AUTOMOTIVE INDUSTRY IN COLOMBIA

PROEXPORT COLOMBIA

April 2012
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Introduction

Colombia is the ideal location for the manufacturing and assembly of cars, trucks, buses and auto parts. Colombian is the fourth biggest automotive manufacturer in the region and it’s industry represents a 2.5% of the total manufacturing industry work force.

Colombia’s automotive industry includes the assembly (of light vehicles, light weight trucks, buses and motorcycles) and manufacturing of parts used in assembly for the OEM Markets and replacement markets, which includes suppliers of inputs from other industries such as metalworks, petrochemicals (plastics and rubber) and textiles.

Colombia currently has a fleet of around 3.8 million of vehicles; about 59,5 % of those units are supplied by imports.

1. Market Size

• Production and composition of the market in Colombia.

Light vehicle production in Colombia includes the operation of three OEM’s: General Motors, Renault and Mazda. In 2011, the national production was 131,510 units and total sales reached 324,570 units.

In the case of commercial cargo vehicles, domestic production is lead by General Motors and Hino (Toyota). The country only produces light duty trucks (less than 10 tons), and imports most of the heavy duty trucks from Mexico.

In the passenger service segment, the country has the presence of two major Brazilian body bus manufacturers, Busscar (Busscar Onibus SA) and Superpolo (Marcopolo), leading producers of articulated buses and urban buses, especially for Mass Transport Systems in Colombia’s major cities.

Forty one percent of Colombia’s automotive industry consists of domestic production while 59,5 % is imported mainly from South Korea, Mexico, India, Japan, Ecuador, China and the United States.
Vehicle demand in Colombia 2007 - 2011

Source: Econometría (Colombian Committee of Automotive Industry)

• Increased demand, rapid growth of vehicle sales.

The Manufacturing Industry in Colombia has highlighted the automotive industry as a pioneer following the global crisis. In 2011, the performance of this sector showed the highest levels of sales, production and employment in history. Sales broke a record year for new units, with 324,570, representing an increase of 28% over the previous year (253,809 units).

Apparent consumption of vehicles in Colombia 1996-2011, Units

Source: Econometría (Colombian Committee of Automotive Industry)
The demand for vehicles by type in Colombia reflects increased consumption in light vehicles with a increase of 30% followed by SUV with 15% in compare with 2010 sales.

Other segments such as high-end vehicles or premium vehicles also experienced record sales in 2011 with 7.000 units. Key Players showed an increase in sales, BMW reached 1.575 units in 2011 (49% more than 2010), and Mercedes Benz 1.511 new units and an increase of 40%. Audi, LandRover, Porsche, Maserati and Jaguar also participate in this niche.

Sales leaders in Colombia are GM with 32%, Renault, 14%, Hyundai 9% and Kia 8%. The four companies concentrate 64% of the local market representing 209.022 units sold during 2011.
<table>
<thead>
<tr>
<th>Companies</th>
<th>2010</th>
<th>2011</th>
<th>2010 % Share</th>
<th>2011 % Share</th>
<th>Sales Change 2010 - 2011</th>
<th>Share Change 2010 - 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chevrolet</td>
<td>85.171</td>
<td>105.823</td>
<td>33,5%</td>
<td>32,6%</td>
<td>24,2%</td>
<td>-0,9</td>
</tr>
<tr>
<td>Renault</td>
<td>38.026</td>
<td>46.841</td>
<td>15,0%</td>
<td>14,4%</td>
<td>23,2%</td>
<td>-0,5</td>
</tr>
<tr>
<td>Hyundai</td>
<td>24.910</td>
<td>29.622</td>
<td>9,8%</td>
<td>9,1%</td>
<td>18,9%</td>
<td>-0,7</td>
</tr>
<tr>
<td>Kia</td>
<td>19.632</td>
<td>26.736</td>
<td>7,7%</td>
<td>8,2%</td>
<td>36,2%</td>
<td>0,5</td>
</tr>
<tr>
<td>Nissan</td>
<td>14.800</td>
<td>24.193</td>
<td>5,8%</td>
<td>7,5%</td>
<td>63,5%</td>
<td>1,6</td>
</tr>
<tr>
<td>Toyota</td>
<td>14.179</td>
<td>24.193</td>
<td>5,6%</td>
<td>4,2%</td>
<td>-4,5%</td>
<td>-1,4</td>
</tr>
<tr>
<td>Mazda</td>
<td>13.736</td>
<td>13.345</td>
<td>5,4%</td>
<td>4,1%</td>
<td>-2,8%</td>
<td>-1,3</td>
</tr>
<tr>
<td>Ford</td>
<td>6.964</td>
<td>10.669</td>
<td>2,7%</td>
<td>3,3%</td>
<td>5,3%</td>
<td>0,5</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>7.006</td>
<td>7.707</td>
<td>2,8%</td>
<td>2,4%</td>
<td>10,0%</td>
<td>-0,4</td>
</tr>
<tr>
<td>International</td>
<td>1.167</td>
<td>4.312</td>
<td>0,5%</td>
<td>1,3%</td>
<td>269,5%</td>
<td>0,9</td>
</tr>
<tr>
<td>Others</td>
<td>28.278</td>
<td>41.788</td>
<td>11,1%</td>
<td>12,9%</td>
<td>47,8%</td>
<td>1,8</td>
</tr>
<tr>
<td>Total</td>
<td>253.869</td>
<td>324.570</td>
<td>100%</td>
<td>100%</td>
<td>27,8%</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Revista Motor – January 2012

**What is expected for this year?**

By 2012, sales are estimated to reach about 360,000 units, exceeding sales from 2011. This trend is marked by the moment going through the industry and the availability of new financing tools.

A steady growth of the middle class will raise the prospects for consumption in the medium term, achieve in the years to come an annual market of 500,000 units on average.

This increase will also be supported by the growing trend of imports due to appreciation of the Colombian peso and the reduction of tariffs in effect obtained by the trade agreements already in place and others awaiting Congress approval.

Finally, we expect an increase in passenger demand due to the implementation of integrated mass transport system in major cities in Colombia.
2. Advantages of the industry

I. Suppliers

- Colombia has developed auto parts market and an extensive range of suppliers of OEM and aftermarket.

The dynamics of the production and sale of vehicles in recent years have led to the growth of auto parts sector. In the past eight years, exports of auto parts have grown about 220% concentrated mainly in three Latin American markets (Ecuador, Venezuela and Brazil), which represents about 74% of the total.

Colombian Exports of Auto Parts
2005-2010, USD millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>154.5</td>
<td>218.4</td>
<td>277.0</td>
<td>349.8</td>
<td>503.7</td>
<td>518.7</td>
<td>439.6</td>
</tr>
</tbody>
</table>

Source: ACOLFA (Colombian Association of Auto Parts Manufacturers)

In the last year auto parts imports increased 39%, showing a high demand for the assembly industry and the aftermarket. In the CBU imports, the increased was 70%. Currently, 48 brands of vehicles are sold in the country energizing domestic consumption to be supplied by imports, but also increasing opportunities for the entry of new players.

Colombian Imports of Auto Parts Vs Vehicles Imports
2005 -2010, USD millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,525</td>
<td>1,690</td>
<td>2,238</td>
<td>2,464</td>
<td>2,258</td>
<td>2,215</td>
</tr>
<tr>
<td></td>
<td>1,074</td>
<td>1,909</td>
<td>2,132</td>
<td>1,509</td>
<td>2,984</td>
<td>2,580</td>
</tr>
</tbody>
</table>

Vehicles
The manufacturing of Colombia’s auto parts is concentrated mainly in Bogota with an 80%, the rest of the production is allocated in major cities like Medellin, Cali and Bucaramanga. Some of the parts being manufactured in the country are: air conditioning systems, seats and interior trim, bumpers, clutch, air and oil filters, wheels and tires, rubber hoses, metal mechanical parts, steering parts, electrical parts, brake parts, suspension parts, transmission parts, wheels, exhaust system, safety glass, and accessories.

With its production capacity, Colombia can meet the requirements included in several Trade Agreements that demand a minimum regional content of 34.6% for light vehicles and 18% for vehicles over 16 passengers. In general, the country has sufficient supply, diversity of products and the required certifications to tend and provide original equipment to manufacturers (OEM’s).

Also, Colombia has become an export platform for foreign companies as outstanding YAZAKI, Michelin, Saint Gobain, Goodyear, DuPont, DANA Corporation, American Glass Products and Vitro, among others.

The auto part sector in Colombia specializes in a broad variety of segments. Currently, the sector generates 25,000 jobs representing a growth of 38% in last years. The segmentation of the labor force specializes by activities such as motor train, chassis, electric and the expertise of the industry in the country with over 60 years offers and positive environment for new Tier’s 1 Auto parts to set up facilities in Colombia.
II. Incentives to investors.

• Assembly or Transformation Authorized Warehouses (DHT)

The Assembly or Transformation Authorized Warehouses are instruments intended primarily to promote and incentive the transfer of new technologies, market expansion and development of the automotive industry and domestic auto parts.

The DHTE (by its acronyms in Spanish) constitutes a special tax incentive that offers an exclusive treatment to imports and processes that take place within the manufacturer or assembly facilities. The main benefits they receive are as follows:

a) Hold on payment of taxes on all automotive parts, raw materials and supplies entering the DHTE to become part of the integrated process or assembly.

b) A 0% tariff for all imports into countries members of the Andean Automotive Regime for vehicles produced or assembled, as well as parts and materials produced in these deposits, which meet the origin requirements set out in Decision 416 of the Cartagena Agreement and in Resolution 323 of the General Secretariat of the CAN.

• Free Trade Zones
To promote trade, investment and the creation of jobs in the country, Colombia offers a regime of free zone that includes two schemes, single-Enterprise free trade zones and Permanent Free Trade Zone.

The benefits established within a FTZ are:

- Single tax rate on taxable income: 15% (Flat income is 33%)
- Exemption on custom duties and Value Added Taxes.
- Exports to countries that have standing trade agreements with Colombia (except Peru) from the FTZ.
- Allowance of sales to local market.

Single-Enterprise Free Trade Zones (SEFTZ):

The SEFTZ it’s a type of Free Trade Zone where a single company can obtain access to the same benefits of a regular FTZ, with the advantage that can be allocated any were in the Colombian Territory.

<table>
<thead>
<tr>
<th>Invest USD million</th>
<th>Direct Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>42</td>
<td>150</td>
</tr>
</tbody>
</table>

Source: Proexport

For every additional U$ 6.1 million invested, the employment requirement is reduced by 15 people. In any case the minimum number of jobs required to qualify for this cannot be less than 50 direct jobs.

Permanent Free Trade Zone for industrial users providers of goods and services (PFTZ)

PFTZ it’s a type of Free Trade Zone where several companies are installed inside a FTZ already established and territorially delimited.

<table>
<thead>
<tr>
<th>Total Assets (US$)</th>
<th>Investment Amount (US$ Million)</th>
<th>Direct Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 141.675</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
III. Strategic location and export platform.

Colombia is located in the northwest corner of South America. This location gives the country a strategic and competitive advantage in logistics, because Colombia is a mandatory transit way for shipping companies that covers Northern and Southern routes. Also the countries proximity to the Panama Canal, that permits the interconnection of sea freighters between the Atlantic and Pacific oceans. A Similar situation occurs for air cargo traffic, as evidence of that you find Bogota’s International Airport Ranked #1 for total cargo traffic in Latin America.

Colombia has great advantages that provide it with competitive characteristics within the region and the gives the possibility of establishing “hubs” or distribution centers to cover the Latin America and the Caribbean markets:

- The presence of large megacarriers in Colombia and prime maritime connectivity with the world.
- 75% of all major shipping companies in the world (approximately 15 carriers) have access to dock in services for import and exports in and out of Colombia.
- More than 3,700 maritime frequencies.
- Low cost freight rates compared to the region for transport general cargo to markets in North America, South America and Central America.
- Approximately 1,000 flight cargo frequencies.
- 18 cargo airlines and 13 commercial airlines serving passengers in the country. Some among the well known are Cargolux, KLM - Air France, Iberia and Martin, among others.
- Thanks to existing Free Trade Agreements, Colombia has preferential access to 1,500 million of consumers. The Government has an ongoing goal to continue to negotiate and implement new trade agreements with strategic countries, providing the best possible conditions for investment and trade. The government's trade agenda for 2011 includes the negotiation of 11 new agreements with 48 countries.

<table>
<thead>
<tr>
<th></th>
<th>0</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>141.676 – 1.41 Millions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.41 Millions – 8.5 Millions</td>
<td>1.41</td>
<td>30</td>
</tr>
<tr>
<td>More than 8.5 Millions</td>
<td>3.2</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Proexport

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1 The shipping companies most large in the world
2 Actually the market of maritime freight rate is completely deregulated. The rates are moved by the supply and the offer, situation that can mean big differences on the freights on one route according to the shipping company and the type of the charge.
IV. Relocation of Productive Units

One of the trends in the automotive industry taking place in the industry worldwide is the relocation of Productive Units for OEM's to emerging markets. The assembling companies will continue to relocate from high-cost production regions such as North America and the European Union to low cost and high growth production regions such as China, India and South American markets. In accordance to different sources it’s estimated\(^3\) that by the year 2015, China and South America will lead the global vehicle production with a growth of 50%.

According to visible trends, the relocation of productive units for the next few years to emerging markets, position Colombia as a strategic market for the expansion of their operations, mainly by:

- The rapid economic recovery experienced by the country.
- Reactivation of the automotive sector.
- An emerging market full of possibilities for new players.
- Availability in the Industries Productive capability.
- Capabilities to expand and penetrate new vehicular markets.
- Specialized activities and highly technical inputs in the sector.
- The Motorization rate is lower than other countries in the region and also below the levels in developed countries.

\(^3\) ZACKS Investment Research, “Auto Industry Outlook and Review—July 2010”
Considering all the opportunities mentioned above and the access to the tariff benefits provided by the several enforced trade agreements. This makes the country an excellent platform for the assembly and export of vehicles.

Currently we find the following tariff preferences for vehicles as a result of the trade agreements in force are: Peru, Ecuador, Bolivia (CAN-Cartagena Agreement), Chile (Free Trade Agreement), Mexico (G2) with free tariff. In the case of El Salvador, Honduras and Guatemala (Northern Triangle), Chapter 87 from the harmonized tariff code, was excluded from the negotiation. The MFN measure or (Most Favored Nation) applies to Colombia with a preferential tariff.

With respect to Argentina and Brazil (MERCOSUR), the negotiation calls for a seven year staging steps to gradually remove tariffs. This year there is a review by the two respected Ministries (SSETS) to review the current installed capacity of each country and analyze the industry's behavior to reconsider the actual percentage reduction of the current tariffs in force.

Summary:

<table>
<thead>
<tr>
<th>Destination</th>
<th>Tax for Colombia</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>0</td>
<td>G2</td>
</tr>
<tr>
<td>USA</td>
<td>NMF</td>
<td>ATPDEA</td>
</tr>
<tr>
<td>Andean Region (Excluding Venezuela)</td>
<td>0</td>
<td>CAN</td>
</tr>
<tr>
<td>El Salvador- Guatemala- Honduras</td>
<td>MFN</td>
<td>North Triangle</td>
</tr>
<tr>
<td>Brazil</td>
<td>Review year: 201</td>
<td>CAN- Mercosur</td>
</tr>
<tr>
<td>Argentina</td>
<td>Review year: 2012</td>
<td>CAN- Mercosur</td>
</tr>
</tbody>
</table>

Currently the National Government is negotiating a trade agreement with South Korea, which could see a gradual relief on the tariff for vehicles in a period of 10 to 15 years. It’s important and relevant to highlight that the reduction of tariffs on vehicles has not led to an influx of vehicles in the country showing that Colombian industry is prepared for increased competition.4

This allows local assembly companies like in the case of Mexico and Brazil, to open their doors to a regional complementary productive system. For example, with its new model Renault Duster 4X4, built in Colombia and that it has production capability of 19,000 units ready for export.

V. Automotive cluster initiative in the country

4 BBVA Research 2010
The development of automotive clusters in Colombia, mainly in the Pacific region, it’s an initiative that seeks to organize the production chain and provide logistical advantages of scale to favor the export of vehicles and auto parts. The capabilities to find ease access to new markets through cost reduction and trade agreements and tariff framework that will permit the industry advance by benefiting from the staging steps to gradually remove tariffs and other trade agreements that are currently under negotiation, will be important strategic aspects that will position Colombia among the industry in the region.

VI. Development of Mass Transportation Systems.

The unification of mass transportation in major cities of Colombia (Medellin, Cali, Barranquilla, Bucaramanga, Cartagena, Pereira and others), will mean an increase in acquisitions of new passenger vehicles. The plan to renovate the current outdated fleet has been an important factor that has contributed to the entry of new players. A study by the BBVA Research, said that the average age for light vehicles in Colombia is 15 years, while commercial vehicles have an average age of 17 years. In the case of trucks, the average age decreased to 14 years due to massive imports in recent years.

Finally, the lifespan for public buses in Colombia is 20 years, but in the case of Bogotá’s mass transit system (Trans-Milenio) buses, also includes provision of a maximum of one million kilometers (whichever comes first). This will mean a frequent renovation, coupled with the ongoing consolidation of the mass transit system in major and medium cities, which represents a market with significant potential and a high rate of procurement and acquisitions of more advanced technologies.

An estimated of 18,000 units will be replaced in coming years including 5,600 with new technologies.

VII. Infrastructure, mining and oil projects represent an opportunity in the truck segment due to the growing supply for heavy trucking transportation.

In Colombia, about 85% of cargo is transported by road. In 2010 a total of 129 million tons per load were moved. For this reason, the Ministry of Transportation has been promoting competitive policies and provisions for three mega-projects: “Ruta del Sol”, which seeks to build a second line-way road from Bogota to the Atlantic coast to 1,172 miles; “Ruta de la montaña”, which give better connectivity to the department of Antioquia; and “La Ruta de las Américas”, which seeks to connect from Panama to Venezuela along the Atlantic Coast. It is estimated that this project will be about 2,000 miles long. Also its estimated that the new mining, petroleum, infrastructure and bio-fuel projects will required a fleet of trucks of approx 3,000 new units to move their loads.
According to the National Association of Cargo Trucks (ASOCARGA), a total of 2,300 heavy duty vehicles will be required to transport crude oil and 430 HDV for transport of palm oil. In the last four months Colombia has surpassed Peru in the number of trucks sold (2,686 vs. 2,534 units respectively). However, Chile still leads the region with 3,470 units.

According to sources in the oil companies, they are failing to move an average of 80,000 barrels per day due to lack of heavy trucks available. To further demonstrate the increasing demand for Heavy Duty Trucks, current orders for Heavy Trucks placed by car-dealers are of 10 to 20 units per order, not one or two.

In addition, another group of trucks is expected to boost the market, these are Mixer Trucks and Dumping Trucks. Between November 2010 and February 2011 there was an increased in sales of a 184%. Even in countries like Chile and Peru where the variation was between 43% and 85% respectively. The total growth in Dump Trucks in 2010 was 45%, mainly for infrastructure projects in the whole country.

**VIII. Availability of skilled labor at competitive costs**

The availability of skilled labor at competitive cost is one of the key factors that drive the automotive industry.

The automotive industry has around 17,636 graduates from technical and professional careers. Wage costs are also very competitive within all positions throughout the industry. From operators which have the lowest salary in the region to production engineers who have a pay around US$ 2,089/month, a US $1,700 lower than Brazil and US $3,000 than in Chile.

<table>
<thead>
<tr>
<th>Source: Ministry of Education of Colombia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total: 17,636 Graduates</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source: The World Competitiveness Yearbook</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wage cost per employee automotive</strong> (USD/ Hour)</td>
</tr>
<tr>
<td>Colombia: 1,73</td>
</tr>
<tr>
<td>México: 1,88</td>
</tr>
<tr>
<td>Argentina: 4,05</td>
</tr>
<tr>
<td>Brasil: 7,53</td>
</tr>
<tr>
<td>Estados Unidos: 27,76</td>
</tr>
</tbody>
</table>

**Number of graduates on the Automotive Industry 2007-2009**

- **Professionals**: 13,230
- **Technicians**: 4,406

Total: 17,636 Graduates
Salary levels in Colombia are in a very competitive position with overall wages 19% lower than the rest of the region in the manufacturing sector.

<table>
<thead>
<tr>
<th>Country</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>403,41</td>
</tr>
<tr>
<td>Chile</td>
<td>441,22</td>
</tr>
<tr>
<td>Argentina</td>
<td>512,35</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>524,84</td>
</tr>
<tr>
<td>Brazil</td>
<td>533,13</td>
</tr>
</tbody>
</table>

(1) Includes Payroll Taxes and Severance - Source: Study Ernst & Young

Development of training programs to strengthen the industry.

- **ACOLFA (Colombian Association of Auto Parts Manufacturers) - SENA (National Learning Service)** Interinstitutional Agreement for the development of training programs: They were 5 specialized training courses created, meeting the standards set by the private sector.

- **ACOLFA - SENA - EAN (Business University)** Development Program for Competitiveness and Innovation in the auto parts sector available in major cities. Courses developed successfully that studies three specific subjects:
  - Senior Management with an emphasis on innovation and projects (120 graduates)
  - Senior Management with an emphasis on human resource management (45 graduates)
  - Senior Management with emphasis in production and logistics (255 graduates)

- **ACOLFA - MEN (Ministry of Education) - University of San Buenaventura.** Agreement for the creation of technical and technological curriculum focused on the automotive industry. In March 2011, received registration from the Ministry of Education described the following programs:
  - Technology management and development of automated processes.
  - Technical professional assembly and installation of machinery and equipment

**Current Projects:**

- Automotive Technology Development Center - CDTA: Since 2010 the government has been working with the private sector, building consensus on the importance of this project. At
the end of 2010 (COLCIENCIAS) filed a joint proposal with the Universidad del Valle, Andi and Acolfa which received approval to develop a business plan to build, construct and operate the CDTA. Highlighting the Cauca Valley as a possible site for construction.

IX. The Automotive Sector has been identified in a study made by the Government and the private sector with the support of McKinsey, as a world-class industry that needs to be promoted and up-graded

- Priority areas defined by the government: The Automotive industry has been selected by the State to be developed and maximize its potential under this priority areas by making it part of the program called “World-Class Initiative”, this is a complete and extensive plan that will transform several industries and elevate them to be competitive at the highest levels before the year 2032.

The auto-part sector and assembly of vehicles has been one of the eight areas identified in the Productive Transformational Program outlined by the Colombia government, this initiative aims to transform the automotive industry among others by the year 2032 and recognize Colombia as the leading exporter of auto parts in the region by generating revenues of USD 10 billion.

To achieve this, the program has structured a business plan with 25 initiatives, whose implementation will look for the following guidelines:

- Develop an alternative solid assembly sector with a specialized and competitive proposition at the regional level, allowing companies to focus on the production and export of vehicles.
- Strengthen exporters of auto parts.
- Focus efforts on specialized parts for certain distinctive emerging technologies.

X. Sustainability initiatives in the industry

- The Automotive Industry in Colombia is developing and implementing several green initiatives to benefit the environment. These includes scrapping of old trucks, also impacting the demand, looking at around 18 000 units that need to be replaced over 40 years of use.

- Large cities are also looking to implement restrictions on high noise and CO2 pollutant Motorcycles, pushing manufacturers of incorporating new technologies to reduce these pollute (Some motorcycle plants in the country that you can find are: Yamaha, Honda, Kawasaki, Suzuki, Kimco, Jincheng, Jianling, among others)

- Renault – Sofasa is conducting a program to check and provide maintenance to automobiles after 10,000 kilometers, this will not only reduce the costs generated by regular wear but also
helps to reduce CO₂ emissions. Moreover, GM Colmotores, has implemented initiatives since 2009 to develop and implement alternative fuel technologies.

- With Similar green initiatives, MAC S.A. (the biggest automotive batteries company in the region) which produces about 3 million batteries per year recycles used batteries with a highly efficient collection system and toxic treatment plant and protocols.

- Moreover, the national government passed legislation in 2008 that requires gasoline to have a minimum mix of 10% ethanol or diesel to reduce emissions of CO₂ into the atmosphere.

- At City levels, numerous initiatives are being implemented such as in Medellin (Colombia’s second largest city) with the mass transit system "MetroPlus", than runs exclusively on propane gas. Bogota has also pass eco-friendly legislation which issued rules for controlling emissions and requires owners of private and public vehicles to submit their vehicle to a regular inspection, once passed the owner is issued a Certificate of Mechanical and Technical Review gas Emissions, renewable annually. Also the implementation of Cali new Mass Transit System contributes to the sustainable development of the city.

- The government requires producers and retailers of tires to responsible disposal of used tires thru specialized processes.

- Initiatives sponsored by EPM (Empresas Públicas de Medellín), one of the largest utilities companies in the country; Renault Colombia and EAFIT (recognized University in Medellin) a study to the assembly of electric vehicles in the country.

- The Minister of Environment has promoted and launch a new legislation to reduce the tariff duties for imports of electric, hybrids and GNV vehicles. (until December of 2011 or 161 units).

3. Recently Investment Decisions

The dynamism of the industry in Colombia has allowed the revival of the automotive sector in recent years. Major investment moves in the country have reflected this behavior:

**Renault – Sofasa:**

**Assembly Projects**, Renault has invested USD 28 million to increase its production capability by 22,000 new units per year for its new model H79 and the Duster 4X4 which will be available to the market in 2012 in Colombia and in the Andean Region (Central America, the Caribbean and Mexico).

**Generation of employment**, their hired 450 additional people to support the strong growth of the market. In 2010, unit sales grew by 43%. 
**General Motors – Colmotores:**

Improving productivity, GM Colmotores has investment plans for the next 5 years of $ 250 million dollars to increase the productivity of their plant in Bogota, through the incorporation of a stamping operations, robot welding and painting. This project will be primarily dedicated to the production of automobiles for to the Brazilian and Argentine markets, among others.

**Foton:**

Assembly Project, China announced that the company will assemble light trucks (less than 10 tons) in the country with its local partner Corbeta. The investment for the first phase may reach USD 4 million and generate around 400 direct jobs. The objective is to assemble 5,000 units in four different truck models.

**Marcopolo – Superpolo:**

Employment Generation: the Brazilian-Colombian company has generated 800 new jobs to attend the rise in demand created as the result of a new contract with Panama to provide 1,200 buses and exports to regional markets (Ecuador, Peru, Costa Rica, Suriname and Haiti).

**Daimler Chrysler:**

Assembly Project: On February of the current year, Daimler opened a new chassis assembly plant for buses in Bogota due to the increasing demand of passenger buses in the country. The company will produce about 150 units per month divided in two different Mercedes Benz bus references. This project will create 27 new jobs and generate nearly U.S. $ 4 million on purchase of parts.

**Piaggio:**

Assembly Project: The Italian company Piaggio, leader in three wheel vehicles announced the construction of an assembly plant in the surrounding area of Bogota for the production of motorcars. The project investment will be USD 10 million and production capability in the first stage will be 50,000 units annually to meet local and regional demand.

**Derco:**

Retail Expansion Project: The Chilean company with long experience in the country will invest in four car-dealerships for the first stage of commercialization of Chinese brands: Great Wall, Geely and construction and heavy equipment.

**Michelin:**

Expansion of production facility: The Company will invest USD 430 million to expand 30% of the plant located in the city of Cali, Valle del Cauca, in order to increase their market share (currently 20%) and increase exports to Mercosur and Brazil.

**Baterías MAC y JhonsonControls:**

Joint Venture: The leader in battery production in the region has entered into a joint venture with the company Johnson Controls, the leading producer of batteries in the world. This operation seeks to strengthen market share as well as technology transfer to the plant in Colombia.
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