

# Thailand towards the Automotive Hub of Production and R&D of ASEAN



# 1. Is Thailand an Automotive Hub of ASEAN?

# Thailand: A Hub of Automotive Industry for ASEAN & the World



## Hub of Pick-up



## Hub of Eco-Car



## Hub of automobiles & parts regional R&D Center

- Toyota Motor Asia Pacific Engineering & Manufacturing
- Denso International Asia (R&D)
- Isuzu R&D
- Nissan Technical Center South East Asia

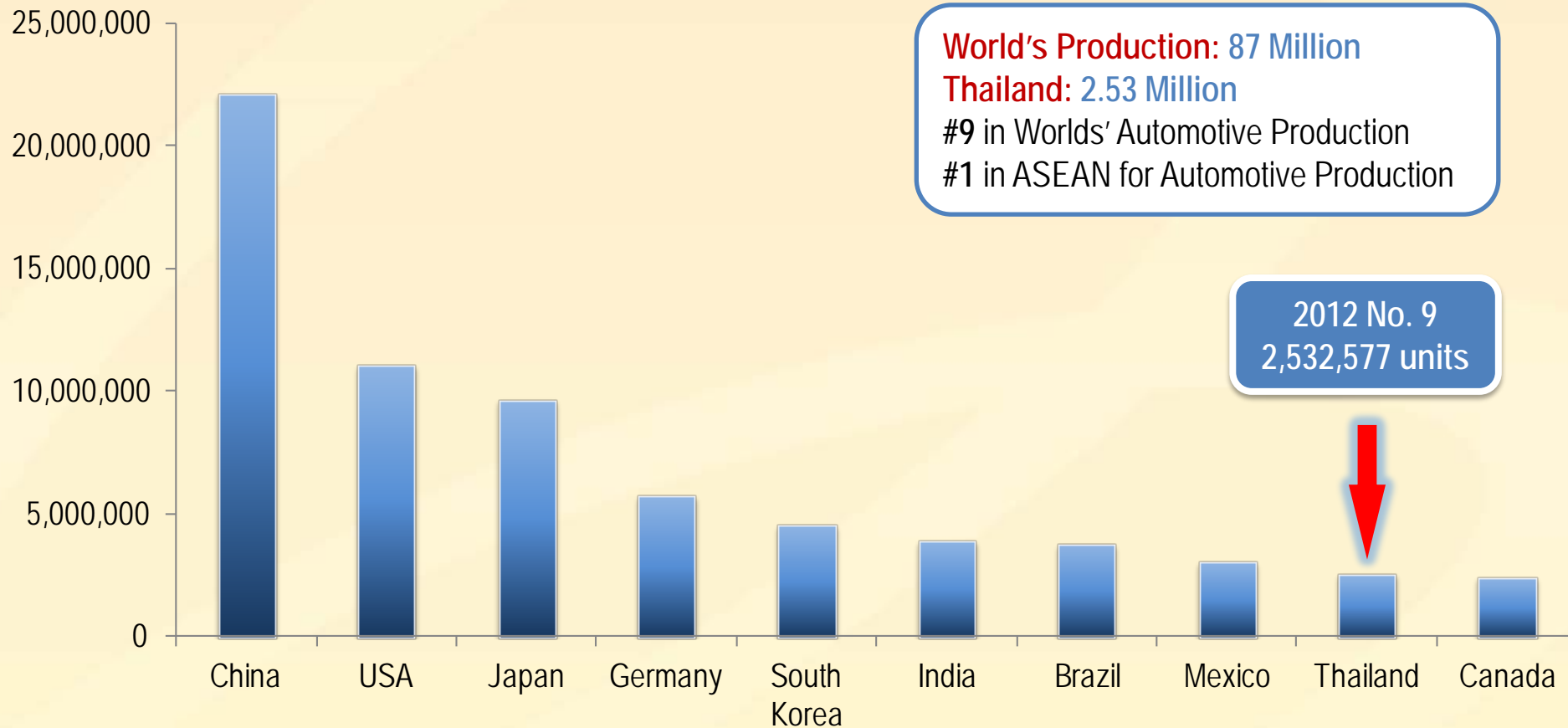
Source: ASEAN Automotive Federation(Automotive Summit 2013) as of June 24, 2013



# Thailand Ranked #9

## 2013 Automobile Production

UNIT



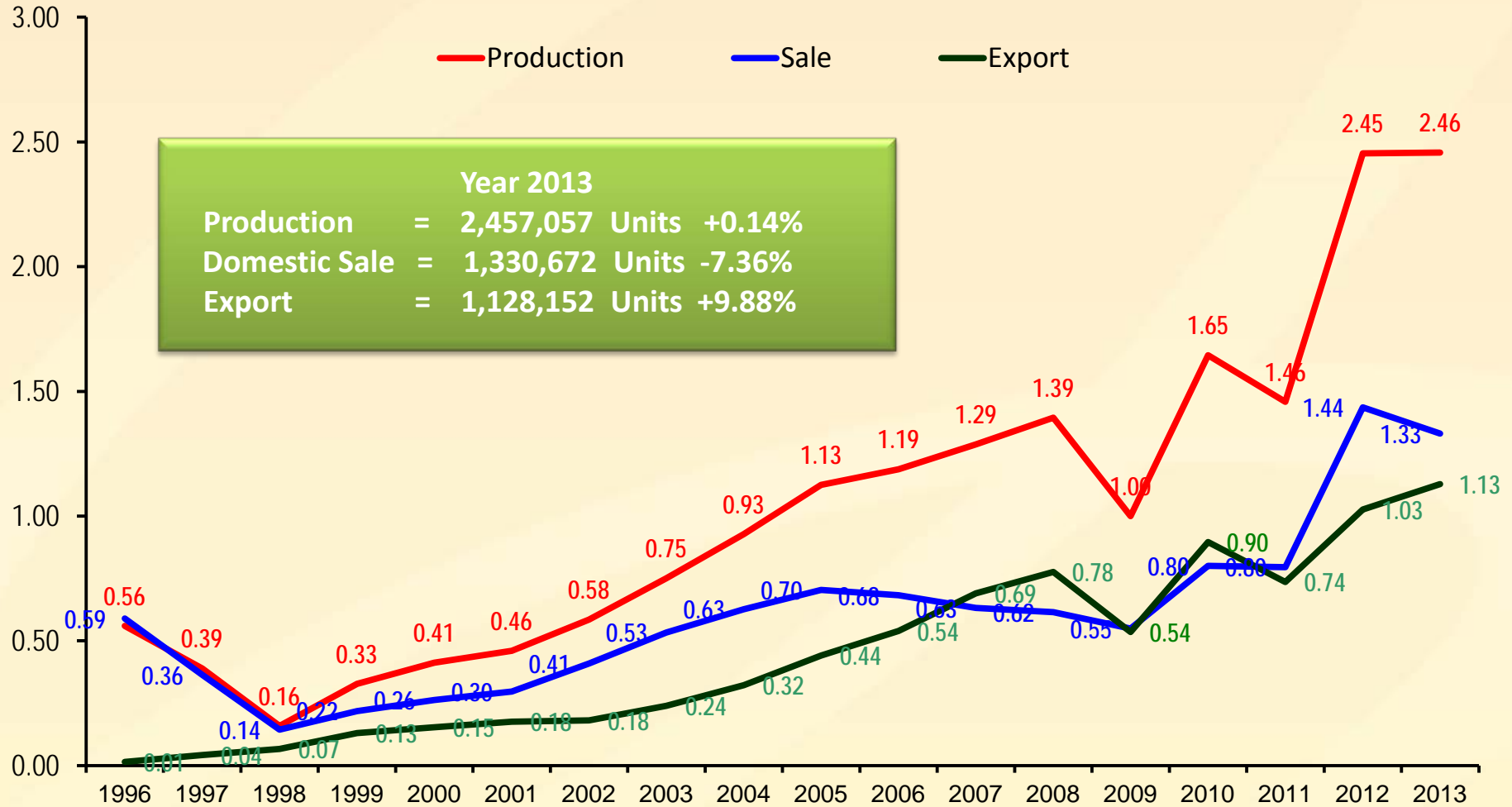
Source: OICA as of March 10, 2014



# Thailand Automotive Industry Growth



Million Units



Source: Automotive Intelligence Unit, as of Mar 10, 2014

# Thailand's Automotive Industry in 2014



	2013	2013 (Jan-Mar)	2014 (Jan-Mar)	Growth (%)
<b>Production (Unit)</b>	<b>2,455,000</b>	<b>720,383</b>	<b>517,492</b>	<b>-28.16</b>
- Passenger Car	1,066,647	324,815	203,896	-37.23
- Commercial Car	55,440	13,625	7,164	-47.42
- One ton pick up	1,332,913	381,943	306,432	-19.77
<b>Export (Unit)</b>	<b>1,106,634</b>	<b>283,966</b>	<b>289,488</b>	<b>1.94</b>
Export (Bt Million)	509,108	125,641	136,336	8.51
<b>Domestic Sales (Unit)</b>	<b>1,323,255</b>	<b>411,705</b>	<b>224,222</b>	<b>-45.54</b>
- Passenger Car	656,412	213,091	101,621	-52.31
- Commercial Car	69,319	18,888	9,922	-47.47
- One ton pick up	597,524	179,726	112,679	-37.31
<b>OEM Export value (Bt Million)</b>	<b>238,531.76</b>	<b>55,583.87</b>	<b>64,590.89</b>	<b>16.20</b>

Source: Thailand Automotive Institute as of May 8, 2014

# Thailand's Motorcycle Vehicle Production, 1996-2013

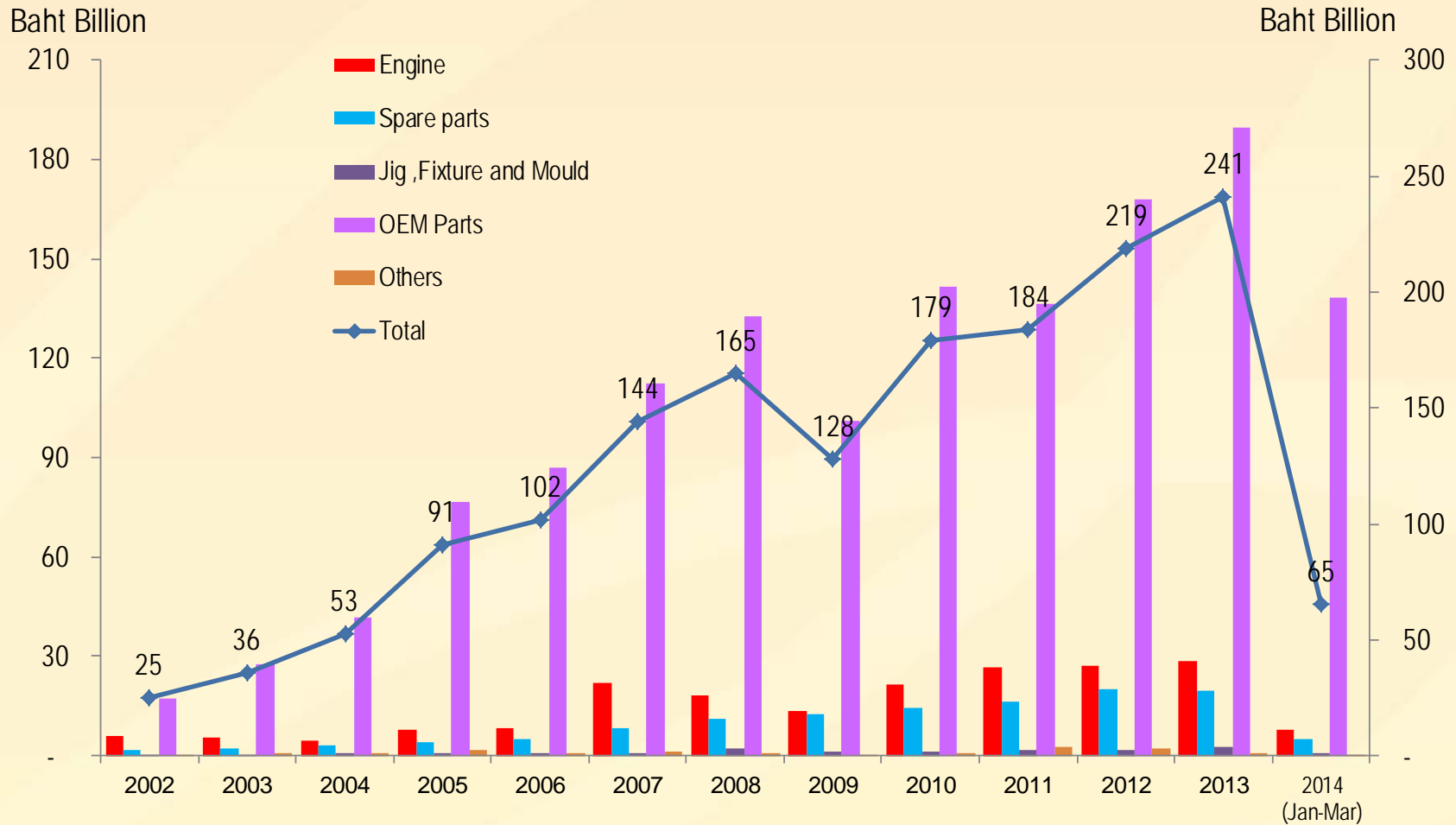


(Thousand)



Source: Thailand Automotive Institute as of Feb 12, 2014

# Vehicle Parts Exports, 2002 –2014 (Jan-Mar)



Source: Automotive Intelligence Unit, as of May 8, 2014



# Samples of Automotive Investment in Thailand



	Production Hub	R & D Hub	Regional Head Office
Toyota	Toyota Motor Thailand (for Asia, Oceania, Africa , EU, Central & South America Market)	Toyota Motor Asia Pacific Engineering & Manufacturing (for Asia Pacific)	Toyota Motor Asia Pacific Engineering & Manufacturing (for Asia Pacific)
Honda	Honda Automobile (Thailand) (for Asia, Oceania, Africa, EU, Central & South America Market)	Honda R&D Asia Pacific (for Asia Pacific)	Asian Honda Motor (for Asia (except China and Japan) and Oceania)
Nissan	Nissan Motor (Thailand) (for Asia, Oceania, Africa, EU, Central & South America Market)	Nissan Technical Center Southeast Asia (for ASEAN)	Nissan Motor (Thailand) (for ASEAN)
Isuzu	Isuzu Motor (Thailand), Tri Retch Isuzu Sales & Isuzu Operation (Thailand) (for Asia, Oceania, Africa, EU, Central & South America Market)	ISUZU Technical Center of Asia (for Southeast Asia)	-
Mitsubishi	Mitsubishi Motor (Thailand) (for Asia, Oceania, EU, Central & South America Market)	-	-

# Eco-Car 1 Achievement

- 5 Manufacturers (Nissan, Honda, Suzuki, Mitsubishi, and Toyota) → Productivity 585,000 units/year → 50,000 million baht
- No.1 Production Hub for Passenger Cars, Benzin Engines, Automatic Gearboxes, and Vehicle Parts
- No.1 Export Hub for Passenger Cars to Japan and other countries
- Higher Performance Car with Lower Cost, leading to new government policies
  - Crash Test: reduce accidental loss → Active Safety
  - Euro IV: Reduce Emissions and Global Warming
  - Fuel Consumption and CO<sub>2</sub> Labeling → New Excise Tax

# Investment Applications for machinery/transport equipment sector

2008 – 2014 (Jan-May)

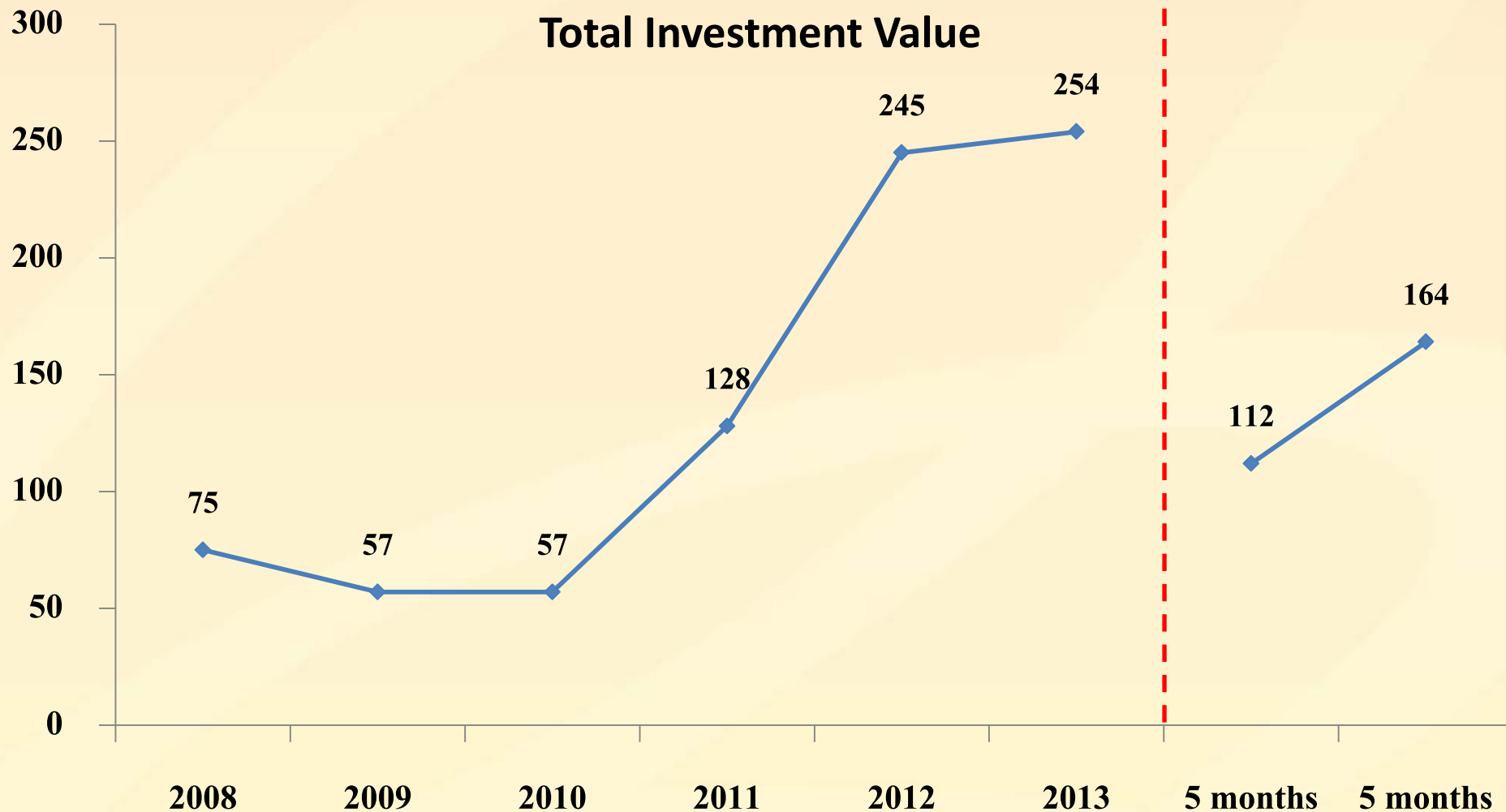
# of projects



# Investment value of Applications for machinery/transport equipment sector

2008 – 2014 (Jan-May)

Billion Baht





# Key success factors

- **Government policy/support**
- **Attractive investment environment**
- **Participation of Multinational Companies**
- **Strong support industry**
- **Quality of human resource**

## 2. Current Investment Promotion Policy for Automotive Industry

## TAX INCENTIVES

- Corporate income tax holidays up to 8 years
- Import duty reductions or exemptions on machinery and raw materials

## NON-TAX INCENTIVES

- 100% Ownership
- Land rights for foreign investors
- Permission to bring in foreign experts and technicians
- Work permit & visa facilitation

# Current Activities eligible for investment Promotion

## ➤ **Manufacture of vehicle parts**

- ☐ Engines
- ☐ Parts for eco-cars
- ☐ Other parts

## ➤ **Manufacture of motorcycles**

- ☐ 4-stroke motorcycles
- ☐ Large-sized motorcycles

## ➤ **Manufacture of automobile**

- ☐ Manufacture of automobile
- ☐ Manufacture of automobile (Package)
- ☐ Manufacture of passenger cars
- ☐ Manufacture of new automobile models



# Current Activities Eligible for Investment Promotion (Cont.)

- **Manufacture of Natural Gas Vehicles (NGV) and machinery and equipment that use natural gas**
  - ☐ Natural gas buses and trucks
  - ☐ Compressed Natural Gas (CNG) containers or Liquefied
  - ☐ Engines, parts and equipment for Natural Gas Vehicles (NGV)
  - ☐ Machinery or equipment for NGV service station

# Eco-Car 2 Scheme

## CRITERIA

- Integrated Package comprising car assembly, engines & parts manufacture, or sourcing
- Production > 100,000 units/year (from 4<sup>th</sup> year onwards)
- UNECE Vehicle Standard
- Producing at least 4 out of 5 key engine parts (Cylinder Head, Cylinder Block, Crankshaft, Camshaft and Connecting Rod)
- Minimum investment 6.5 Billion Baht for New Projects and 5 Billion Baht for Expansion Projects

Source: Announcement No. Sor 1/2556 as of 30 Sept 2013

# Eco-Car 2 Scheme (cont.)

## HIGHLIGHTED INCENTIVES

- 6-year CIT Exemption
  - ❑ +1 year: Invest  $\geq$  500 MB on development of Thai auto parts suppliers and mold & die manufacturers
  - ❑ +2 year: Invest  $\geq$  800 MB development of Thai auto parts suppliers and mold & die manufacturers
- Reduction of import duty on raw materials and essential materials of not more than 90% for 2 years (Section 30)

Source: Announcement No. Sor 1/2556 as of 30 Sept 2013

# Eco-Car Programs



Product	Eco Car 1	Eco Car 2
Engine Type	Benzene 1,300 cc	Benzene 1,300 cc
	Diesel 1,400 cc	Diesel 1,500 cc
Fuel consumption (Liter/100 km)	5 Liter	4.3 Liter
Emission Standard Co2 (g/km)	Euro 4, Co2 < 120g/km	Euro 5, Co2 < 100g/km
Minimum Investment (MB)	5,000	6,500
Minimum Production	100,000 units/year (from 5th year)	100,000 units/year (from 4th year)

- 10 applications received for Eco Car 2 , with total capacity of 1.58 M units and Investment value of 138,000 million baht
- Production to start by 2019



# Automotive Excise Tax 2016

Type of cars	Current Excise tax structure				New Excise tax structure			
	Engine-size (Horse Power)	Excise rate (%)			CO <sub>2</sub>	Excise rate		
		E10	E20	E85		E10/E20	E85/NGV	Hybrid
Passenger cars (Passenger car with not exceed 10 seats)	≤ 2,000 CC	30	25	22*	≤ 100 g/km	30	25	10*
					101-150 g/km			20
	2,001-2500 CC	35	30	27	151-200 g/km	35	30	25
	2,501-3,000 CC	40	35	32	200 g/km	40	35	30
	>3,000 CC (Exceed 220 HP)	50	50	50	> 3,000 CC	50	50	50
PPV/DC/Space Cb/Pick Up	≤ 3,250 CC	20/12/-/3,18			≤ 200 g/km	25*/12/5/3,18		
					> 200 g/km	30/15/7/5,18		
	>3,250 CC	50			> 3,250 CC	50		
Eco car (Benzine/Diesel)/ E85	1,300/1,400 CC	17			≤ 100 g/km	14*/12*		
					(*12 = ≤ 100 g/km w/active safety + E85 = 12%			
					101-120 g/km	17/17		
Electric Vehicle/Fuel Cell/Hybrid	≤ 3,000 CC	10			≤ 3,000 CC	10		
		10				**		
	> 3,000 CC	50			> 3,000 CC	50		
NGV-OEM	≤ 3,000 CC	20			≤ 3,000 CC	**		
	> 3,000 CC	50			> 3,000 CC	50		

# **3. Direction of Investment Promotion Policy 2015-2019**

# New Investment Promotion Policy

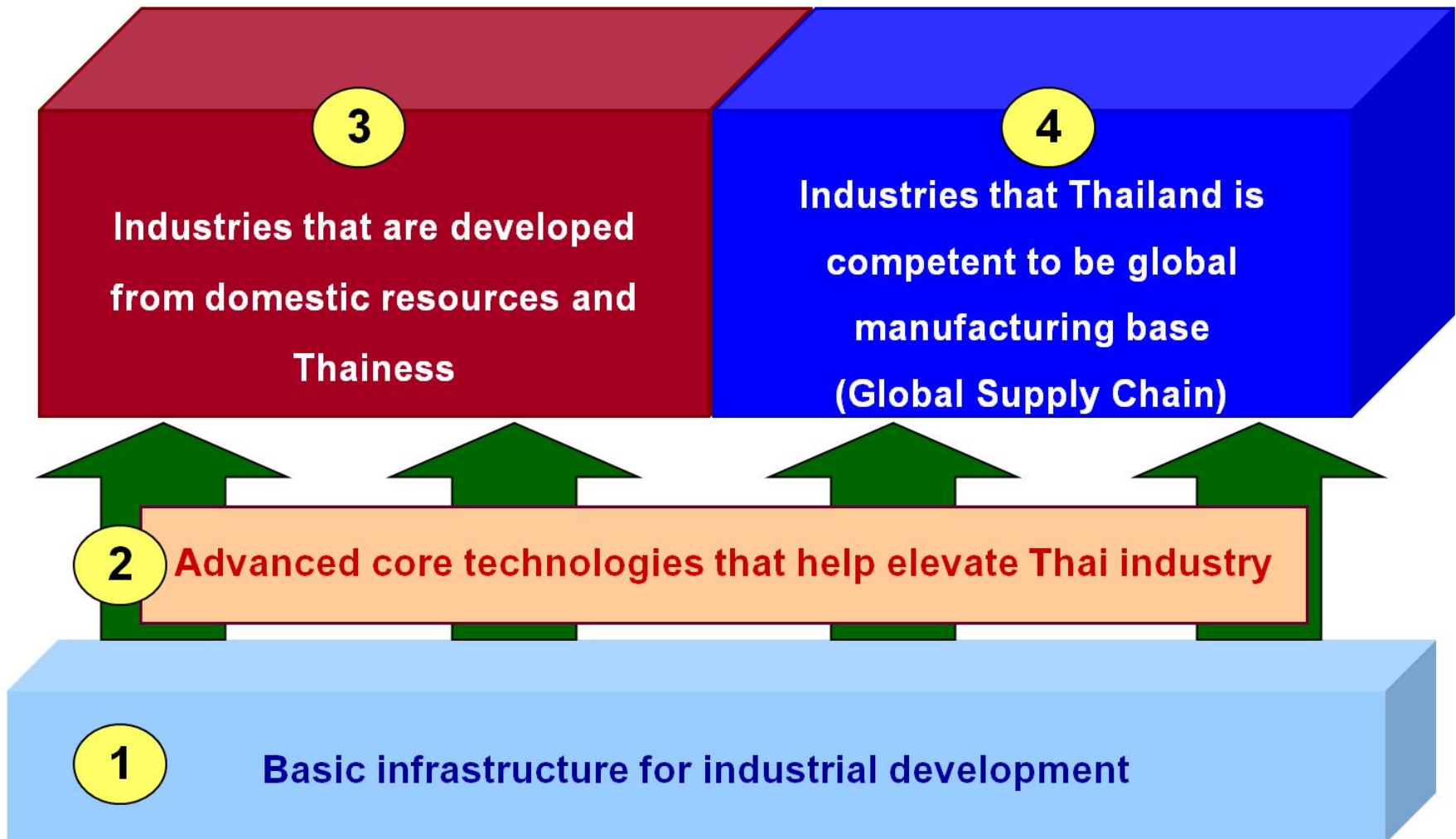


To promote investment to restructure Thai economy for sustainable development and to overcome “Middle Income Trap”

- Promote competitiveness development and value creation of industrial sector
- Promote green industries to drive balanced and sustainable growth
- Promote new regional industrial clusters to create new investment concentration
- Promote Thai overseas investment in order to increase competitiveness of Thai businesses



# Future industries to be promoted



## ➤ Industrial Foundation

1. Basic infrastructure and logistics (e.g. industrial zone, power generation from natural gas, tap water or water resources for industrial purpose, transportation and mass transit, commercial airport and logistics center).
2. Basic industry (e.g. steel, petrochemicals, pulp and paper, machinery)
3. Medical device and scientific equipment (e.g. medical device, medicine, medical food, scientific equipment)
4. Alternative energy and environmental services (e.g. power generation from renewable energy, recycling, wastewater treatment and industrial waste disposal service, Energy Services Company: ESCO)
5. Services that support industrial sector (e.g. R&D, HRD, engineering design, software, calibration services, ROH, trade and investment support office)



# 10 Industries to be promoted in the future

(2/2)

- Advanced Core Technologies that helps elevating Thai industry
  - 6. Advance core technologies (e.g. biotechnology, nanotechnology, advanced material technology)
- Industries that are developed from domestic resources and Thainess
  - 7. Food and agricultural processing industry (e.g. processed food, food additive, herbal extract, plant propagation and development, product from natural rubber, bio-fuel e.g. ethanol, bio-diesel)
  - 8. Hospitality & Wellness (e.g. tourism and sports promotion activities, Thai motion picture production and related supporting services, dedicated health center, retirement home and care center)
- Industries that Thailand is competent to be a global 's manufacturing base (Global Supply Chain)
  - 9. Automotive and other transport equipment (e.g. cars, motorcycle, train, electric train, aircraft, shipbuilding and maintenance)
  - 10. Electric and electrical appliances (e.g. electronic design, organics & printed electronics, HDD & SSD and parts, solar cells, white goods)

## New Direction : Metal Products, Machinery and Transport Equipment



- Strengthen automotive supply chain by promoting the manufacture of engines, high-tech auto parts and auto parts for new automobile models (hybrid and electric vehicles) as well as important supporting industry e.g. the manufacture of machinery, metal products and parts
- Coordinate with other agencies to create new automotive product champion e.g. electric vehicles, large-sized motorcycles
- Promote the manufacture of other transport equipment that Thailand has potential or demand e.g. building or repair of ships, aircraft parts and equipment, trains & electric trains equipment or parts

# (Draft) Proposed Activities Under Emerging Policy ( 1<sup>st</sup> group)

- Manufacture of vehicle parts using advanced technology e.g. Substrate for Catalytic Converter, Electronic Fuel injection System, and Automobile Transmission
- Manufacture of safety and energy-saving parts e.g. ABS or EDB Brake System, Electronic Stability Control (ESC), and Idling Stop System
- Manufacture of equipment for Hybrid, EV, and PHEV car e.g. Battery, Traction Motor, and Air-conditioning System

# (Draft) Proposed Activities Under Emerging Policy (2<sup>nd</sup> group)

- Manufacture of automobile engines with machining processes for at least 4 out of total 5 key engine parts including Cylinder Head, Cylinder Block, Crankshaft, Camshaft and Connecting Rod
- Manufacture of tyres for vehicles



# (Draft) proposed Priority Activities Under Emerging Policy ( 3<sup>rd</sup> group)

- Manufacture of engines for other vehicles
- Manufacture of other vehicle parts
- Manufacture of motorcycles (with engine size  $\geq 248$  cc)



# Proposed Criteria in Granting Incentives

**Activity-based Incentives**



**Merit-based Incentives**

# Thank You