

The Automotive Industry in Turkey “Clustering”



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Automotive Manufacturers Association

- **Founded in 1974**
- **Main Objectives Are:**
 - ✓ To Represent MV Sector In Public Authorities, Local and International Organisations
 - ✓ To Gather and Publish Various Information on MVI of Turkey
 - ✓ To Organize & Conduct Joint Actions in Different Fields
- **Is an Active Member of:**
 - OICA
 - ACEA Liaison Committee
 - ODETTE
 - GAID Group
 - TAAM
- **OSD is a Partner of**
 - ACEA / EUCAR, EU ERTRAC and EU Motor Vehicle Technical Committee
 - UN / WP 29
- **All Relevant Information is Found in OSD Web-Site:**

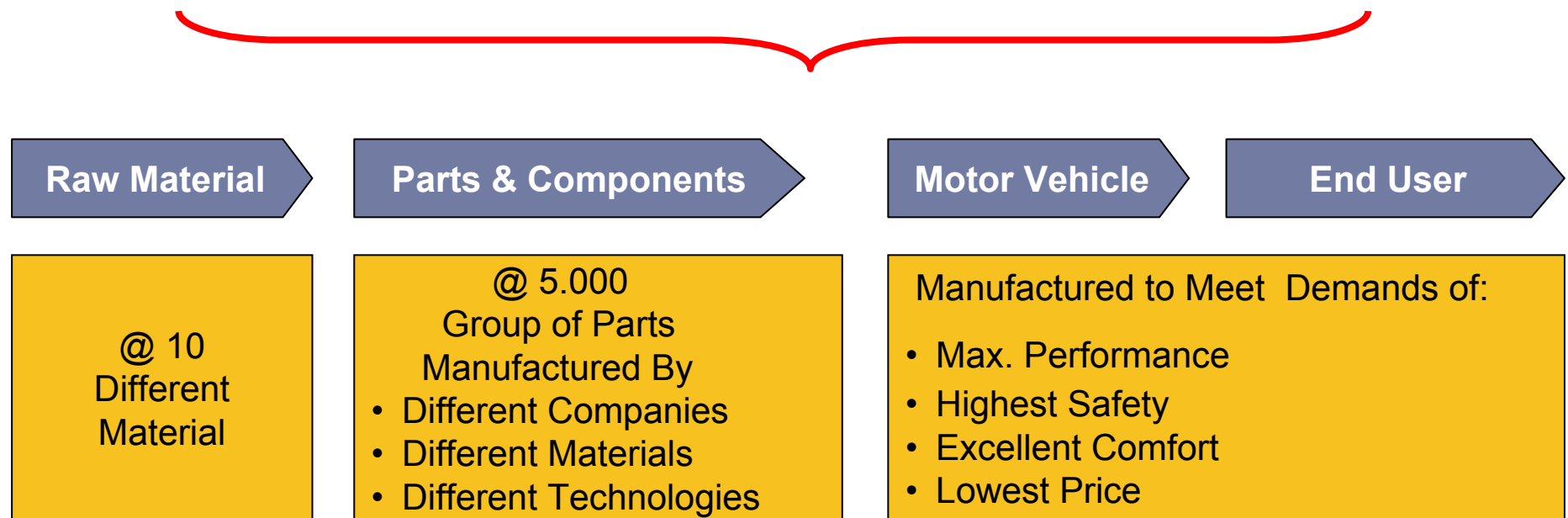


Automotive Industry

- ▶ **Global**
(73 Mio Production / 66 Countries)
- ▶ **Intensive**
(10 Companies / % 90 Production)
- ▶ **Multiple Effects**
(Value Added / Revenue / Jobs)
- ▶ **High Competition / Customer Expectation**
(Better Safety / Higher Comfort / Rock Bottom Price)
- ▶ **Product Differentiation**
(P.Cars-Status / CV-Investment)
- ▶ **Globally Under Heavy Legislation**
(Emission / Safety / Climate Change)
- ▶ **Innovation Oriented**

Automotive Industry is a Complex Process

“Supply Chain” is From Raw Material to Motor Vehicle For End User



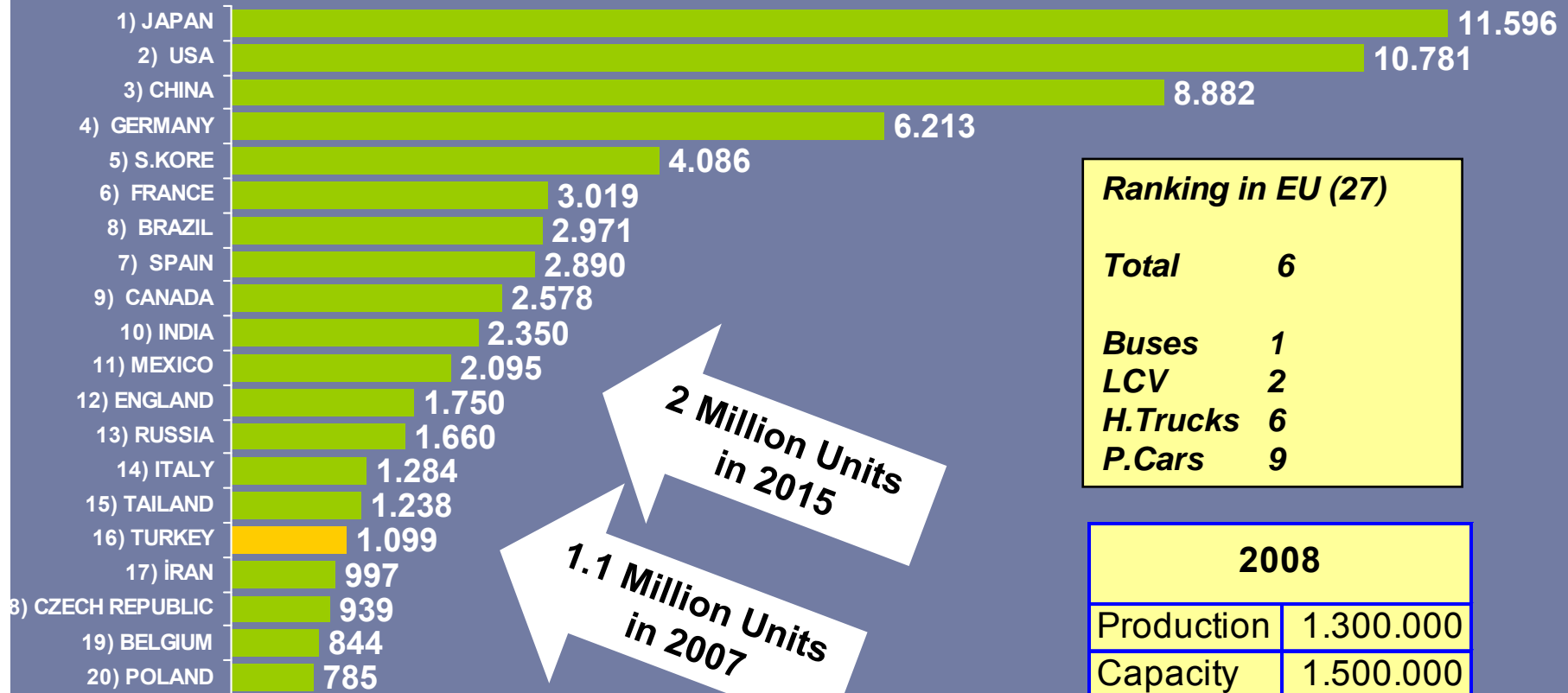
The Complex “Supply Chain” Runs On Corporate Management of

Cost / Quality / Logistics / Design-R&D

in Highly Competitive Market



MVI in World – 2007 (x 1.000)



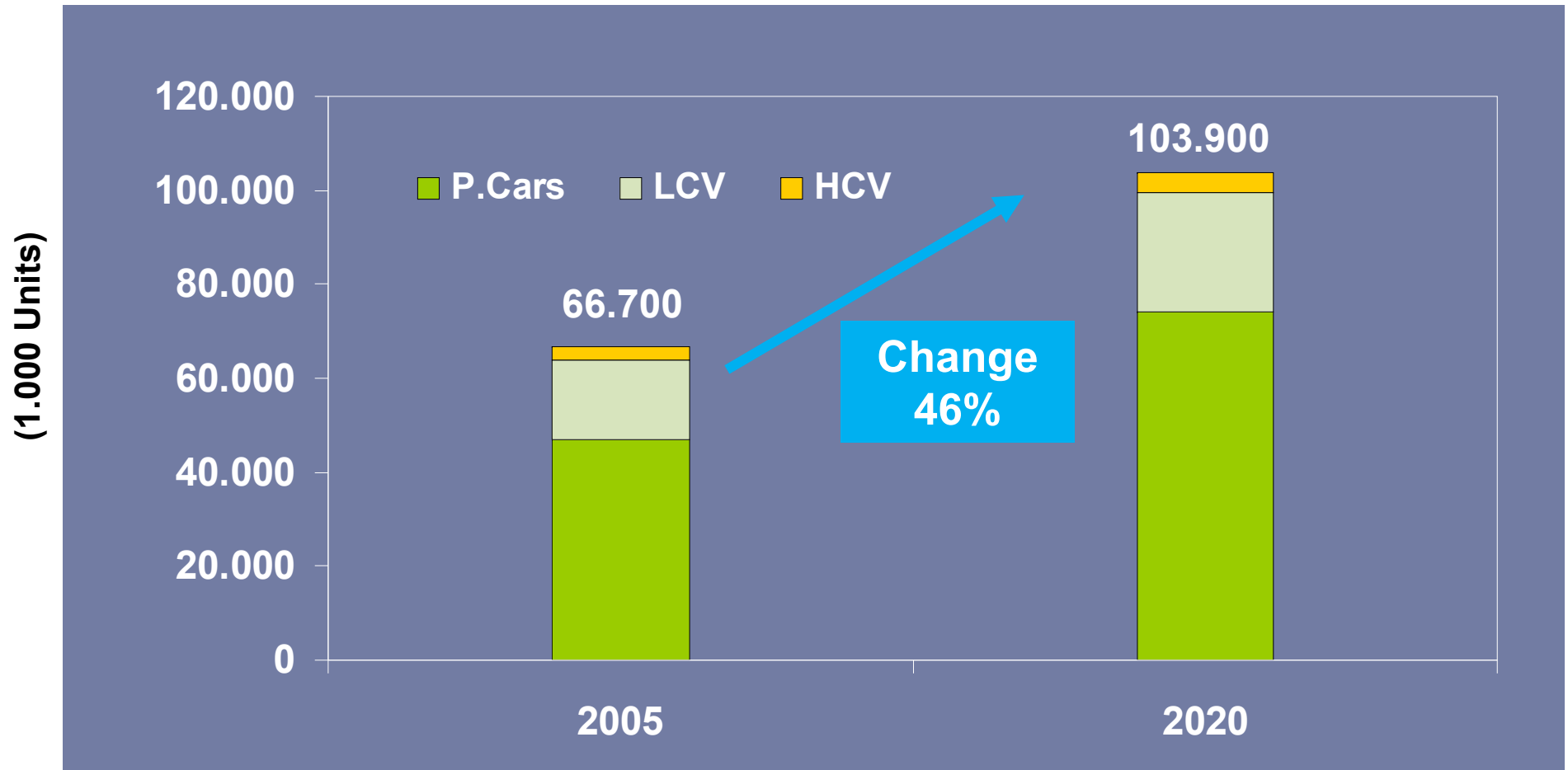
Ranking in EU (27)

Total	6
Buses	1
LCV	2
H.Trucks	6
P.Cars	9

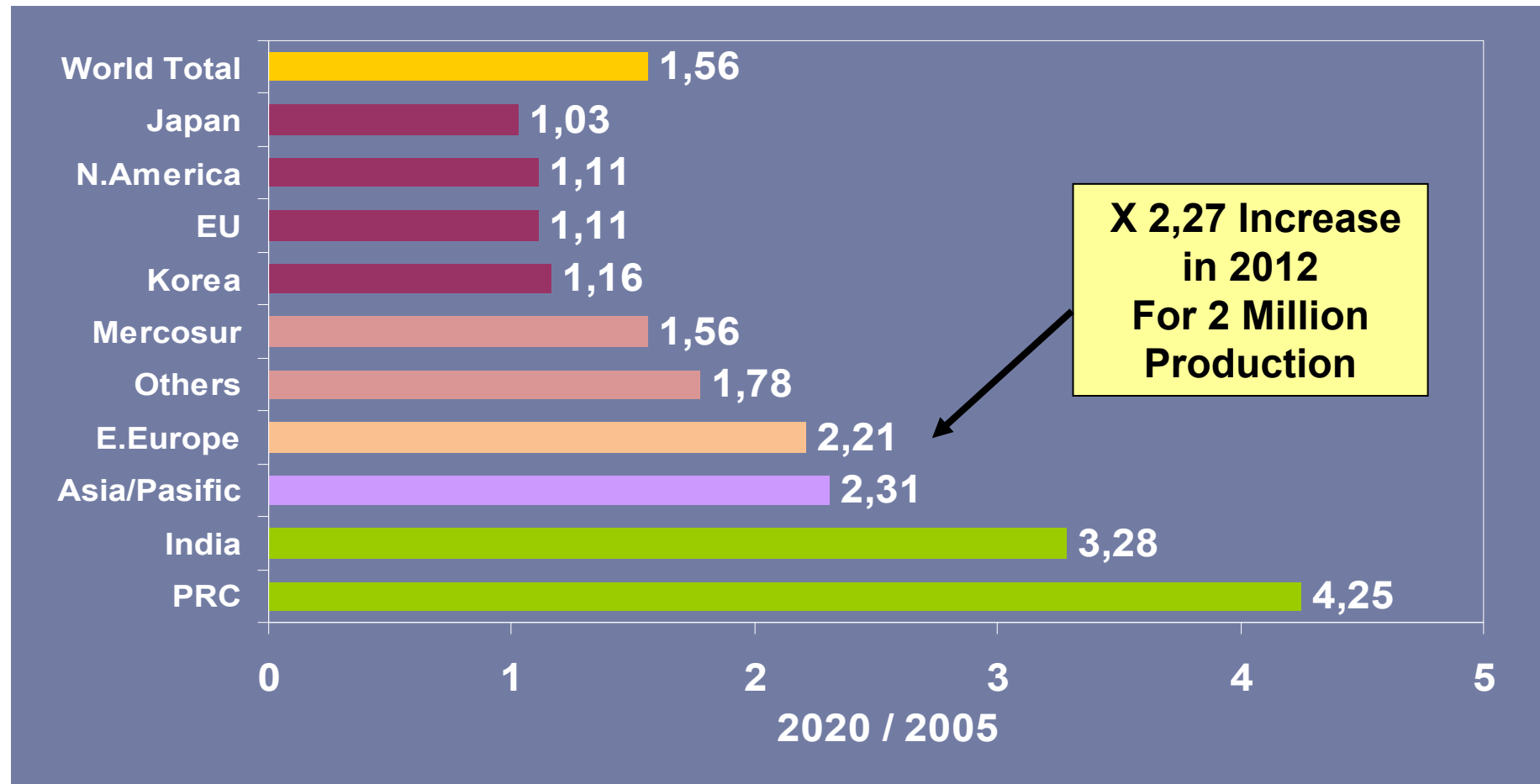
2008

Production	1.300.000
Capacity	1.500.000
Exports	950.000
Market	675.000

World Total Production – 2005/2020



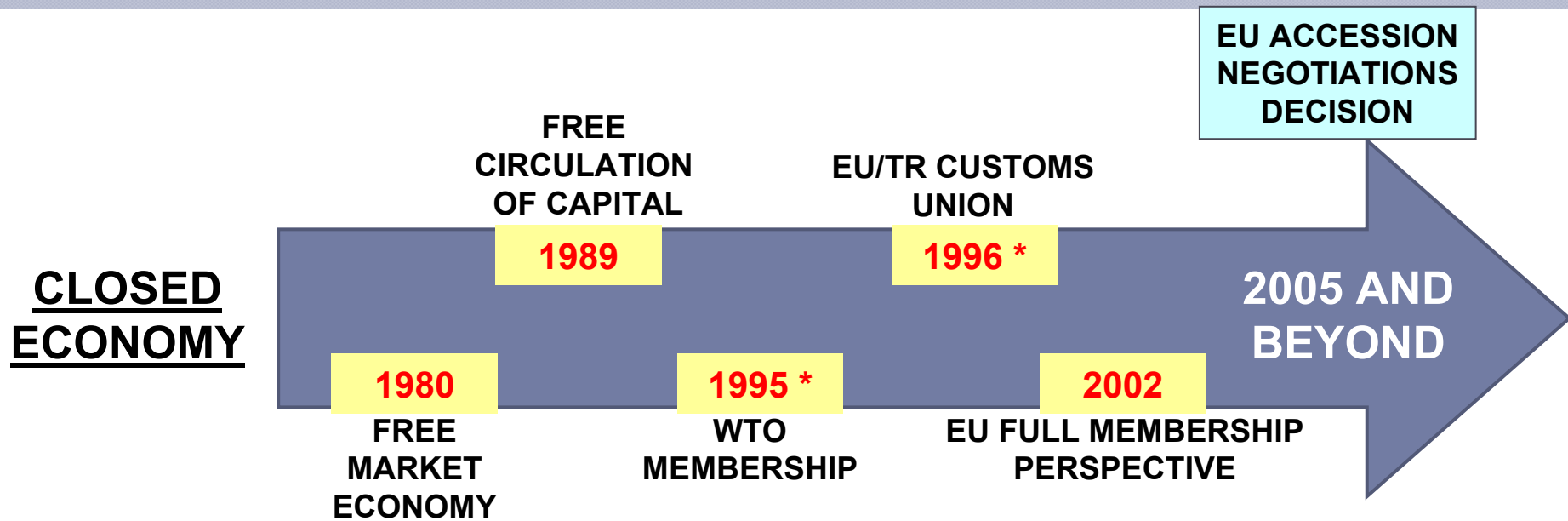
Increase in Total Production By Regions 2005/2020



Production Moves From West To East & North To South

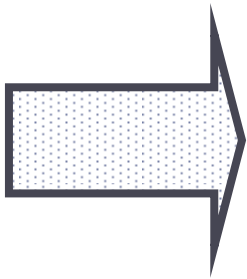


Milestones of Turkish Economy



CLOSED ECONOMY

**Political Uncertainty
Resulting In
Business Indecision**



**Changing Political and Business Habits
Towards a New Turkey**

Turkey Keeps up With Recent Global Economic Trends in the Region

- Longest Practice of Global Market Economy
- Emerging Economy Applying the International Rules of Free Trade Such as Competition Law, Property Rights And Etc.
- Liberalized International Capital Movements
- Up to Date Infrastructure for Commercial and Financial Activities, Telecommunication and Transportation
- Competitive Industrial Products for the World Market

Long Term Relation With EU Within The Association Agreement Dated 1963

Candidate Country in Negotiation Process For EU Membership



Customs Union/1996 and MVI

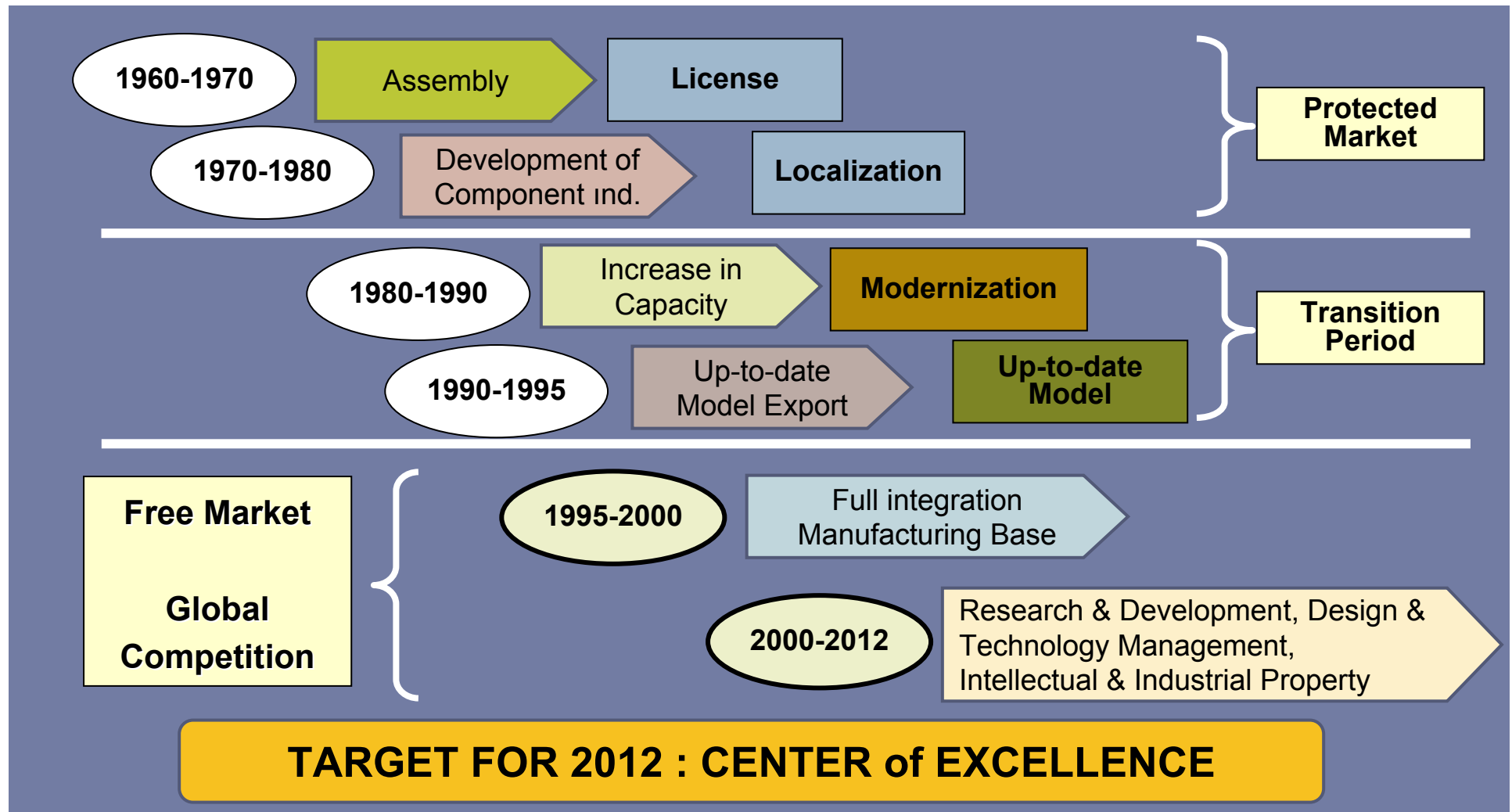
Customs Union Was Realized Between Turkey and EU For The Free Circulations of Industrial Goods

- New and More Competitive Conditions in the Market
- Better Incentives for the Industry Towards More Competitiveness to be a Global Player
- More Close Integration of MVI's Between Turkey and EU
- More Share in the MVI Market for EU Industry

CU Implementation

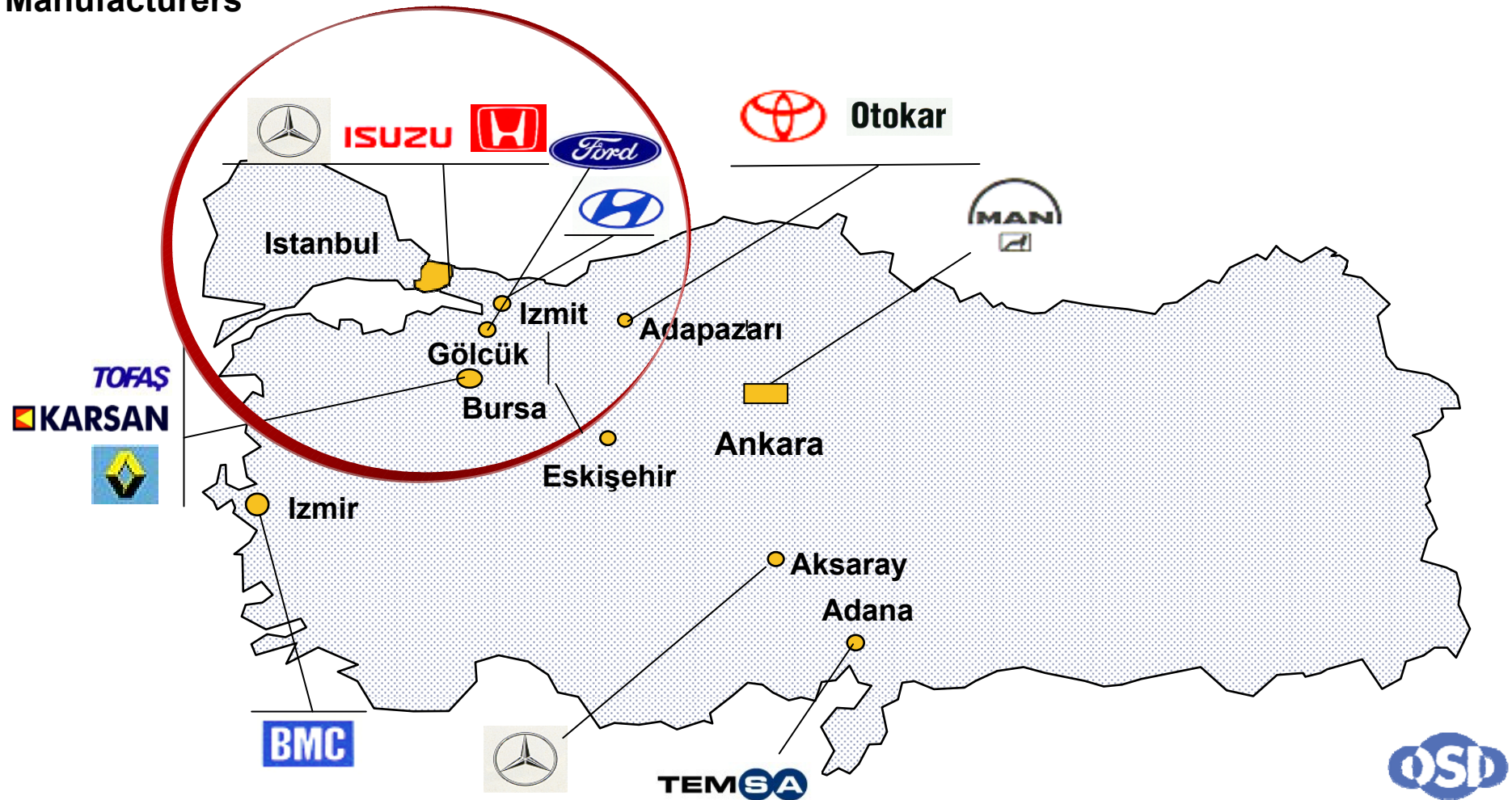
- For the **Free Movement** of Industrial Goods Tariffs and Non-Tariff Measures Were Wholly Abolished
- Turkey Implemented CCT and CTP for Non-EU Countries
- In order to Realize in Full Free Movement of Goods, **Adaptation of Series Technical and Commercial Legislations** Were Realized Such As:
 - **All Relevant MVI Technical Directives**
 - **Competition Rules / Block Exemption Legislation in MVI**

Development of MVI in Turkey: 1960 / 2012



MV Manufacturers in Turkey

85 % of
Components
Manufacturers



Motor Vehicle Manufacturers (2008)

Companies	Ownership	Partner	Product	Capacity Vehicle/Year
TOFAŞ/FIAT	JV	FIAT	P.Cars	400.000
O.RENAULT	JV	RENAULT		360.000
TOYOTA	FDI	TOYOTA		150.000
HYUNDAI ASSAN	JV	HYUNDAI		100.000
HONDA	FDI	HONDA		50.000
P.Cars Total				1.060.000
FORD OTOSAN	JV	FORD	CV	350.000
HYUNDAI ASSAN	JV	HYUNDAI		25.000
KARSAN	Local	PEUGEOT		25.000
B.M.C.	Local	<i>Local</i>		20.000
M.BENZ TÜRK	JV	M.BENZ		20.000
ANADOLU ISUZU	JV	ISUZU		13.000
TEMSA	Local	<i>Local</i>		14.000
OTOKAR	Local	LAND ROVER		8.000
M.A.N.	FDI	MAN		5.000
CV Total				480.000
Total				1.540.000

MVI Integration

Number of Manufacturers **14**

Link With Non-EU **5 (26 % of 2007 production)**

* JV 4

* License 1

Link With EU **7 (72 % of 2007 production)**

* JV 6

* License 1

Local **2 (2 % of 2007 production)**

Link With EU Manufacturers	
Fiat Group	JV
Ford	JV
MAN	FDI
M. Benz	JV
Renault	JV
Rover Group	L
Peugeot	L

Link With Non-EU Manufacturers	
Isuzu	JV
Toyota	FDI
Mitsubishi	L
Honda	FDI
Hyundai	JV

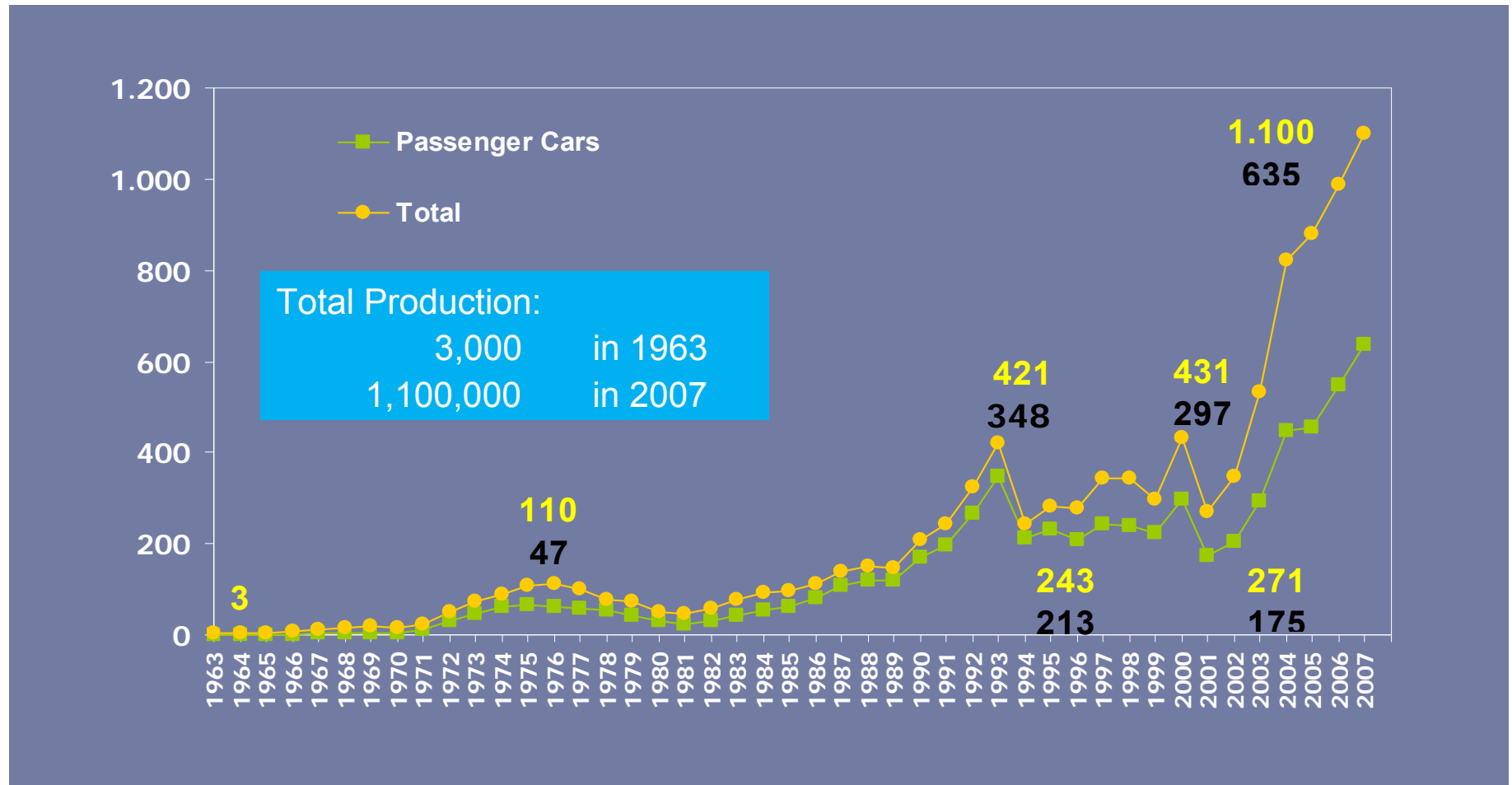


Automotive Component Industry In Turkey

- **Around 1.000 Component Suppliers: 350 Of Them Are Global Supplier**
- **International Accreditation:**
Quality – ISO 16949, Environment - ISO 14001
- **Well Trained Work Force: Around 250.000**
- **Cost Advantage: High Productivity and Relatively Less Labor Wage**
- **Significant Experience In Their Field**
- **Able To Meet Global Standards**
- **Able To Compete In Global Markets**
- **Experience In Export Activities**



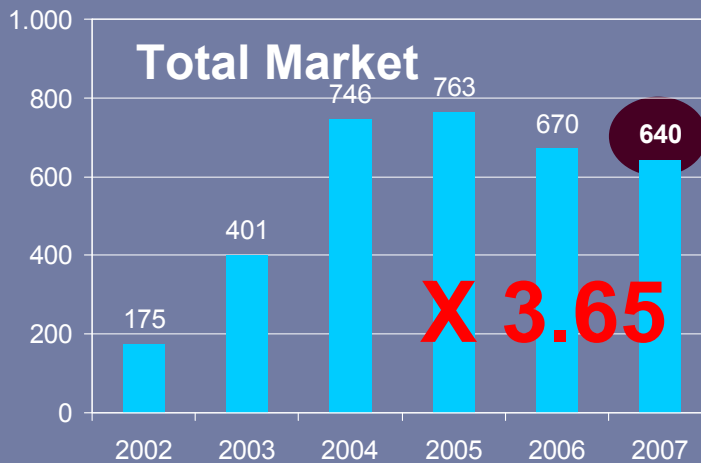
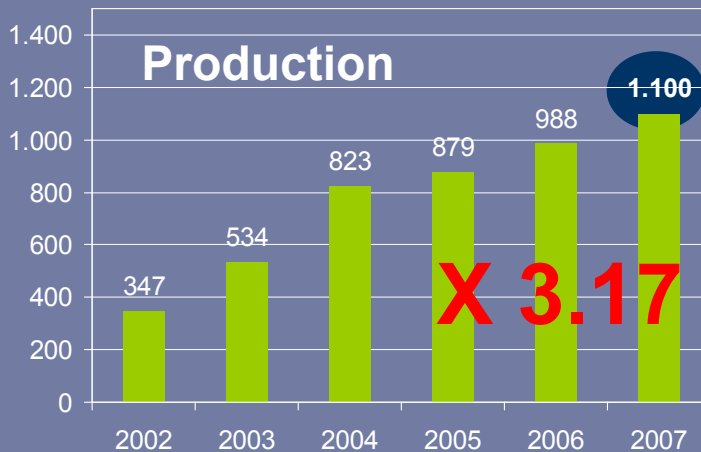
History of the Production (x 1.000)



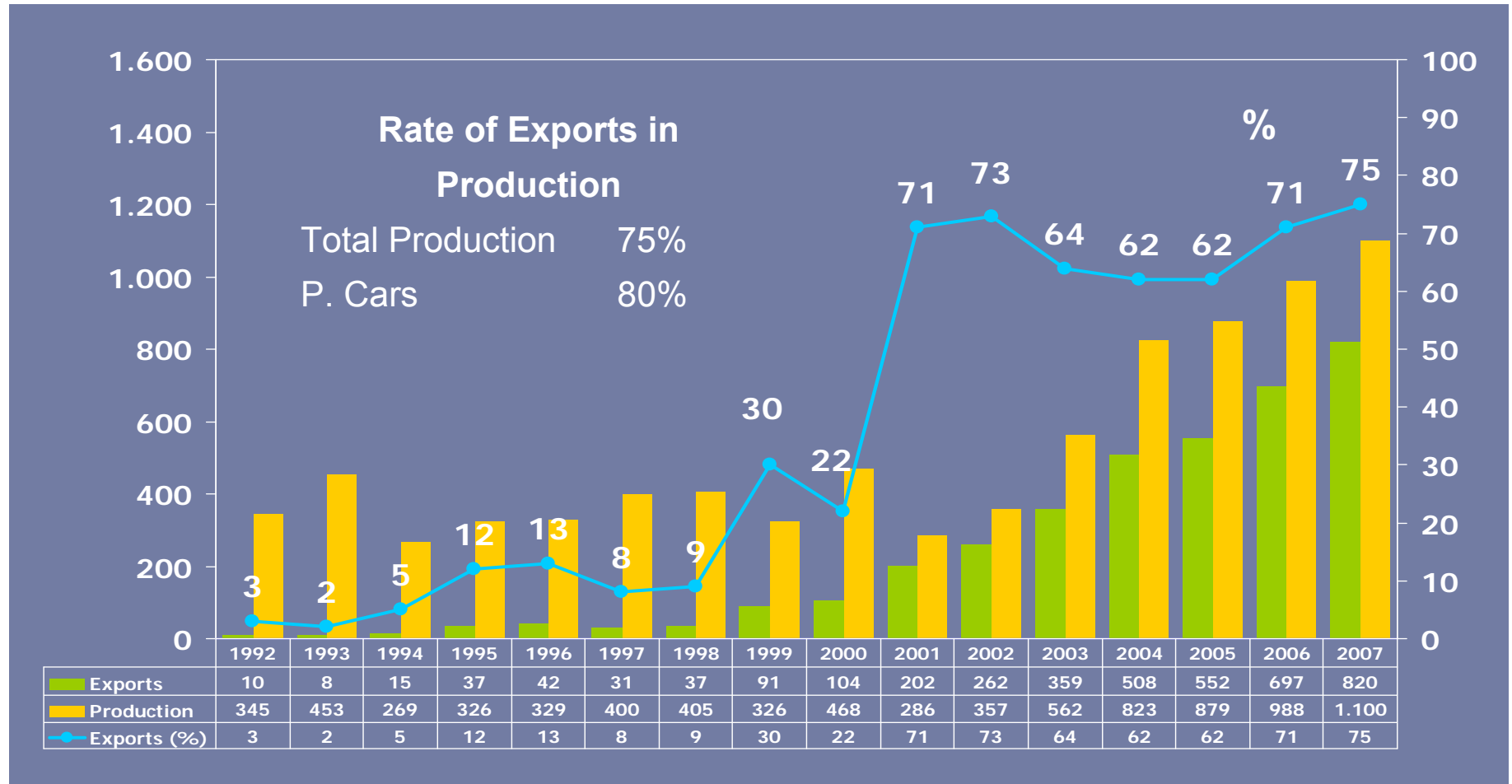
High Fluctuations In the Past Have Had A Particularly Negative Effect On The Development And Competitiveness Of The Industry



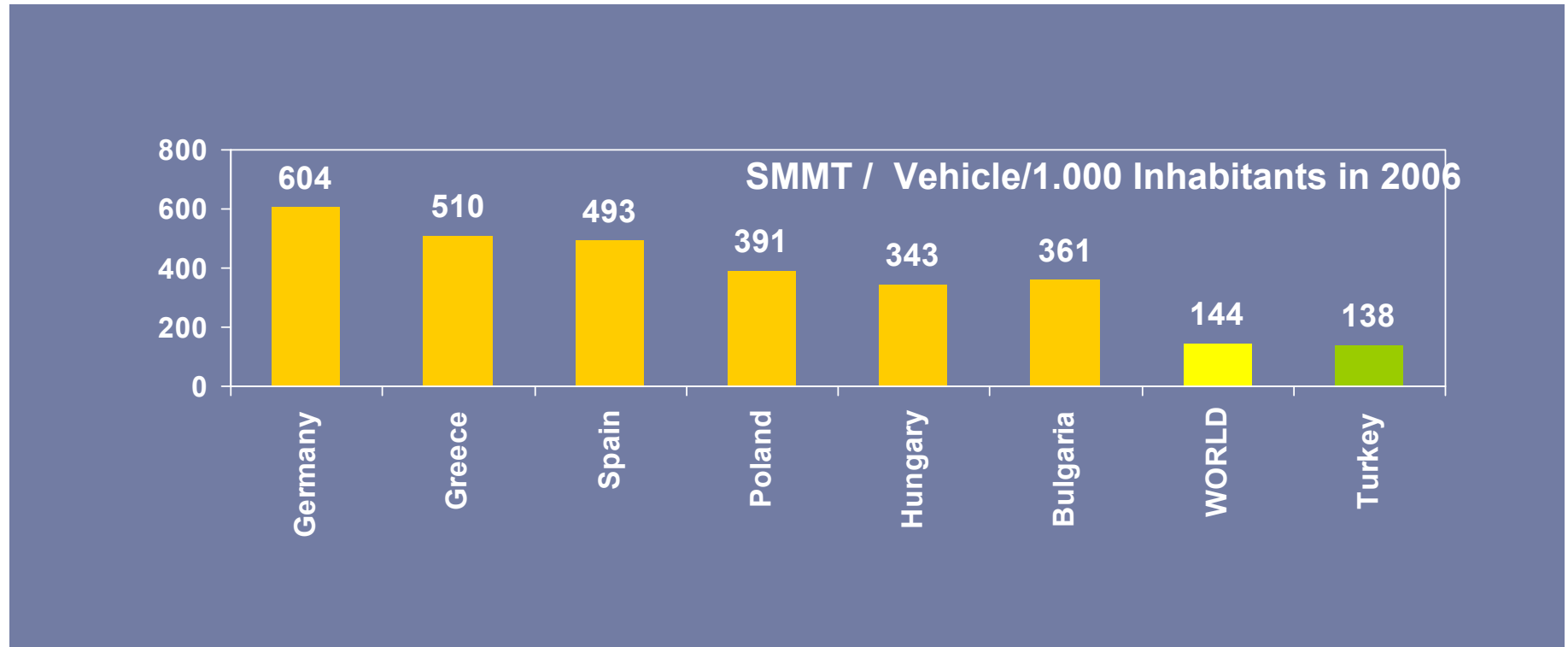
Changes in Last 6 Years (x 1.000)



Exports Share in Total Production is Over 75%



The Automotive Market is an Unsaturated One



Approximately 15 million vehicles are to be sold in Turkey to reach to the level of Bulgaria in 10 years (whose GDP per capita are rather similar)

The Assets & Potential of MVI of Turkey

- ▶ Automotive Culture *50 years of production tradition*
- ▶ High Sense of Quality *TQM, Lean Production, 6 Sigma*
- ▶ Labor Peace *Unionized work force / collective bargaining since 1963*
- ▶ Qualified, Well-Educated, Motivated Labor Force at Competitive Cost
- ▶ Flexible Working Hours *7.5 hours / shift - 3 shifts / day - 6 days / week;*
Rate of Absenteeism < 1.5 %
- ▶ Entrepreneurship *\$ 15 billion worth of Investment*
- ▶ Partnership With World-Leading Manufacturers
- ▶ Experienced Local Component Industry / Supplier Base
- ▶ Unsaturated Domestic Market With High Potential of Demand
- ▶ More Incentives on R & D and New Investments
- ▶ Developed Infrastructure & Services in the Region
Logistics, Energy, Transport, Banking, Communication
- ▶ Manufacturing Facilities With State-of-the-Art Technology



Prospects of the Turkish Automotive Industry

▶ *In The Short Term*

Production: Over 1,0 Million

Exports: Over 0,8 Million Already Realized

▶ *In The Medium Term*

Production: 2,0 Million

Exports: 1,5 Million Can be Achieved

Which Corresponds To An Employment Of 600,000 Persons
And Exports Of \$ 50 Billion

This Requires An Additional Investment Of At Least \$ 5 Billion



The Strategy and Action Plan

▶ **Optimizing Capacity Utilization**

- ▶ Increasing The Size Of The Domestic Market
- ▶ Continuation Of Exports

▶ **Increasing The Competitiveness**

- ▶ Cost Reduction By Means Of Productivity Improvements
- ▶ Encouraging More Innovation In The Industry
- ▶ Better Supply Chain Management

▶ **Developing Vehicle And Component Industries Concurrently**

- ▶ Establishing And Building On Strategic Partnerships
- ▶ Effective Cooperation On “Pre-competitive” Level

Automotive Cluster

Four Alternative Automotive Cluster Structures

- ▶ **Regional Cluster** Across Several OEM s& Suppliers “Marmara Region”
- ▶ **Sub - Cluster** Based On Specific Automotive Segment: “Plastics, Glass, Electronics”
- ▶ **One OEM / Factory Cluster** – Targeting One Manufacturing Unit “Supply Chain”
- ▶ **Horizontal Cluster** – Focus On One Initiative / Measure “Environment; Energy”

Expected Outputs of a Cluster / Sustainable Global Competitiveness

- ▶ **Competitiveness Of The Region**
- ▶ **R&D And Innovation Collaboration In The Cluster**
- ▶ **Long-term Networking Co-operation**
- ▶ **New Supplier Links**
- ▶ **Common Utilization Of Automotive Infrastructure, Technologies, Capacities And Common Purchasing**
- ▶ **Qualified Labor Force With Relevant Skills For Automotive Industry**
- ▶ **External Relationships Of The Network**

Current International Trophies

- Ford OTOSAN, Among European Ford Factories, Has Been Selected As The Best Motor Vehicle Manufacturer In The Last Five Years.
- Toyota Factory In Adapazarı Was Selected The Best Worldwide Toyota Manufacturing Plant In 2006.



Ford Connect
“VAN of the year” in 2003
Production: İzmit



FIAT LINEA
“Autobest 2008”
Production: Bursa



FIAT Doblo
“VAN of the year” in 2006
Production: Bursa



TEMSA DIAMOND
“Busbuilder of the year 2007”
Production: Adana



Renault Clio III
“Car of the year” in 2006
Production: Bursa



FIAT FIORINO
“Van of the year” in 2009
Production: Bursa



Ford Transit
“VAN of the year” in 2007
Production: Kocaeli

***TURKEY IS A CENTER OF
GLOBAL AUTOMOTIVE PRODUCTION
And
IS TO BE A “CENTER of EXCELLENCE”***

HYUNDAI TURKEY EXPORTS ACCENT, IS BECOMING A PRODUCTION CENTER FOR STAREX



FORD TURKEY IS THE SOLE PRODUCER OF TRANSIT CONNECT AND IS BECOMING THE COMMERCIAL VEHICLE PRODUCTION CENTER FOR THE EUROPEAN MARKET.



TOYOTA TURKEY IS AN EXPORT BASE FOR COROLLA SEDAN AND HAS STARTED PRODUCING AND EXPORTING VERSO



KARSAN IS A PRODUCER OF PEUGEOT PARTNER



TOFAŞ IS THE THE SOLE PRODUCER OF DOBLO, IS AN IMPORTANT PRODUCTION BASE FOR FIAT AUTO AND EXPORTS DOBLO AND ALBEA



RENAULT IS THE SOLE PRODUCER OF MEGANE SEDAN AND CLIO III



HONDA TURKEY IS A PRODUCER OF CIVIC SEDAN AND CITY



TEMSA IS A BUS PRODUCER





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Thank You For Your Interest.

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