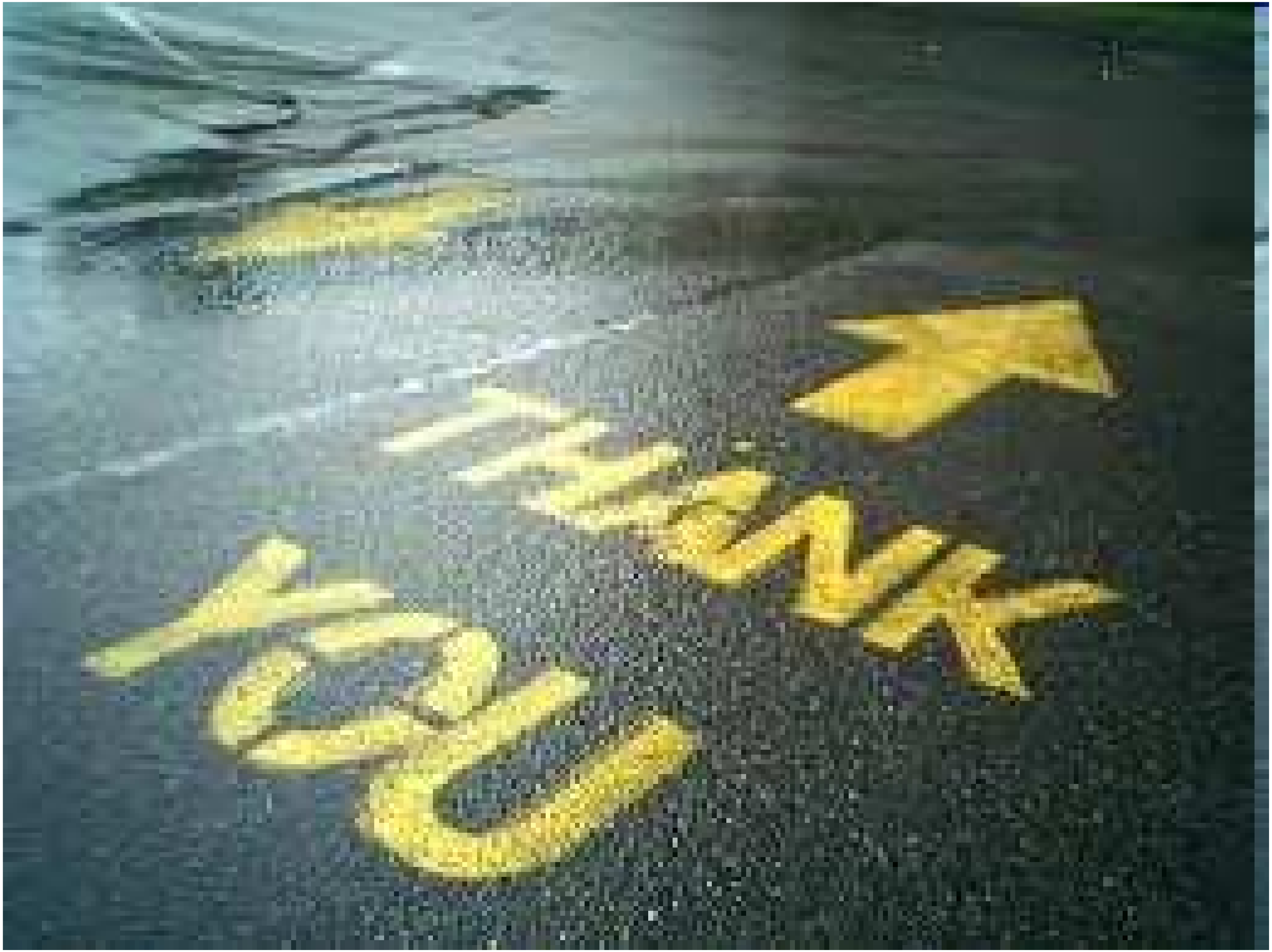
PROGRAM / ACTION PLAN

Short Term (up to 2014)	Medium Term (up to 2020)
•Increase volume by introducing low cost car •Strengthen and developing clusters • Increase component industry investment in the second and third tiers •Increase component industry capability in manufacturing technology and product development. •Increase productivity and quality of component industry. •Increase capability and inter-linkage of SMI and assembler.	• Increase export mastery for D&E CBU • Technology mastery for component and product development. • Increase productivity and quality of component industry.

Eco-CAR Program

- Vehicle with very efficient fuel consumption
- Comply to minimum of standard Euro III
- Very affordable price for majority of people
- Locally manufactured and use very high local content




THANK
YOU