



Pact for the Competitiveness of the Automotive Industry in Tunisia

Septembre 2021



- I. CONTEXT
- II. FOCUS ON PRIORITY PILLARS



I. CONTEXTE

Chiffres clés du secteur automobile en Tunisie

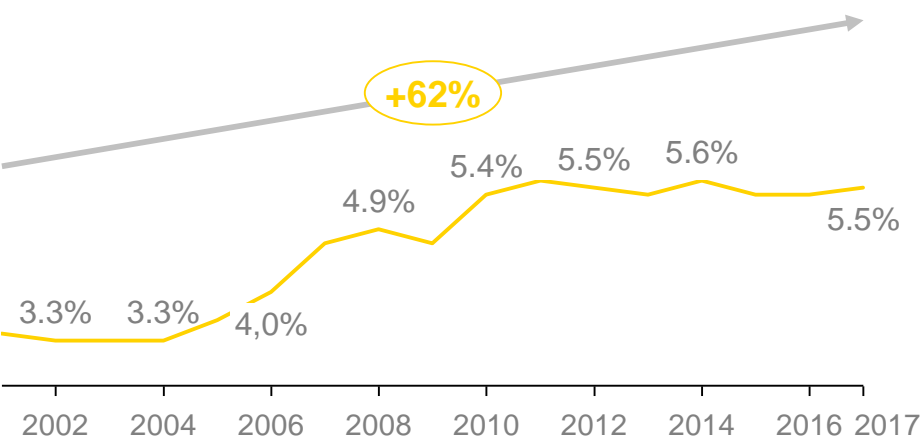
PRE-COVID 19

Avec plus de 80 000 emplois, l'industrie automobile tunisienne est en pleine croissance sur un marché mondial porteur...

Key figures of the automotive sector in Tunisia

➤ 2 Billion € export of auto spare parts in 2017	~20 nationalities represented in invested capital
x2 Total companies between 2000 & 2016	40% integration rate

Evolution of the contribution of the EMI sector to Tunisian GDP between 2000 and 2017



Two strong trends on the global market

Electric Mobility	Connected Mobility
8 à 9 million electric or hybrid cars in the global fleet in 2020	100 Million lines of code in a modern premium car
1 model electric car developed or announced at least by leading OEMs	20 % customers ready to change car brand to have more developed connectivity features
-30 % Gas Emissions Objective to be achieved by 2020	4 % of a car's lifecycle revenue comes from connectivity features



Context and challenges of the Pact

PRE-COVID 19

Nevertheless, the sector also faces major obstacles and the business climate in Tunisia which has deteriorated sharply since 2010, puts the automotive industry in front of major challenges.



The support of public authorities is sometimes lacking while administrative red tape weighs down the daily activities of actors already installed ...

In the recent decisions to locate equipment manufacturers in North Africa, the involvement of public authorities / public authorities has proved to be essential, in particular to guarantee free land, finance training institutes, state aid and play the role of public financial partner.



The sector suffers from a shortage and an inadequacy of trained profiles

Despite multiple training centers and structures forming high-level qualified profiles, particularly in certain key technologies or logistics professions



Tunisia is struggling to catch up with its competitors in terms of infrastructure and tax incentives in this cutting-edge sector

Moroccans, Romanians and Turks ... which is reflected in the stagnation of our market share on a global scale while Morocco has doubled its market share between 2010 and 2017, from 0.06% to 0.13 %.

The TAA has already initiated a reflection on proposals and recommendations capable of improving export performance but also the attractiveness of the Tunisian automotive industry

Main findings and challenges identified:

1

The importance of enhancing the sector's contribution to the national economy

by presenting realistic quantified objectives of the sector's contribution to the national effort on the main key indicators (GDP, employment, national integration, etc.)

2

The need for medium-term stability and visibility

on tax costs, similar services, customs services ... so as to be able to build credible and feasible business plans and tender with confidence in multi-year contracts with international contractors

3

The urgency of working on the stability of the social climate

by defining a wage increase plan for the sector over 3 years and the commitment of companies and social partners to develop a favorable social environment (CSR, etc.) over the next five years.

4

The criticality of carrying out reforms and streamlining of procedures

By prioritizing short-term reforms

Elaboration du Pacte

PRE-COVID 19

Des objectifs ambitieux ont été définis pour l'industrie automobile tunisienne à horizon 2025 dans le cadre du Pacte pour la compétitivité de l'industrie automobile

Automotive Industry Competitiveness Pact



- **7 strategic objectives** for the Automotive industry by 2025
- **30 priority measures** compiled in 5 pillars and with a completion deadline for each measure
- **Shared public / private governance**

Objectives of the Automotive Pact for 2025

12.6 billion dinars of exports

Investments amounting to **26%** of automotive GDP

5 new implementations:

1 final assembly unit for electric vehicles, 2 Tier 1 automotive suppliers and 2 Competence centers

120,000 jobs

57.6 thousand dinars of VA per employee

50% integration rate

20% supervision rate

PRE-COVID 19

New global context



The health crisis has led to a paradigm shift with the main issue being the need to rethink the Supply Chain that has broken down on a global scale

REGIONALIZATION AND OVERHAUL OF THE SUPPLY CHAIN

- **Supply chain disruption prevents production,** even where demand remains or demand is recovering.
- After addressing the immediate needs for worker safety, orderly shutdown of production, and protection of the supply ecosystem, companies will need to **turn to a supply chain overhaul.**
- **Waves of relocation and regionalization of subcontracted activities will follow one another.** Companies are already looking to anchor their geographic footprint as global supply chains increase exposure to health effects, disruptive business dynamics and a patchy global recovery..
- The **Lean Manufacturing** - more specifically the theories of Just in Time and Zero Stocks - hailed by the industry has signaled the end for many suppliers already operating on the thinnest margins. **The global production ecosystem will be based on OEMs, Tier 1, and government intervention** - this is the biggest threat to the industry.

NEW MOBILITY SOLUTIONS

At the same time, **the industry must seize the opportunities** offered by the 'new normal', including the increase in e-commerce and changes in passenger mobility, including new models of car ownership and **the acceleration of new mobility solutions.** .

OPPORTUNITIES

- **The distress of market players will create opportunities** to acquire and develop capabilities and a presence in the market for those who have the financial strength and courage to invest.



II. FOCUS ON PRIORITY PILLARS



COUNTRY STRENGTHS

- First democracy in the Arab-Muslim world - the structures are in place - The role of women, the role of civil society are irreversible gains.
- The Tunisian skills, in all areas are recognized worldwide.
- The historical and cultural heritage, geography, climate, make Tunisia a country of obvious attractiveness.
- Logistics infrastructures: Port, airport, roads are in place and allow complete coverage of the country.
- Proximity to Europe: Tunisia is in the safe zone for Europe.
- A diversified, flexible industry that meets all international standards.
- A young, educated and well-trained population.
- **A "Tunisian Genius" which allows the country to stand out in times of crisis (example Pandemic Management)**

COUNTRY WEAKNESSES

- A tedious political and economic transition without real continuity on structuring subjects (example industrial orientations)
- An administration out of step with, among other things, the requirements of the private sector.
- A recurring fiscal and social uncertainty that slows down or paralyzes decisions.
- The continuing training strategy (sectoral training) does not integrate or is not in phase with the real needs of manufacturers.
- The management of industrial waste, for all sectors of activity, absolutely does not meet expectations and poses real difficulties.
- There is no structured method for dealing with social issues - the impression that everyone is doing their best and negotiating with the UGTT.
- The logistics chain is regularly interrupted by social movements.
- Single session operation for at least 2 months considerably slows down productivity.



OPPORTUNITIES

- The Tunisia site is repositioning itself as THE reference site for securing European productions (Medical, Auto, etc.)
- Tunisia is becoming a platform for initial and above all continuing training (we have the means and the coaching skills)
- The control of the pandemic, if it is confirmed over time (by the end of 2020) can be a tremendous proof of the "Tunisian Engineering" opening the field to other projects or structuring subjects (development of specific sectors or other)
- Tunisia can be a pioneer in a new development model (social ecology for example)



Infrastructure

E-1 Construction of a deep water port

E-1 bis Extension of quays 8 and 9 of the port of Radès

E-1 ter Development of the Zarzis and Bizerte ports and installation of the dry port in Sousse

E-2 Pre-development of 3 installation sites for automotive players

E-3 reinforcement of the CTN fleet and establishment of two shipping lines

E-4 development of industrial zones in night lighting

Regulatory and incentive framework

E-5 financing for the installation of an automobile manufacturer and two OEMs

E-6 Reduction in the number of export procedures and withdrawal of the invoice direct debit procedure

P-7 Implementation of an automotive industry dashboard

P-8 Establishment of a "Code of Performance and Good Practices"

E-9 Sector-specific exemption and communication around the green corridor

E-9 bis reform of article 196 relating to the re-export of waste

E-10 Review of the upgrade bonus release deadlines

E-11 Incentives for investment and reinvestment

E-12 Increase in the authorized amount of foreign investment

E-13 Reform of the right to use private vehicles

Employment and training

P-14 Referential of automotive trades and skills

E-15 Development of specialized branches

E-16 multiplication of work-study training courses

P-17 Mobilization of professionals to intervene in the courses

P-18 Implementation of "Automotive Talents Days"

P-19 Establishment of internal training centers

Research and Development

E-20 Creation of a competence center dedicated to the automotive sector

E-21 Organization of researcher / company matching workshops

P-22 collaboration and financing of 10 R&D projects and 10 start-up projects

E-23 Purchase of public electric transport vehicles and accessibility of electric charging

Visibility and Image

E-24 signing of a bilateral Memorandum of Understanding between Algeria and Tunisia

E-25 Lobbying the business community and international specialist media

E-26 Communication with electric car manufacturers

P-27 Formation of purchasing consortia

E-28 Implementation of agreements signed with the various international automobile associations

E-29 Establishment of preferential import quotas

E- Commitment of the public sector "State"

P- Private sector engagement



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