



“GOVERNMENT POLICY ON FUTURE AUTOMOTIVE TECHNOLOGY”
THE 14TH GAIKINDO INTERNATIONAL AUTOMOTIVE CONFERENCE

TANGERANG, 24 JULY 2019

DIRECTOR GENERAL FOR METAL MACHINERY TRANSPORTATION EQUIPMENT AND ELECTRONIC INDUSTRY



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1. Indonesia Auto Market & Industry Reports



OVERVIEW ASEAN AND INDONESIA AUTOMOTIVE MARKET

ASEAN AUTOMOTIVE MARKET



ASEAN Automotive Market 2018 (3,56 Million Unit)

Indonesia : 1,151 (32%)
Thailand : 1,041 (29%)
Malaysia : 598 (17%)

INDONESIA AUTOMOTIVE INDUSTRY OUTLOOK

POPULATION (2017)
264 Million People

CAR RATIO (2017)
87 Car /1000 People

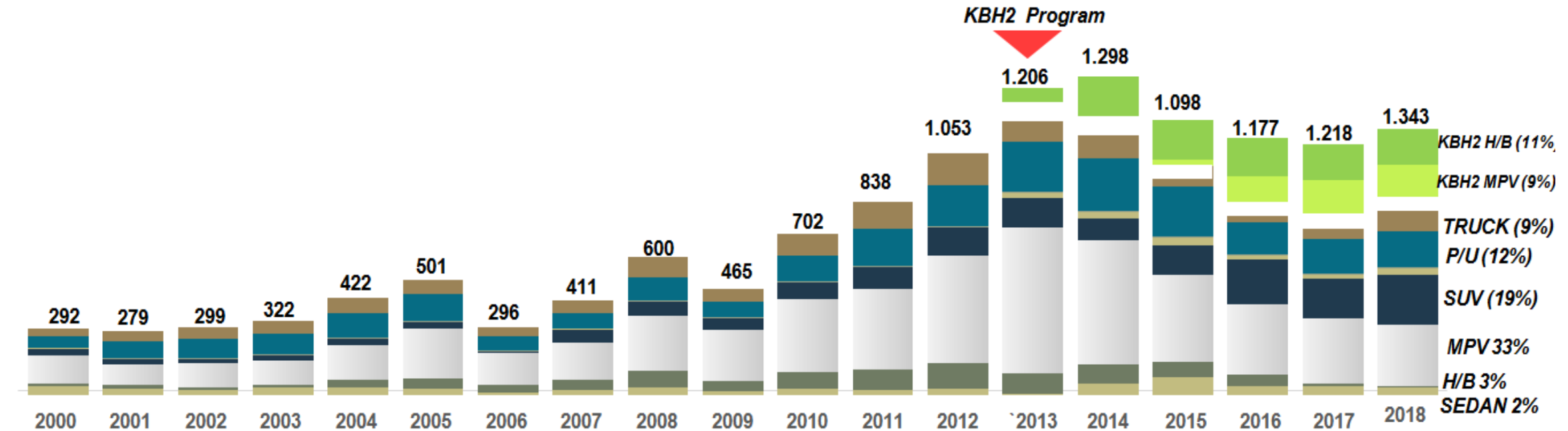
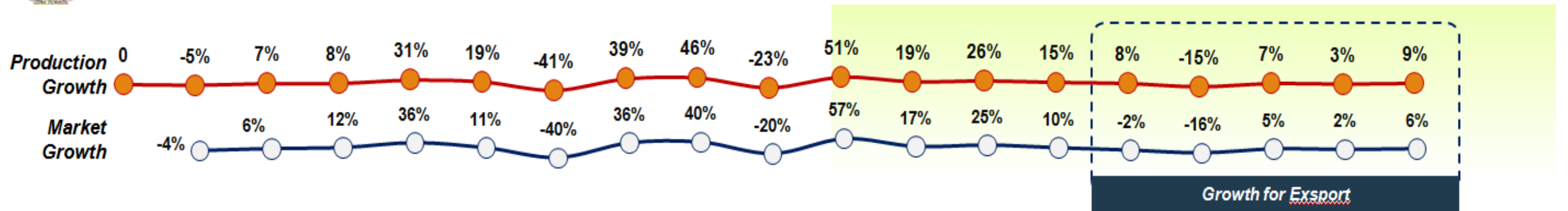
PRODUCTION (2018)
1.34 Million Unit
13.76 Billion USD

NUMBER OF EMPLOYEE
1.5 Million People





MOTOR VEHICLE PRODUCTION STATISTICS

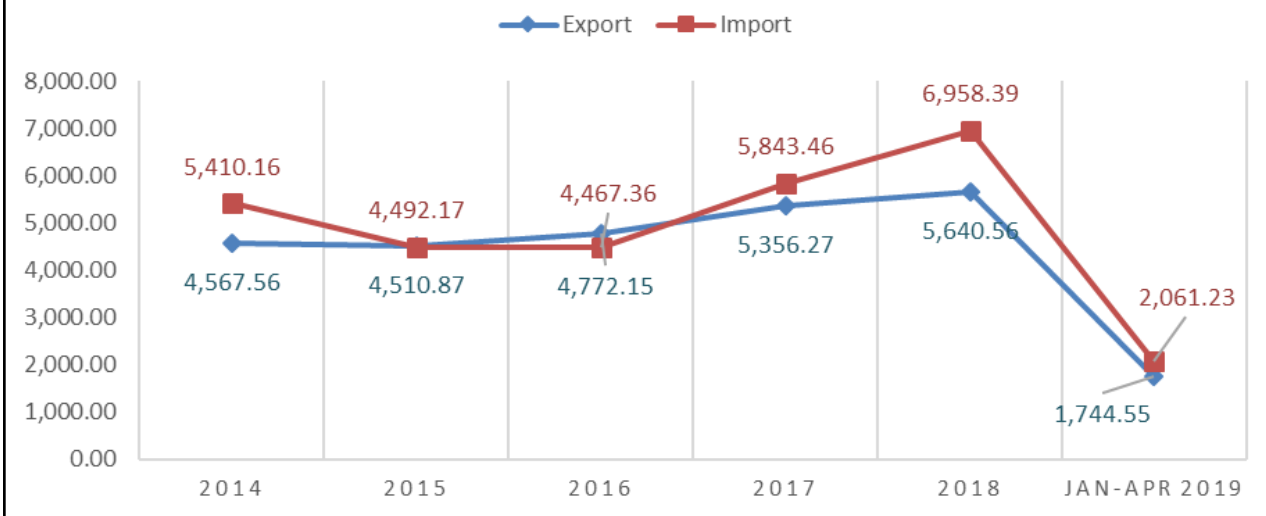


Total Production Capacity : 2.252.131 Units



MOTOR VEHICLE EXPORT – IMPORT STATISTICS

TOTAL (CBU, CKD & COMPONENT) (Million USD)



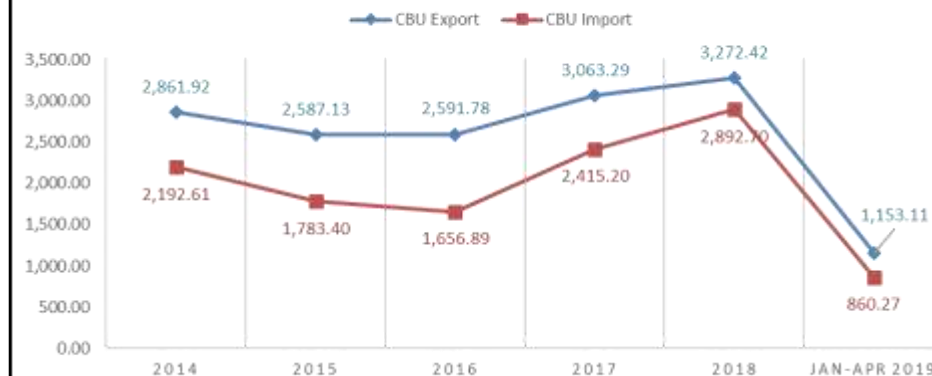
Year	2014	2015	2016	2017	2018	Jan-Apr 2019
Export	4,567.56	4,510.87	4,772.15	5,356.27	5,640.56	1,744.55
Import	5,410.16	4,492.17	4,467.36	5,843.46	6,958.39	2,061.23
Balance	-842.59	18.70	304.78	-487.19	-1,317.83	-316.68

Source: BPS

Note: Since 2008, Indonesia has become the CBU net exporter, where Indonesia's automotive export market to more than 80 countries globally including the 5 main destination countries which are **Filipina, Saudi Arabia, Jepang, Mexico dan Vietnam**

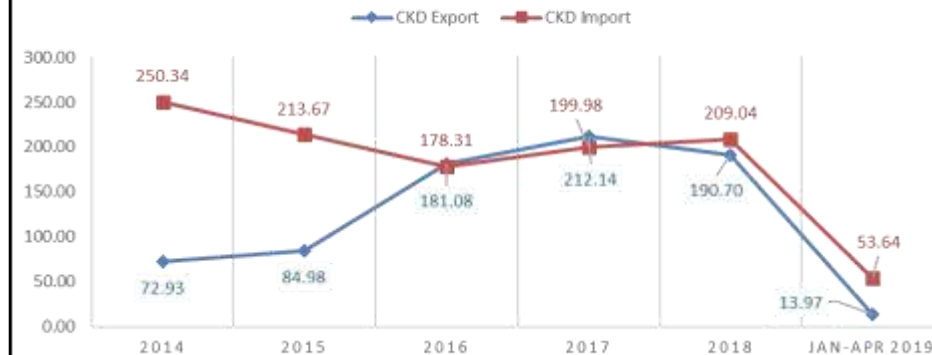
CBU

(Million USD)



CKD

(Million USD)



COMPONENT

(Million USD)





2. Indonesia Auto Industry Roadmap



POLICY FOR AUTOMOTIVE INDUSTRY

POLICY DIRECTION

Gov. Regulation No 14 year 2015 (National Industry Development 2015-2035)

Vision : To be major player in global automotive industry

Mission : Developing reliable, competitive and sustainable automotive industry

3S_{strateg}

S1 IMPROVING COMPETITIVENES

- Developing upstream industries (Steel, plastics, synthetic, rubber, metals, etc), Affordable energy cost (electricity+gas)
- Incentive : Tax Holiday, Mini Tax Holiday, dan Tax Allowance (PMK 150/2018)
- Income tax deductions up 300 percent for industry carrying R&D&D activities (PP45/2019)

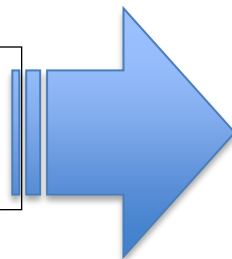
S2 ENCOURAGING EXPORT-ORIENTED PRODUCT DEVELOPMENT

- Import duty incentives (CKD dan IKD) (Permenperin 34/2017 Jo 5/2018)
- Harmonization of luxury tax
- Implementation Euro 4 emission standard (Permen LHK P.20/2017)
- Acceleration standard harmonization in regional (eq. ASEAN MRA 2020)

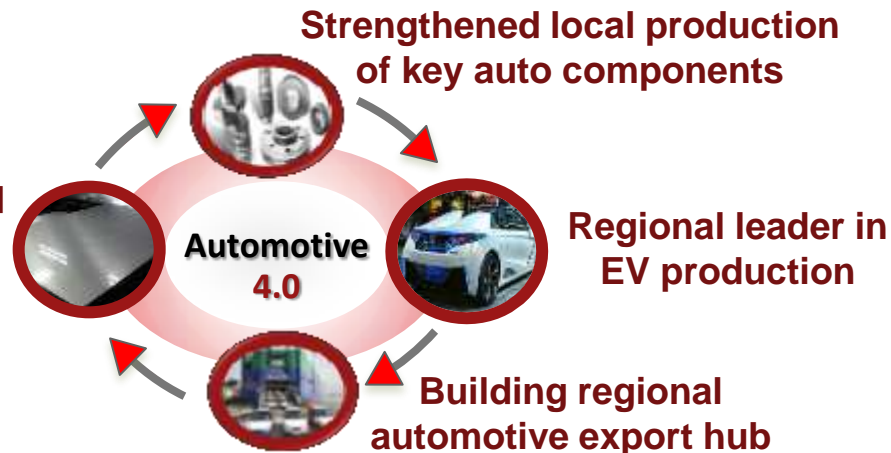
S3 DEVELOPING MARKET ACCESS

- Extensification of the new export market through the ecceleration of the FTA agreements with countries that have large market potential :
1. Priority I : Gulf Cooperation Council, South and North Africa, and Australia
 2. Priority II : South America(Meksiko, Peru)
 3. Priority III : China (for component and part industries)

**Automotive Sector
Toward 2030**



**Locally produced
high quality raw
materials for
automotive**





INDONESIA'S AUTO INDUSTRY AS REGIONAL AUTO EXPORT HUB

Indonesia Automotive 4.0

Charter & detailed roadmap on ff. pages

Horizon 1

2021



3-5 years

Strengthen **local production of ICE¹ vehicles**

- Enhance **raw material production capabilities**, i.e. steel and chemical
- **Improve productivity in ICE vehicles** by adopting technology
- Strengthen **local components manufacturing capabilities** by accelerating component production FDI and technology transfer

ICE Vehicles



Accelerate export, starting from MPV and LCGC

Horizon 2

2025



5-10 years

Initiate local production of **electric motorcycles**

- Set a **clear phase out plan for fuel-based MC** while building required **infrastructure** and **incentivizing electric MC adoption**
- Establish **R&D centers for EV components**, esp. battery, and perform **rapid prototyping**
- Build **domestic production capabilities** for electric MC **along value chain**

Start 2W electric MC export for emerging countries

Horizon 3

2030



10-15 years

Initiate local production of **electric vehicles**

- Set a **clear phase out plan for ICE cars** while building **infrastructure** and **incentivizing EV adoption**
- Encourage **continuous improvement of EV component production**
- Build **domestic production capabilities** for 4W EV **along value chain**



Electric Vehicles

Start 4W EV export for emerging markets

Key initiatives

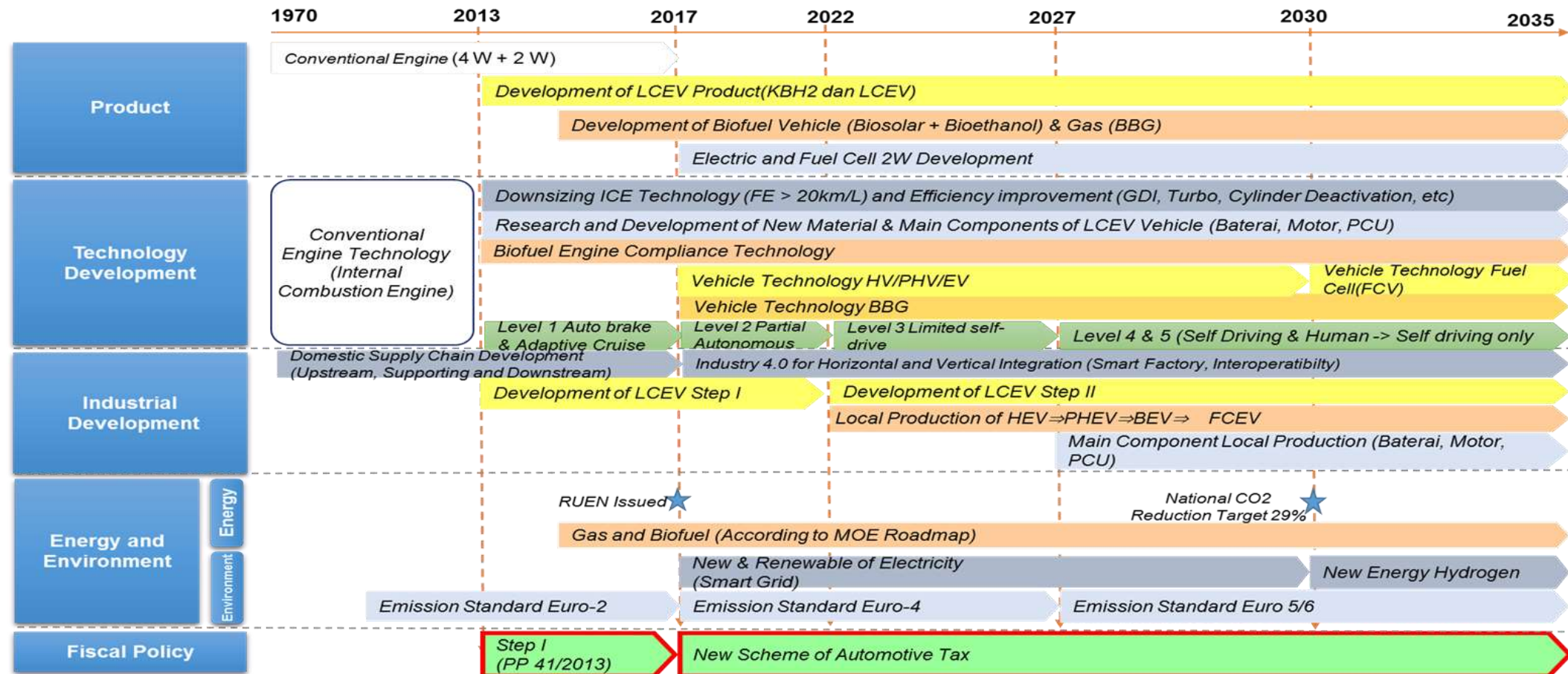
Key activities

Focus products

1. Internal Combustion Engine
Source: A.T. Kearney



AUTOMOTIVE INDUSTRY ROADMAP



Keterangan : **BBG** : Bahan Bakar Gas **HV** : Hybrid Vehicle **PHV** : Plug-In Hybrid **EV** : Electric Vehicle **FCV** : Fuel Cell Vehicle **LCEV** : Low Carbon Emission Vehicle **PCU** : Power Control Unit

Note :

This roadmap is compiled according to the mandate of PP 14/2015 concerning National Industrial Development 2015-2035/ RIPIN and to support the government 's commitment at COP 21 to reduce **29% CO2 emission w/o international support, and reduce 41% CO2 emission with international support until 2030**



QUATITATIVE TARGETS

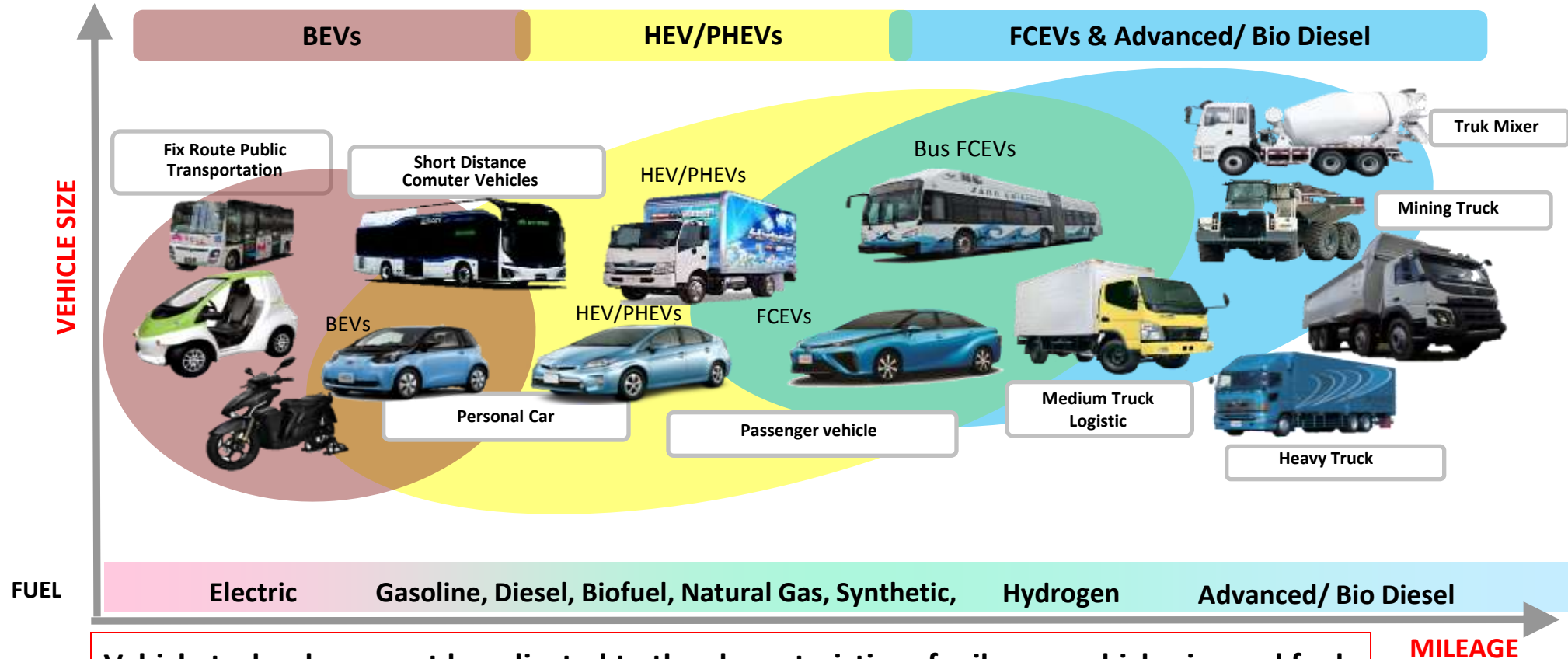
ITEM			2020	2025	2030	2035
MOTOR VEHICLE	Production	Total (Unit)	1.500.000	2.000.000	3.000.000	4.000.000
		Percentage LCEV(%)	10	20	25	30
		Percentage LCGC (%)	25	20	20	20
	Sales	Total (unit)	1.250.000	1.690.000	2.100.000	2.500.000
	Export	Total (unit)	250.000 same	310.000	900.000	1.500.000
MOTOR CYCLE	Production	Total (unit)	8.000.000	10.000.000	12.500.000	15.000.000
		Percentage Electric Motorcycle (%)	10	20	25	30
	Sales	Total (unit)	6.750.000	7.700.000	8.400.000	9.000.000
	Export	Total (unit)	750.000	1.100.000	1.400.000	1.750.000



3. Low Carbon Emission Vehicle (LCEV) Program



LCEV ACCORDING TO THE CHARACTERISTICS OF VEHICLES AND FUEL TECHNOLOGY



Note :

HEV : Hybrid Electric Vehicle, **PHEV** : Plug-In Hybrid Electric Vehicle, **BEV** : Battery Electric Vehicle, **FCEV** : Fuel Cell Electric Vehicle






Challenges :

- Technology (Prize, Weight, Charging Time)
- Infrastructure
- Environment (Recycling, Second Life Battery)
- Sustainability



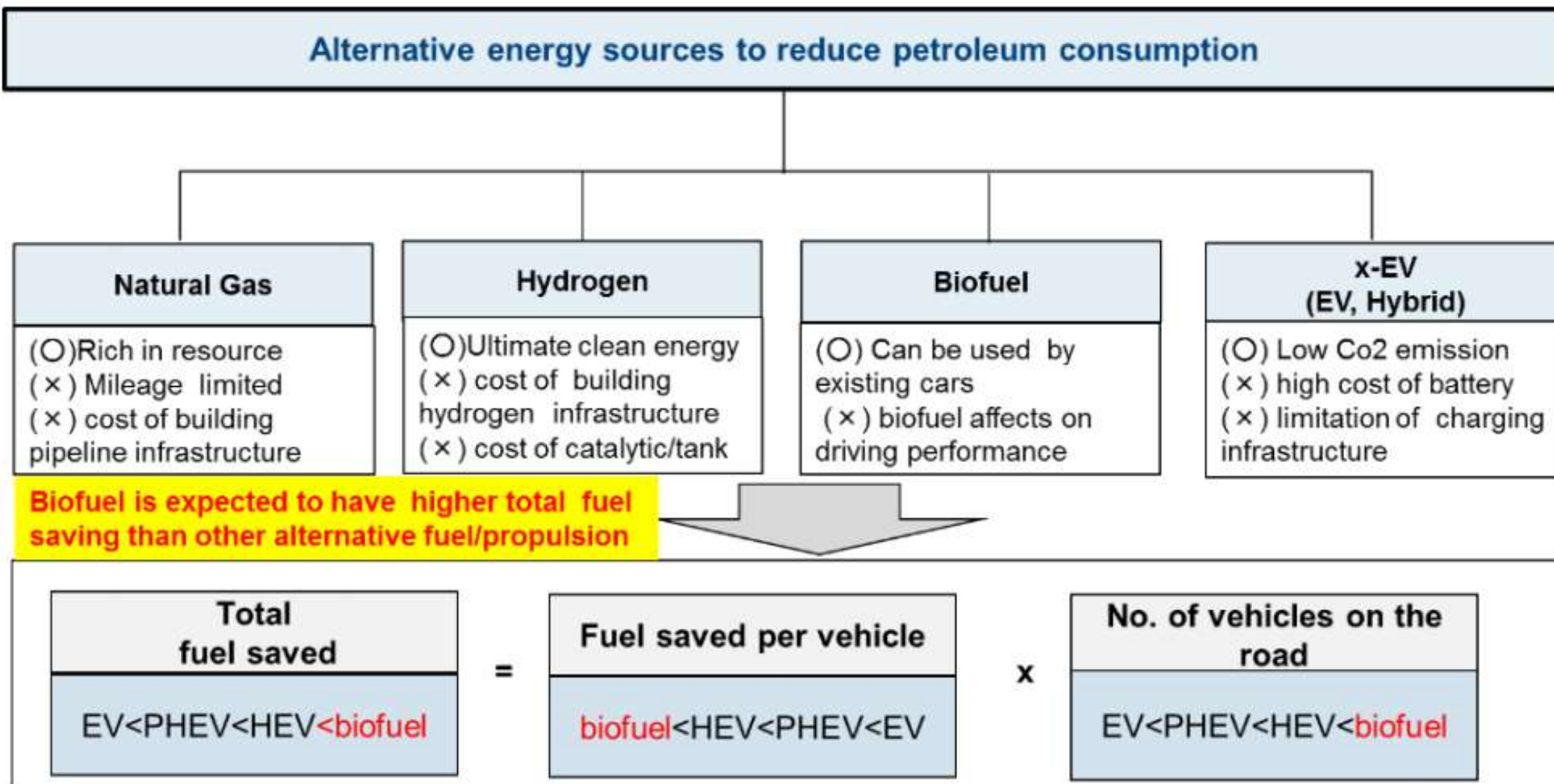
INTRODUCTION LOW CARBON EMISSION VEHICLE (LCEV) IN INDONESIA

Implementation of LCEV Program is intended to support achievement of **the government targets to reduce GHGs according to Paris COP-21's**, to support achievement of **the National Energy Mix targets in 2025 & 2050**, and to support **the development of auto industry in accordance with global trends**

Vehicles under LCEV Scheme					
← Existed →		← Next: Electrified Vehicle →			
	LCGC	HEV	PHEV	BEV/FCEV	FLEXY ENGINE (B100/E100)
					
Overview	<ul style="list-style-type: none">Low Carbon Emission Vehicle	<ul style="list-style-type: none">Mostly fuel-powered, but use small battery packs to improve fuel efficiency	<ul style="list-style-type: none">Optimize battery powered, but use a fuel-powered generator (Range Extender)	<ul style="list-style-type: none">Full-electric vehicles that are completely battery powered/Fuel Cell	<ul style="list-style-type: none">Internal Combustion Engine designed to run on more than one fuel
Energy Source	<ul style="list-style-type: none">Gasoline/Diesel	<ul style="list-style-type: none">Gasoline/Diesel	<ul style="list-style-type: none">Gasoline/DieselElectricity	<ul style="list-style-type: none">Electricity/Hydrogen	<ul style="list-style-type: none">Gasoline or Diesel blended with Ethanol or Biodiesel
Infrastructure Requirements	<ul style="list-style-type: none">Pump station (Available)	<ul style="list-style-type: none">Pump station (Available)	<ul style="list-style-type: none">Pump station+Charging Station (Alternative)	<ul style="list-style-type: none">Charging station/Hydrogen Station (Required)	<ul style="list-style-type: none">None



STUDY FROM JICA AND NOMURA RESEARCH INSTITUTE (NRI)



From the study results, the utilization of biofuel in Indonesia give greatest impact in terms of fuel reduction



4. Supporting Policies



INVESTMENT INCENTIVES ON AUTOMOTIVE INDUSTRY (1)

Tax Holiday

(Finance Ministry Regulation No. 150/PMK.010/2018, and Indonesia Investment Coordinating Board Regulation No. 1 of 2019)

- The deduction of corporate income tax on income from main business activities amounts to 100% of the total corporate income tax payable.
- Period for deduction:
 - 5 years (investment value IDR 500 billion - 1 trillion);
 - 7 years (investment value IDR 1 - 5 trillion);
 - 10 years (investment value IDR 5 - 10 trillion);
 - 15 years (investment value IDR 15 - 30 trillion);
 - 20 years (investment value \geq IDR 30 trillion).
- After enjoying a 100% discount on corporate income tax, can be given another 50% discount for the next 2 years.

- Eligible given for pioneer industries: **manufacturing of motor vehicle and main components of motor vehicle**).

No	Indonesia Standard Industrial Classification (KBLI)	Type of Production
1	29100	Manufacturing of 4-wheeled or more electric vehicle that integrated with battery and electric motor.
2	29300	<ul style="list-style-type: none">• Manufacturing of battery for 4-wheeled or more electric motor vehicle;• Manufacturing of electric motor for 4-wheeled or more electric motor vehicle;• Manufacturing of flexy engine that compatible with 100% biodiesel for 4-wheeled or more motor vehicle;• Manufacturing of 2 main components minimum for engine of 4-wheeled or more motor vehicle (i.e. piston, cylinder head, cylinder block, camshaft, crankshaft, and connecting rod, that integrated with manufacturing of 4-wheeled or more motor vehicle;• Manufacturing of electric power control unit (PCU) for 4-wheeled or more electric motor vehicle.
3	30912	<ul style="list-style-type: none">• Manufacturing of battery for 2-wheeled or 3-wheeled electric motor vehicle;• Manufacturing of electric motor for 4-wheeled or 3-wheeled electric motor vehicle;• Manufacturing of electric power control unit (PCU) for 4-wheeled or 3-wheeled electric motor vehicle.



INVESTMENT INCENTIVES ON AUTOMOTIVE INDUSTRY (2)

Tax Allowance

(Government Regulation No. 9 of 2016)

- 30% of investment value.
- Reduction of corporate net income tax for 6 years, 5% each year.

Eligible to

1	4 or more wheel vehicle industry	29100	Public transportation for > 42 passengers and/or trucks
2	Carosery industry for 4 or more wheel vehicle industry and trailer and semi trailer industry	29200	Manufacturing of parts of car or vehicle carosery
3	Manufacturing of spare parts and accessories for 4 or more wheeled vehicles	29300	Engine and engine part, brake system, axle & propeller shaft, transmission/clutch systems, steering system, injector, water pump, oil pump, fuel pump, forging component, die casting component, stamping part, etc
4	Manufacturing of component and equipment for two or three wheeled motorcycle	30912	Engine and engine part, die casting component, brake system, transmission system

Super Deductible Tax

(Government Regulation No. 45 of 2019)

- Domestic corporate taxpayers do new investments or expansion business in certain business sectors which are labor intensive industries and do not get the facilities as intended in the Income Tax Law can be given Income tax facilities for reduction of net income by 60% of the total investment for tangible fixed assets including land used for main business activities.
- Domestic taxpayers who organize work practice activities, apprenticeship, and or learning in order development and development of resources certain competency-based humans can be given the most gross income reduction high of 200% of the total cost incurred for work practice activities, apprenticeship, and/or learning.
- Domestic taxpayers who conduct research and development activities certain in Indonesia, can be given the highest gross income reduction of 300% of the total costs incurred for research activities and certain developments in Indonesia.



INVESTMENT INCENTIVES ON AUTOMOTIVE INDUSTRY (3)

✓ Harmonization of Luxury Tax/PPnBM through revision of PP 41/2013

PP 41/2013		RPP
Tax Base	Engine Capacity	Fuel Consumption or CO2 Emission
Engine capacity categories	Diesel: 3 categories ≤ 1500, 1500-2500, >2500 cc	Diesel and Gasoline: <ul style="list-style-type: none">• ≤ 3000 cc
	Gasoline: 4 categories ≤ 1500, 1500-2500, 2500- 3000, >3000 cc	<ul style="list-style-type: none">• 3000 cc to 4000 cc• > 4000 cc (super car)
Vehicle Type Categories	Distinguish between sedan and non-sedan	Does not distinguish between sedan and non-sedan
Taxation Principle	The greater engine capacity (cc), the higher tax rate	<ul style="list-style-type: none">• The lower emissions, the lower tax rate• The greater engine capacity (cc), the higher tax rate
Program (incentive)	KBH2	KBH2, HEV, PHEV, BEV, FCEV, dan Flexy Engine

✓ Other support

1. Special credit for electric vehicles by PT. BRI Persero with an **interest rate of 3,8 percent** per year and a **tenor of 6 years**
2. PT. PLN Persero provides a **100 percent discount** for electricity upgrade for the owner of electric cars and a **75 percent discount** for the owner of electric motorcycle
3. Promo provided by APM in the form of **free charger unit** for the purchase of electric vehicle and **free insurance for 1 year**



**Terima
kasih!**

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