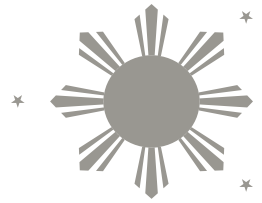




AUTOMOTIVE



I. INDUSTRY OVERVIEW

The Philippine automotive sector seeks to be a viable domestic- and export-oriented production base of motor vehicles and automotive parts and components. A market share ratio of 70:30 between completely knocked down and completely built units is a key industry target by achieving full capacity utilisation and delivering a 150%-increase in nationwide capacity by 2022.

The industry aims to further generate investments of €769 million, create 70 000 new local jobs, and strengthen export operations.

At present, there are fifteen automotive manufacturers with operating plants, while 272 automotive companies manufacture various vehicle parts and components in the Philippines.

The industry has an annual capacity of 250 000 units (all vehicle types included) which are produced by plants rated as compliant with global standards.

Sales of motor vehicles in the Philippines increased by 26% year-on-year in November 2015, putting the automotive industry on track to reaching new record sales of 310 000 units in 2015.

II. MAIN POLICY FRAMEWORK

The state's Investment Priorities Plan 2014–2016 categorises the production of motor vehicles and automotive parts and components as preferred investment activities eligible for fiscal and non-fiscal incentives from the government. Specific activities include the assembly of motor vehicles, manufacture of parts and components, research & development, research or testing laboratories, and technical vocational education and training institutions.

Regarding automotive production, including parts and components manufacturing, eligible projects include (1) the establishment of a factory complete with production machinery, equipment and facilities and (2) production of a new model or full model change, provided there is an additional investment of €3,75 million.

Qualified pioneer projects include: the production or assembly of electric vehicles and alternative fuel vehicle and electric vehicles (e.g. hybrid vehicles and flexible-fuel vehicles); production or assembly of brand new three- or four-wheel Philippine utility vehicles for cargoes and/or passengers; and original equipment manufacturer (OEM) automotive parts and components.



CREATING BUSINESS OPPORTUNITIES
for **EUROPEAN COMPANIES** in the **PHILIPPINES**

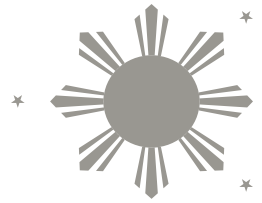


This project is co-funded
by the European Union





AUTOMOTIVE



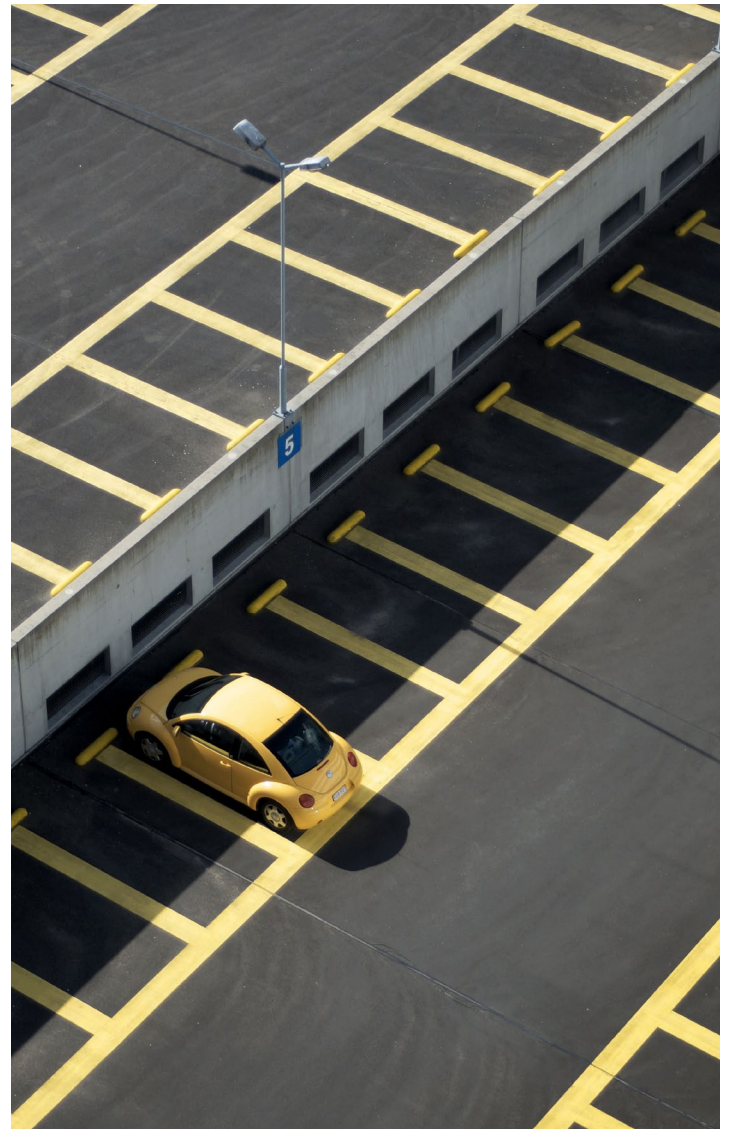
By virtue of Executive Order 182, the state has reinforced its support to the Philippine automotive industry through the implementation of the Comprehensive Automotive Resurgence Strategy (CARS). The CARS programme is limited to the production of three models of four-wheeled motor vehicles, covering the following activities: production of the enrolled models; manufacture of body shell assembly and large plastic assemblies of the model; manufacture of common parts and strategic parts not currently produced in the country at OEM standards of the model/s; and shared testing facility for vehicles and/or parts. Qualified and registered CARS participants may be entitled to two types of fiscal support up to a maximum of six years: (1) fixed investment support and (2) production volume incentive.

III. MAJOR OPPORTUNITIES FOR EU BUSINESSES

Due to its stable export of vehicle parts and components, abundant supply of highly skilled and technical labour, and emerging position as an automotive manufacturing hub in Southeast Asia, the Philippine automotive industry serves as a favourable destination for foreign investments. The state's industrial strategy to promote stronger growth in the sector through targeted fiscal and non-fiscal incentives is also encouraging.

EU automotive firms could take advantage of the country's strong industrial linkages and comparative advantage. Backward linkages are strongly supported by allied industries such as capital-intensive production and testing equipment, machinery and equipment, dies and moulds, metal stamping, die casting and machining. Forward linkages through dealerships also make a seamless flow of goods and services in the industry by performing the main marketing and sales functions, car financing and insurance, and after sales service.

The Philippine automotive sector also enjoys comparative advantage in a number of products like ignition and other wiring sets for vehicles; radio receivers, external power; lead-acid electric accumulators; brake system parts; transmissions for motor vehicles; pneumatic tyres for motor cars, and other parts and components.



CREATING BUSINESS OPPORTUNITIES
for **EUROPEAN COMPANIES** in the **PHILIPPINES**



This project is co-funded
by the European Union

