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The Status of the Automobile Components & Auto Electronic Industry in Taiwan

(I) Supply & Demand

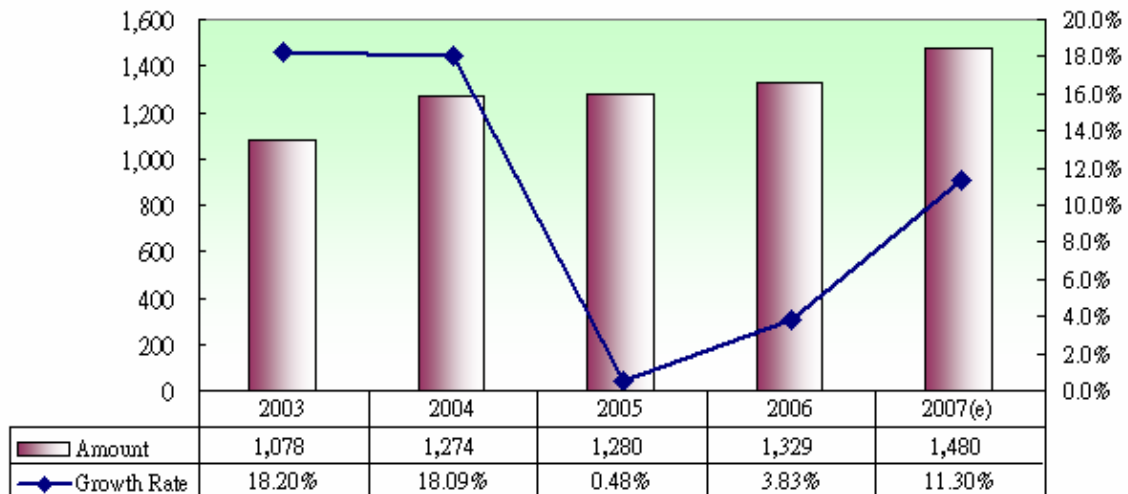
With long-standing efforts, the business concern of auto-industry in Taiwan has changed from the economic scale to product diversification and large-scale. In 2000, Yulon, Ford, Kuozui and Mitsubishi all completed the formation of the R&D Centers. In the year of 2002, automobile research and testing center was established. After 3 years, Yulon's subsidiary company, Hwa Tsuang Auto, was founded, and the company has made it first step to start OBM and combine electronics with automobiles to meet new era of automobiles. By the year of 2006, the export automobiles reached 8,420 unites.

1. Automobile Components

In 2006, the output value of Taiwan's automobile component industry already exceeded NTD149.7 billion. According to the statistics provided by Taiwan Transportation Vehicle Manufacturers Association, the output value of Taiwan's components industry in 2007 (January to September) reached NTD113.4 billion, surpassing the automobile industry that had an output value of NTD105.9 billion. As the local market size is relatively small, it would be difficult for Taiwan's automobile industry to make a breakthrough in the output. However, 75% of automobile components made in Taiwan are exported, there is a room for growth. The export amount of Taiwan's automobile components reached NTD132.9 billion in 2006, and the figure is expected to increase to NTD148 billion for the year 2007.

Export Amount of Taiwan's Automobile Components Keeps Growing Every Year

Unit: NTD100 million



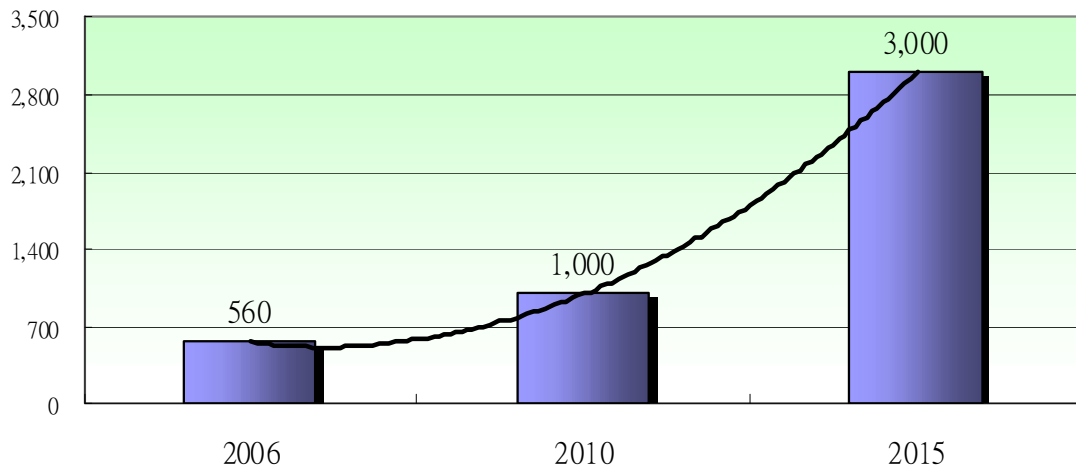
Source: Taiwan Transportation Vehicle Manufacturers Association, 2008/1

2. Automobile Electronic

According to the analysis from Ministry of Economic Affairs (MOEA), the output value of automobile electronics are NT\$56 billion in 2006. Among which, NT\$29.1 billion belonged to driving info system, NT\$10.3 billion to engine drive line system, NT\$7.9 billion to vehicle body (vehicle lights are not included), NT\$5.9 billion to automobile security system, and NT\$2.8 billion to other parts. And the target of automobile electronics output value is set to be NT\$100 billion in 2010, and NT\$300 billion in 2015. By that time, main products will include Telematics systems, automobile lights, and traditional components-to-be-intellectual, LED head lights, reversal parking image assistant system, and TPMS.

Output Value Account of Taiwan Automobile Electronics

Unit: NT\$100 million

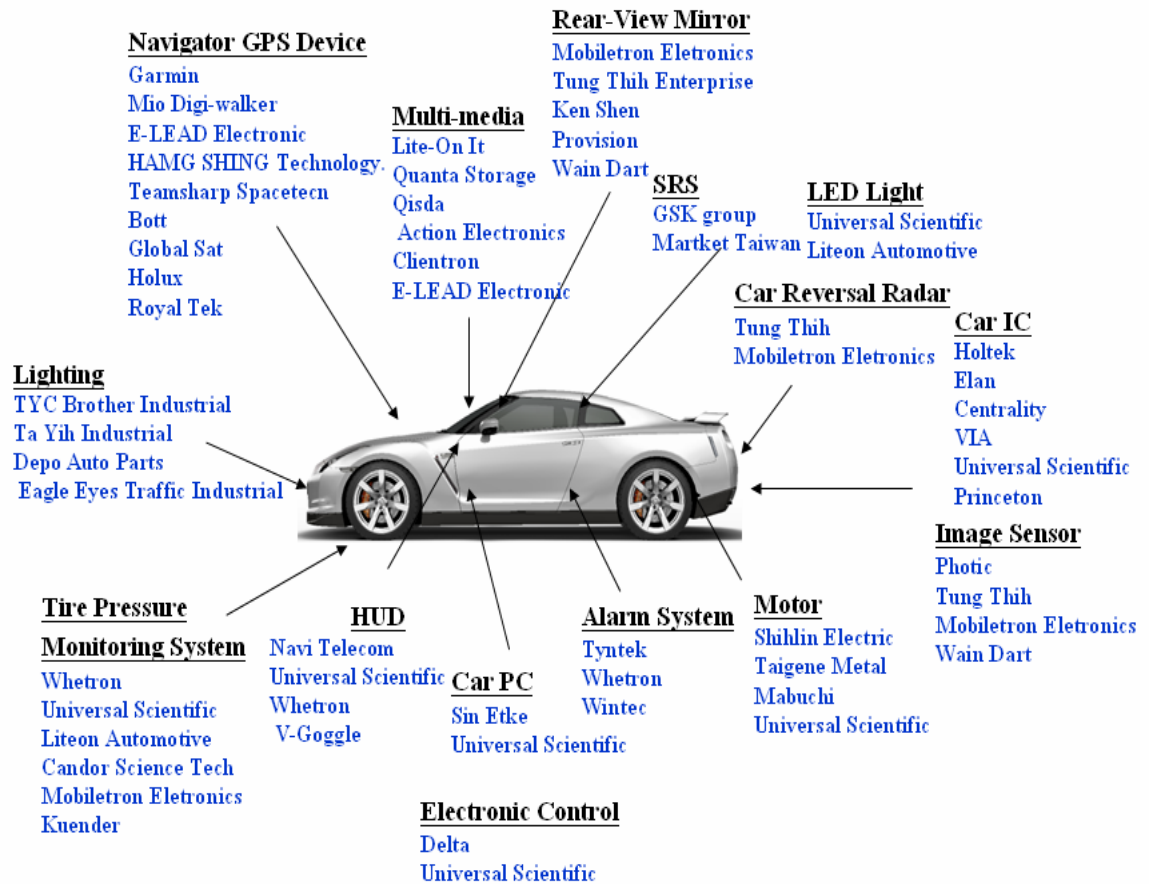


Source: Organized for the present study, 2007/12

(II) Analysis of a Gap in the Industry Supply Chain, Investment Niche, and Prospective Foreign Investor

Taiwan's auto accessory and autotronics have the most complete industrial value chain in Asia. The manufacturers involve in mechanical components, sheet metal, mold, tire, lighting, illumination, control, automobile multimedia, burglarproof system, Car Reversal Radar/PDC (parking distance control), motor, and TPMS (Tire Pressure Monitoring System). And it also plays an important role in global after-sales service.

Automobile Electronic Industry of Taiwan



Source: Organized for the present study, 2007/12

The development of assembly factory is not as good as component manufacturers because the domestic demand is not that popular and the new vehicles' RD technology is withheld by foreign manufacturers. Therefore, the gaps in Taiwan's auto industrial value chain are new vehicles' RD technology and assembly industry. However, in terms of components, the global trend in auto parts is toward the module supply. The modular component means assembling the related components and become the single system. Now, the components manufacturers in Europe, America and Japan are focus on developing auto modular components and the purpose is trying to simplify assembling procedure and lower cost.

In general, the niche for foreign manufacturer is to push the auto industry to develop successfully by exchanging the key point and forging and RD alliance on modular components. In the same time, they can assist us in setting up custom-made system, integrated system, technology in software integration and internet in car. Korea's assembly industry is quite successful, the major assembly manufacturers are HYUNDAI, KIA MOTORS, GM DAEWOO, SSANGYONG and RENAULT-SAMSUMG. Among them, there are partnership between HYUNDAI and NANYANG, SSANGYONG and Transnational Logistic Solutions Pte. Ltd. The foreign manufacturers of modular components are Calsonic Kansei in Japan, Faurecia in France and Visteon in America, etc.

As for potential foreign companies, TATA in India is good at producing bus, truck, tractors and automatic vehicle. The advantages of Webraska Mobile Technologies in France are GPS and the supplier of global Brand service, wireless navigation, map and traffic information, telecommunication operation and technique of auto manufacture. SENSIS in Australia is the largest domestic searching engine company which provides digital map, inquiry of cell phone information (entertaining information), CALL center (offer the service of map and directional guide), interactive consumption guide (Where is) and entertaining guide.

(III) Major Suppliers in Taiwan

Taiwan manufacturers like Ken Shen、LITEON and E-LEAD have earned the recognition from Ford, GM, Chrysler, Benz, BMW and Honda. Besides, Taiwan has become the major development and manufacture center of Telematics. Taiwan auto accessories and autotronics industry will be more competitive if we can combine electron, communication and information with vehicle application and further integrate the relative industrial capacity and characteristic.

As for Taiwan's auto industrial navigation, GARMIN concentrates on GPS and other consumer product and Mio-Tech dedicates to navigation product. Lite-on, auto multimedia, has global overall arrangement on auto CD-ROM drive and gaming machine. Quanta Storage is good at producing DVD Player. Manufacturers on rear-view mirror are MOBILETRON and Wain Dart International Co., Ltd; the main suppliers of LED light are USI and LITEON.