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FOREIGN INVESTMENT PROMOTION AGENCY

Bosnia and Herzegovina
**Automotive
Industry**

BOSNIA AND HERZEGOVINA INVESTMENT OPPORTUNITIES

Bosnia and Herzegovina Automotive Industry

FOREIGN INVESTMENT PROMOTION AGENCY



BOSNIA AND HERZEGOVINA

YOUR NEW LOCATION FOR
AUTOMOTIVE-COMPONENTS
PLANTS!



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Automotive Industry

LONG TRADITION IN AUTOMOTIVE INDUSTRY

Bosnia and Herzegovina has a long tradition and widespread experience in the automotive industry. For decades, major brands have relied on the B&H skilled workforce to assemble cars for Western markets. Long tradition of B&H's automotive industry goes back to 1950s. First steps in this industry branch were made in automotive industry that followed production of different parts and components for passenger cars and heavy weight vehicles. At the beginning of the 1970s, Volkswagen and UNIS-Holding merged into a concern, and the production of the first vehicles in B&H began.



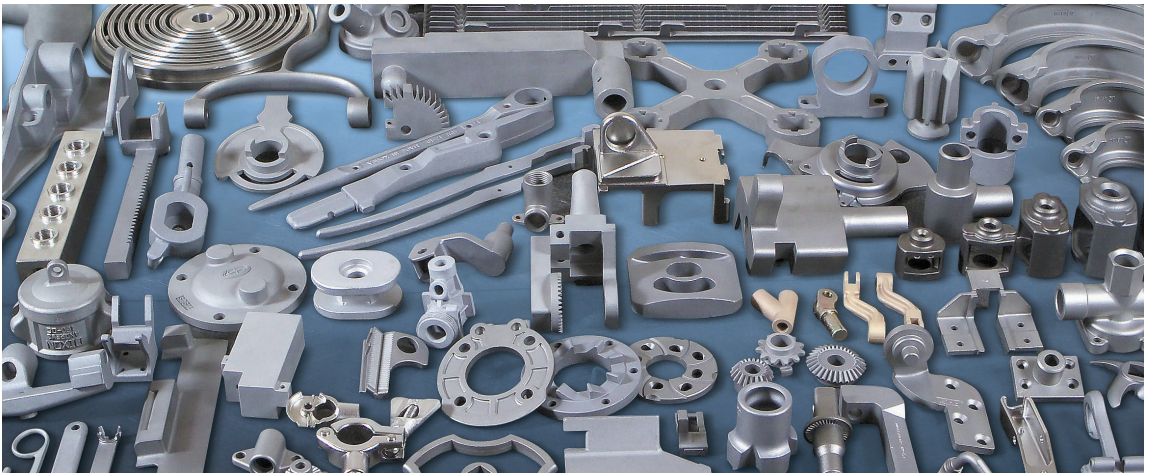
At the same time, Famos Holding, one of the most important companies involved in the development of automotive industry in B&H, started the production of the first diesel engines licensed under Mercedes Benz as well as gears licensed under German ZF. Before the 1992–95 war, Volkswagen produced passenger and commercial vehicles at a plant near Sarajevo, while Kosmos - Banja Luka and Soko - Mostar produced buses. As a consequence of existing final vehicle assembly and automotive components production, the powerful and diversified supply chain and supporting infrastructure had been established including education system, research & development institutions and specialized and competent labour force with metalworking, automotive and electrical engineering skills.

The automotive industry of Bosnia and Herzegovina was disrupted and damaged by the war, but primary metal production, metal processing, tool making, plastic processing, mechanical and electrical engineering, and automotive textile products still exist and gradually the original cohesion of the automotive industry in B&H is on the way to its rebuild. Within the past ten years, this industry has experienced dynamic development, and has become strongly export-oriented, exporting in average 90% of their production, in 30 countries all around world.



AUTO COMPONENTS PRODUCTION

BB&H companies in automotive sector are producers of a wide spectrum of parts and components, such as: engines and gears and their parts, high-quality metal precision parts, drive shafts, brake parts and systems, clutches, steering parts and systems, pumps, filters, automotive electric parts (signals, relays, electronic switches), textile and leather products, plastic injection parts, aluminium wheels, car batteries, and various small parts such as springs, screws, hoses, and components of metal, rubber or plastic.



In a group of companies involved in auto components supply at present, the majority is in metal processing – over 70% and plastics – about 15%. Certain number operates in electrics and electronics and a few in other segments of automotive supplies, such as filters, batteries, spark plugs, fuses and rubber parts.

Thermoplastic processing also follows the trend of development and some companies are already recognized exporters. Bekto Precisa Gorazde, a modern and well-equipped manufacturer of (thermo) plastic injection parts, exports over 90% of overall production, mostly to the EU. Buplast Bugojno is serving other automotive suppliers in BH, like Tesla Brcko and Unico Filter Tesanj.

Engineering & design, as an independent business, still have not reached its development potentials. In preceding period it used to be an integral part of the large manufacturing companies (Unis Holding, Famos, Cajavec), successfully involved in automotive industry supply. Further development depends on available funds and interest the industry could have in research and development.

Other segments of potential automotive components supply are also developing quite well, recovering from break of the large systems. It is especially noticeable in electrics and electronics, mostly due to the very active companies such are: Cajavec FSU, Laktasi (manufacturer of signals, relays and electronic switches) and Zrak - AEO, Kiseljak (manufacturer of electronic special components). A very important and successful segment of auto components supply in Bosnia and Herzegovina is production and export of textile and leather seat covers and accessories to major global automotive players.

CUSTOMERS AND EXPORT

During its history as well as nowadays Auto components sector in Bosnia and Herzegovina is realizing its production for the leading automotive industry brand names (Volkswagen, Mercedes, MAN). Many BH companies forming this sub-sector are producers of a wide range of components, while Volkswagen Sarajevo used to finally assemble various types of VW, Skoda and Audi passengers' cars in SKD system. Prevent B&H, as a subsidiary of a Slovenian group, supplies the seat covers for the VW-models Golf, Polo and Lupo and French manufacturers Renault and Peugeot. There are, also, companies which had indirect contacts (as subcontractors) with Toyota and Mazda (Jajce Alloy Wheels, Bekto Precisa Gorazde).

Auto components sector in Bosnia and Herzegovina is strongly export-oriented, exporting in average 90% of their production in 30 countries all around world. Survey of 34 companies active in this sector, undertaken at beginning of 2010 by USAID, indicates data on exports.

	Number of firms covered	2006	2007	2008	2009	2010
Export (KM)	29	242.562.644	325.676.954	308.453.909	261.999.648	262.969.827

Source: Survey of USAID FIRMA project

Beside the crisis, it is very important to point out that all companies active in automotive sector of Bosnia and Herzegovina expect the growth in exports in the following 3 years.

At present, export of automotive parts goes mostly to Germany, Italy, and Turkey and in particular to Slovenia. It is the result of full privatisation of the company TMD Gradacac, done by the Slovenian partner - CIMOS. Noticeable portion goes also for Ex-Yu countries, especially Serbia where a large manufacturer of Zastava/FIAT automobiles is located.



LABOUR FORCE AND EDUCATION

Human resources with technical skills and expertise are the most favourable advantage for investing in Auto components sector in Bosnia and Herzegovina. Educated and skilled labour force is still abundantly available throughout the country, particularly for the automotive and metal processing industry. According to the USAID Survey, auto components sector of Bosnia and Herzegovina mobilized app. 6.000 employees in 34 companies.



Another advantage of B&H is the high density of research and development institutes, which are the base for effective cooperation with the companies and meeting their development needs. Education system and universities of mechanical and other related sciences exist and have proved successes in cooperation with the companies in metal and automotive sector in previous years. Especially the faculties of mechanical engineering co-operate closely with the local companies of the automotive supplier industry in a number of R&D-projects.

At present the most reliable education and research sources are:

- Faculty of Mechanics, University of Sarajevo Division: Engines and Vehicles
- Faculty of Mechanics, University of East Sarajevo
- Faculty of Mechanics, University of Banja Luka
- Faculty of Mechanics and Computers, University of Mostar
- Faculty of Mechanics, University of Zenica Division for Motor Vehicles
- Faculty of Mechanics, University of Tuzla

TECHNOLOGY AND STANDARDS

In terms of achieved production quality and knowledge application, almost all the companies are in favourable conditions, readily available to move forward and advance the production. The equipments in companies are mostly of German, Italian and ex-Yu origin and aging from 1 year to 30 years. However, ownership drives investments and accordingly modernization. Private and new companies usually have up-to-date machines and tools, complemented with qualified management. Concerning the international standards, most of the companies have obtained ISO 9000 and 9001 quality certification while some of them even TS 16949 and TQS.

The quality certifications that B&H's companies received are presented in the table below:

Quality certifications	Number of firms
ISO 9001	25
ISO 14001	7
ISO TS 16949	8
CE mark	0
No certificate	6
No answer	0

Source: Survey of USAID FIRMA project

Phase in obtaining quality certificates	Number of firms
No activity	5
Preparation phase	7
Final preparation phase	2
Certification phase	1
Recertification	14
Certificate expired or lost	1
No answer	0

Source: Survey of USAID FIRMA project



FDI IN AUTOMOTIVE INDUSTRY

Foreign interest in the automotive components sector in Bosnia and Herzegovina increased in recent years and according to some assessment FDI inward stocks are app. 80 million EUR. Several international automotive suppliers have taken a share in B&H companies or have taken over companies completely.

The corresponding investments allowed particularly those companies a high and dynamic growth. Examples of this trend are the companies TMD Ai, (subsidiary of the Slovenian Cimos-Group), which in the area of metal processing produces high-quality precision parts, or the filter manufacturer Unico Filter, which has been taken over by the German market leader Mann-Hummel. Biggest exporter and second-largest company in the country is the Prevent as a subsidiary of a Slovenian group. Prevent has several production sites in B&H for automotive products as well as 42% share in VW Sarajevo and 51% of share in the company FAD Jelah. Other companies which received significant amount of FDI are: Jajce Alloy Wheels / Croatia and Germany, Bekto Precisa/Austria, ADK/Slovenia, Skania BH / Sweden, Unis Valjcici / Slovakia.

Furthermore, B&H registered large investments in the metal processing sector (Mittal Steel Zenica, Tvornica glinice Biraca and Jelsingrad Banja Luka), indirectly linked to the automotive industry, in the amount of app. 500 million EUR.

Successful stories of FDI

- CIMOS, Slovenia
- PREVENT, Slovenia
- MANN-HUMMEL, Germany
- BEKTO International, Austria
- ALLOY WHEELS, Germany and Croatia

WHY TO INVEST IN AUTOMOTIVE SECTOR IN BIH?

The main reasons why to choose Bosnia and Herzegovina as your destination for investing in automotive sector are as follows:

- Strategic location: Geographical proximity to automotive manufacturing base in Europe allows foreign investors low distribution costs and “just-in-time” production delivery from Bosnia and Herzegovina
- Long and extensive tradition in auto-components supply and complementary metal processing sector
- Highly qualified and educated labour force capable to learn fast
- Availability of research and development institutes (6 Faculties of Mechanics)
- Price competitive environment, average net wage 400 €
- Stable and convertible currency linked to EURO and fully reformed and developed banking sector
- Quality production – ISO and industry certificates
- Equipment mostly of EU origin, especially from Germany
- Infrastructure in place and energy sources available

INVESTMENT OPPORTUNITIES

Strategic location, high quality and reliable suppliers, good educational base, innovations, infrastructure and energy availability are the focal points of promises to potential investors. With all recent strategic movements and industry renewal in B&H, auto components supply chain has a good prospective to develop further and serve the needs of the wider region. To materialize these potentials, automotive sector seeks for increased capital equipment investments, new technologies and access to the new markets, what can be met with strong strategic partners or large integrator companies which intends to move their production, or assembling activities at lower cost regions.



CIMOS TMD AI, Successful story

Cimos TMD AI is one of the first companies that focus its activities on metal processing for industry in Bosnia and Herzegovina.

The company was founded in 1954, initially as a farm machinery producer but later it converted into a manufacturer of parts for the automotive industry. In the seventies the company had an engineering plant capable of manufacturing 800 different products on concession on ZF and Daimler Benz. The turning point for the company came in 2001 when it became a part of the Slovenian group Cimos, marking a significant business growth as a production centre with technological competencies in production of parts for turbo compressors.

Cimos TMD Ai has gained the recognition in research and development for internationally renewed automobile manufactures. Investment in advanced technologies, design and product development and human resources is the permanent target and activity in company. Customer relationship management is on the core.

Main customers are: Honeywell Garrett – USA, PSA (Peugeot, Citroen), Walterscheid - Germany; Voestalpine - Belgium, Austria, Germany, FAG - Austria, Iskra - Slovenia.

In accordance to the development strategy of CIMOS and with the respect for the available human resources, CIMOS TMD in 2005 established new group companies including CIMOS Srebrenica, NT Forging in the town of Novi Travnik and the foundry CIMOS TMD Casting in the city of Zenica. Today, the turnover of the Cimos plants operating in BiH amounts to 71 million EUR, totally allocated to export.

The management of Cimos TMD states that human resources have been and remain the core factor in successful business development in Bosnia and Herzegovina. Permanent investment in knowledge and research, supported by the good customer relationship management and environment requirements keep them competitive at the market, both local and international.

“Human resources have been and remain the core factor in successful business development in Bosnia and Herzegovina.”

CIMOS TMD

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