



CZECH REPUBLIC – Automotive R&D centre of excellence

A major EU player

The Czech Republic, which has been designing and producing cars since the 19th century, is one of the EU's three largest car manufacturing nations. Having successfully weathered the impact of the political and economic transition of the early 1990s, the car industry has become one of the pillars of the Czech economy, fully privatised and with a stable ownership structure.

The Czech Republic is also characterized by a strong automotive supplier sector. According to the national investment agency CzechInvest, more than half of the largest global automotive suppliers have operations in the country. This large portfolio of suppliers gives access to an almost complete local supply chain, providing significant cost advantages. The country's skilled industrial labour force, together with its proximity to Germany and other Western European markets, secured by a stable political and economic environment, is turning the Czech Republic into a new pole of the European car industry.

A magnet for FDI

The Czech Republic's automotive industry has attracted massive foreign direct investment (FDI) since it joined the European Union in 2004. This has had a considerable positive impact on labour productivity and quality, with no adverse effect on labour costs and output price. The recent growth of R&D expenditure in this sector is also due in large part to a sudden influx of FDI.

Located at the heart of Europe, the Czech Republic is an excellent place for launching a greenfield production facility or developing a control centre for a supplier chain capable of supplying existing manufacturers as well as those established elsewhere in Central and Eastern Europe. It holds a unique position among the Central-Eastern European countries, having a long-standing automaker of its own, Skoda (now Skoda Auto), which recently celebrated its 100th anniversary, and other automotive brands, such as truck makers Tatra and Avia (now Avia Ashok Leyland Motors).

Over recent years, it has attracted a number of important foreign investment projects, including Korean manufacturer Hyundai's new site in Nosovice in the east of the country. Till January 2008, Hyundai has invested already €400 million in its Czech plant. Capable of producing up to 300,000 vehicles a year it will employ 3,500 people in 2011 directly and a further thousands indirectly. The company describes the site's location close to the Slovak border as a key factor in the decision to locate in Nosovice.

With Hyundai daughter company Kia Motors present just over the border in Zilina, the move is expected to bring a number of synergies, leading to a lower unemployment rate in the Moravia-Silesia region, faster GDP growth and an improved trade balance. Skoda Auto, which is part of the Volkswagen group, and TPCA, a joint venture between Toyota and PSA Peugeot Citroen also have manufacturing plants in the Czech Republic.

Direct automotive employment*	121,000
as share of total manufacturing	8.7%
Production of motor vehicles	937,648
of which production of passenger cars	925,060
Car fleet (in 1,000)	4,280
Car density (per 1,000 population)	413
* total employment depending on automotive sector is around five times higher	

A leading producer and exporter

According to the Czech Automotive Industry Association (AIA), in 2007 the automotive sector accounted for about 20% of total national industrial output. More than 937,000 motor vehicles were produced in 2007, including 925,060 cars (+9%) and 3,182 buses (+8%).

Component manufacturing is contributing an increasingly large share to total automotive production, representing 57% of its value in 2007. In the same year, 78% of the automotive industry's total output was exported. The number of people working in the industry is above 120,000 and rising.

The relative role of suppliers is constantly growing. About 80% of the volume and value of parts supplied to the Toyota / Peugeot / Citroën plant are Czech-made, indicating that local parts content in Czech-made cars is high. South Korean parts manufacturers are also establishing a strong presence in the Czech Republic, supplying both the planned Hyundai plant as well as the new Kia plant in Slovakia. Japan remains the country's second largest foreign investor after Germany.

Regional clusters

Automotive clusters are already being established within the Czech Republic's economic landscape. At present "Moravsko-slezsky automobilovy klastr" operates in the north-eastern part of the Czech Republic (a collective member of AIA CR) comprising 47 automotive and related subjects.

R&D

In recent years, support for technologically demanding projects with high added value has become a priority in the Czech industry. CzechInvest Agency administrates for the Ministry of Industry and Trade investment incentives for projects in the areas of manufacturing, business support services and mainly research and development activities.

The bigger companies such as Skoda Auto, Iveco Czech Republic (formerly Karosa), Valeo, Robert Bosch, Visteon-Autopal and others have been developing their own R&D capacities. The Czech Republic also has several private R&D institutes specialising in automotive engineering and public sector R&D capacity at technical universities in Prague, Brno, Pilsen, Liberec and Ostrava.