



**Latin America
Auto Components Manufacturing Plant**

FDI Proposition

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Auto Components Manufacturing Plant

	Argentina	Brazil	Chile	Colombia	Costa Rica	Mexico	Peru
GDP Per Capita PPP (Int\$)	14,126	10,456	14,299	8,206	10,572	13,542	8,723
Labour Force (Millions)	16.38	95.21	7.42	20.03	2.09	46.10	10.26
Unemployment Rate (%)	11.2	9.3	10.0	13.9	5.4	6.0	8.1
No. of FDI Projects in Auto Components	12	47	0	1	3	105	0
Companies in Auto Components	3,100	6,304	43	402	8	1,624	594
Salary of Production Operative-Unskilled (\$)	3,700	3,636	4,074	2,741	2,905	1,741	2,697

Auto Components Manufacturing Plant

Why Latin America?

- The region's automotive components industry has been identified as the fastest growing recipient of FDI in the world
- Over recent years there has been growing interest from major industry leaders - namely Toyota, General Motors, Volkswagen AG and Daimler Chrysler

Economic Performance and Stability

- Brazil stands as the biggest economy in the region with a GDP of Int\$2002 billion
- Argentina, Peru and Colombia all recorded a growth in GDP in 2009
- Average unemployment rate of 9%

Human Capital

- Brazil has the largest labour force in the region of 95.21 million, suitable for such a labour intensive industry
- Peru offers the most experienced industry specific staff
- Chile's labour force is the most productive in the region

Auto Components Manufacturing Plant

Established and Untapped Markets

- Brazil offers the most established automotive industry in the region
- In contrast Peru, Chile and Colombia show little presence of companies in the automotive components sector presenting untapped markets
- Brazil and Mexico are the most innovative locations

Attractive Living Environment for International Staff

- A high quality of living across the region
- Average life expectancy of 75 years
- All Latin American locations are host to a number of IB world schools
- Attractive low personal tax rate average of 28% for the region

Low Cost Business Proposition

- Average annual salary of \$3,587 for an unskilled production operative
- Argentina is best placed for investors seeking to minimise utility costs
- Chile presents the lowest trading costs in the region

Major Investments into Latin America

Man into Brazil (January 2010)

MAN, the Germany-based engineering group, plans to expand its capacity at its chassis plant in Resende, Brazil. The company will expand capacity at the plant to 72,000 trucks and bus chassis a year, compared with 50,000 in 2009. The expansion is in response to growing demand in Latin America, and in particular Brazil.

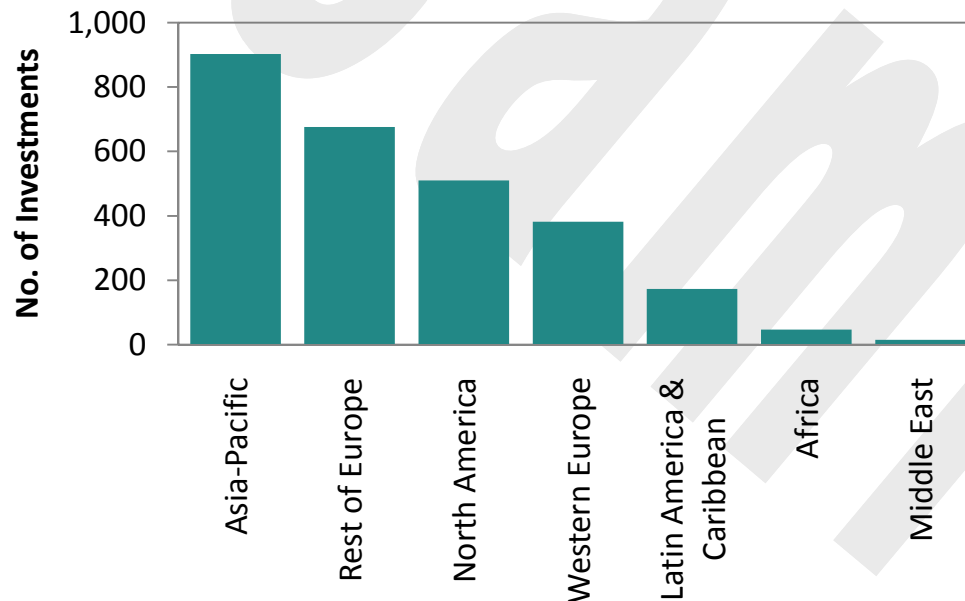
Magna into Mexico (November 2009)

The company is to create 300 new jobs at its plant in Ramos Arizpe, Mexico in 2010. The new investment will double the plant's current workforce. The plant will manufacture transmissions for General Motors and Ford in Mexico and the US.

Samot into Mexico (October 2009)

Samot, a Brazil-based company that manufactures automotive parts including steering and transmission components, brake systems and electrical equipment, has invested \$30m in opening a manufacturing facility in the Guanajuato Interior Port located in Silao, Mexico, creating 300 jobs.

fDi Markets – ‘Leading Destination World Regions in the Automotive Component Industry’



Destination World Regions - From January 2003 to January 2010

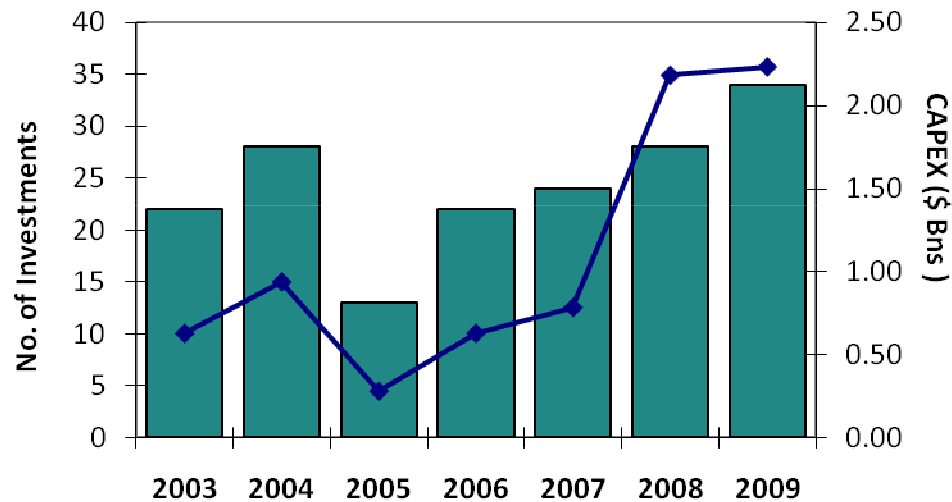
Source: fDi Markets from the Financial Times Ltd (2010)

fDi Markets identifies Latin America as the fastest growing region in the world for automotive component manufacturing.

In 2008/09, the number of investments in the region grew by 20%, while regional rivals Asia-Pacific and Rest of Europe recorded a negative growth of more than 50%.

Investing companies include major industry leaders in the auto mobile manufacturing industry - namely Toyota, General Motors, Volkswagen AG and Daimler Chrysler.

fDi Markets – ‘Inward Investment and CAPEX in Automotive components Latin America and Caribbean’



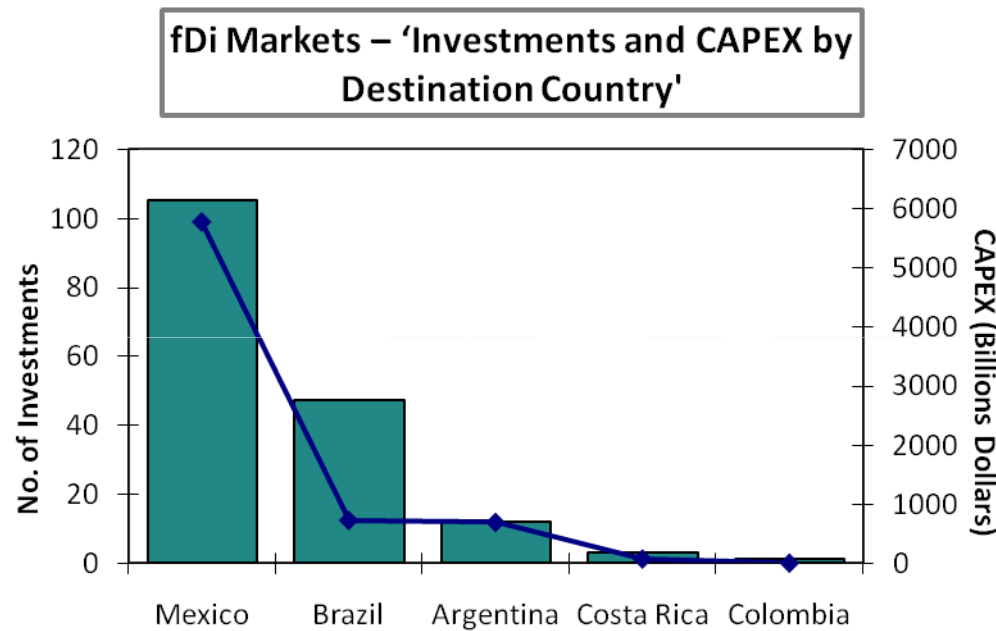
From 1st Qtr 2003 to 4th Qtr 2009

Source: fDi Markets from the Financial Times Ltd (2010)

From 2005 the region has witnessed an upward trend in both the number of investments and total capital investment.

To date, there has been a total of 175, totalling over \$7 billion in capital investment. The highest growth in capital investment was recorded in 2007-08 when CAPEX grew by 177%.

Over the period, 51,267 new jobs have been created in the region.



From January 2003 to January 2010
Source: fDi Markets from the Financial Times Ltd

Prime locations within the region have been identified as Mexico, Brazil, Argentina, Costa Rica and Colombia.

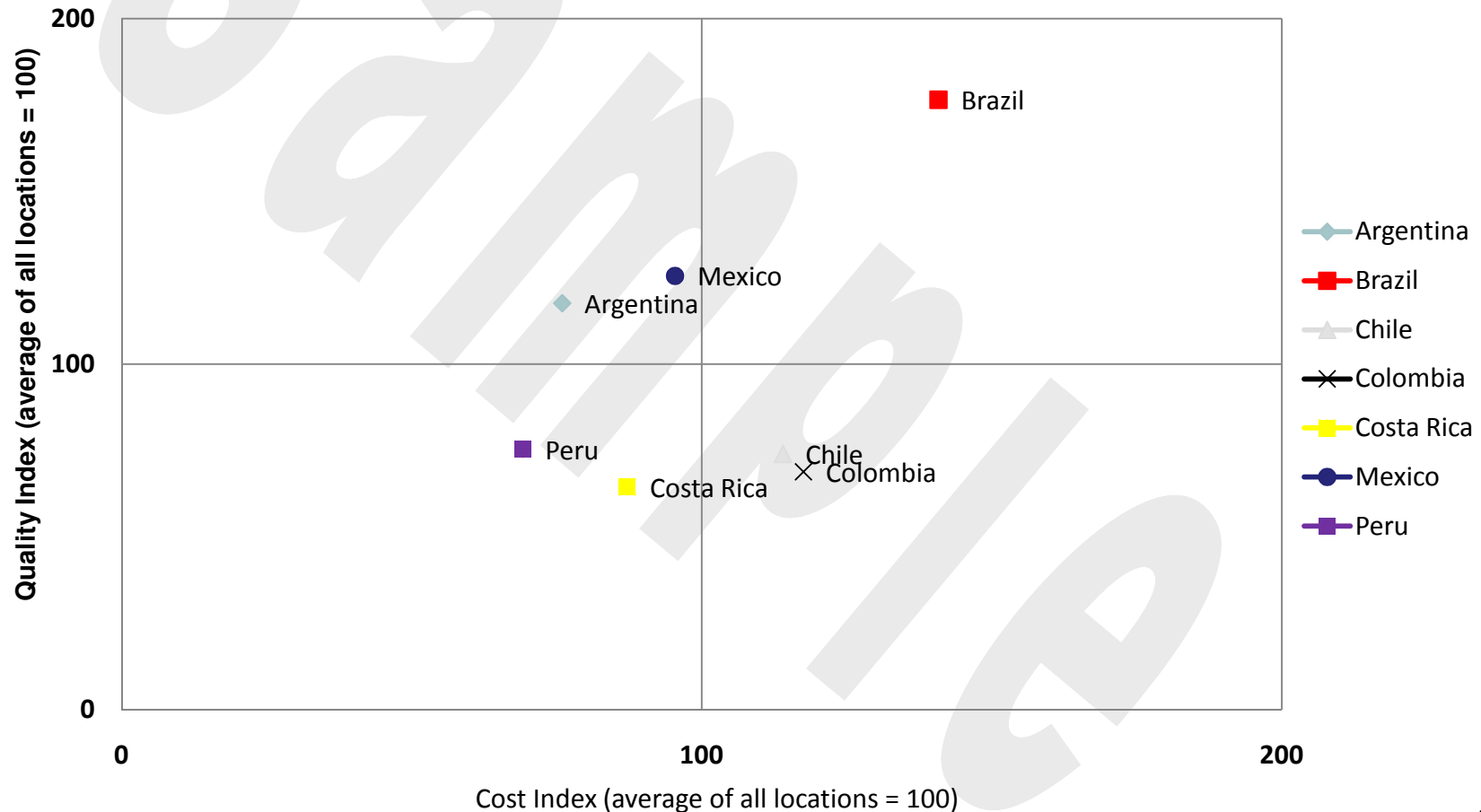
The leading destination country for investment in the region is Mexico with a total of 104 projects, more than the rest of the region combined. Total capital investment in Mexico accounts for 80% of the total regional CAPEX.

Benchmarking Study

- The following analysis is based on fDi Benchmark, an online location benchmarking tool provided by the Financial Times.
- fDi Benchmark compared prime Latin American locations in the auto components manufacturing sector based on an analysis of over 55 quality factors and 10 cost factors.
- A key emphasis was placed on:-
 - ***General business environment - regulatory environment, taxation, economic growth and stability***
 - ***Labour availability and quality - the size of the labour market and tightness in the labour market; and***
 - ***Presence of an Industrial Cluster – the size, competitiveness and track record of the domestic industry.***
- Other factors including living environment, infrastructure and accessibility were also assessed.

fDi Benchmark identifies Brazil as the leading location in Latin America to offer the highest quality in the auto components manufacturing sector. Additionally Argentina will appeal to investors, with the country's low cost profile combined with a relatively high quality offering.

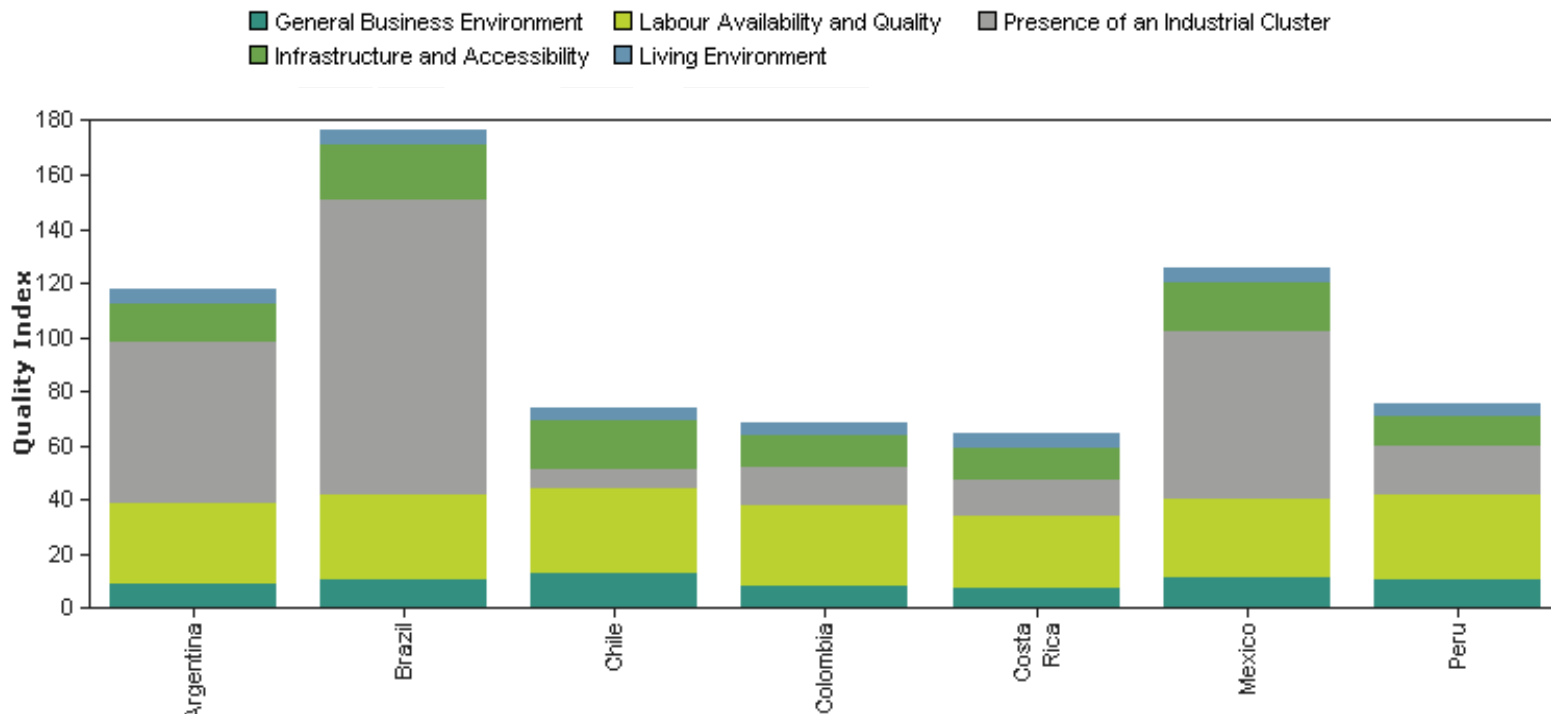
Competitiveness Matrix – Auto Components Manufacturing Plant



Source: fDi Intelligence, from the Financial Times Ltd (2010)

Assessing the 7 Latin American locations on their quality competitiveness it is clear to see that Brazil is the leading location in the region. Brazil's high quality offering can largely be accounted for by the country's industrial cluster in the auto components manufacturing sector. Argentina and Mexico offer investors a similar quality offering, behind that of Brazil.

Auto components manufacturing plant (NEW) (Head Count: 400) - Total Quality Index Breakdown



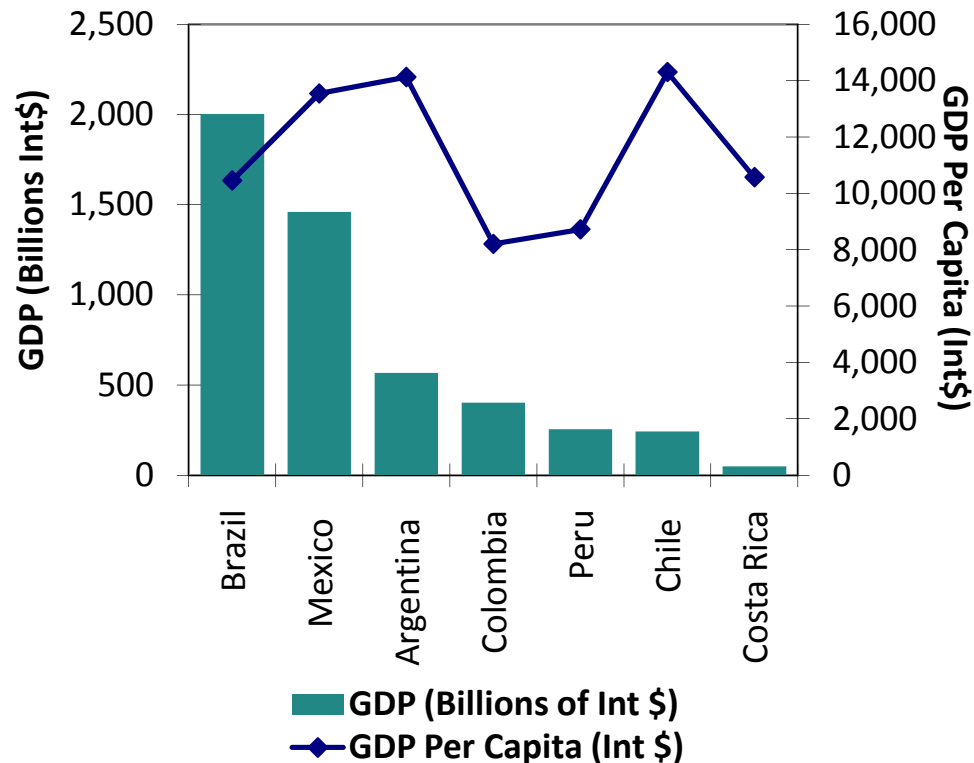
Source: fDi Intelligence, from the Financial Times Ltd (2010)

General Business Environment

Chile presents a favourable business environment with the country's robust macroeconomic fundamentals complemented by the low cost of establishing a business, low social security and business tax.

- Brazil is the largest economy in the region and ranks within the top ten economies of the world, while Mexico closely follows ranking 11th
- Chile has the highest GDP per capita in the region
- Growing economies are evident in Argentina, Peru and Colombia
- Costa Rica has the lowest unemployment rate in the region
- Argentina offers investors the lowest forecasted labour costs
- Average inflation rate of 4.9%
- Chile boasts the strongest and most efficient legal institution

fDi Benchmark- 'GDP and GDP Per Capita' [2009]



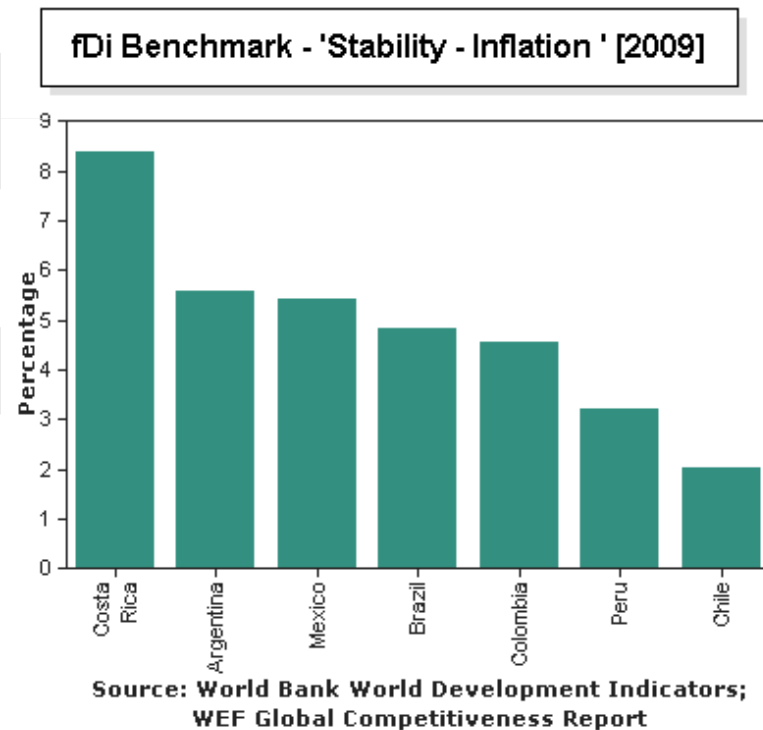
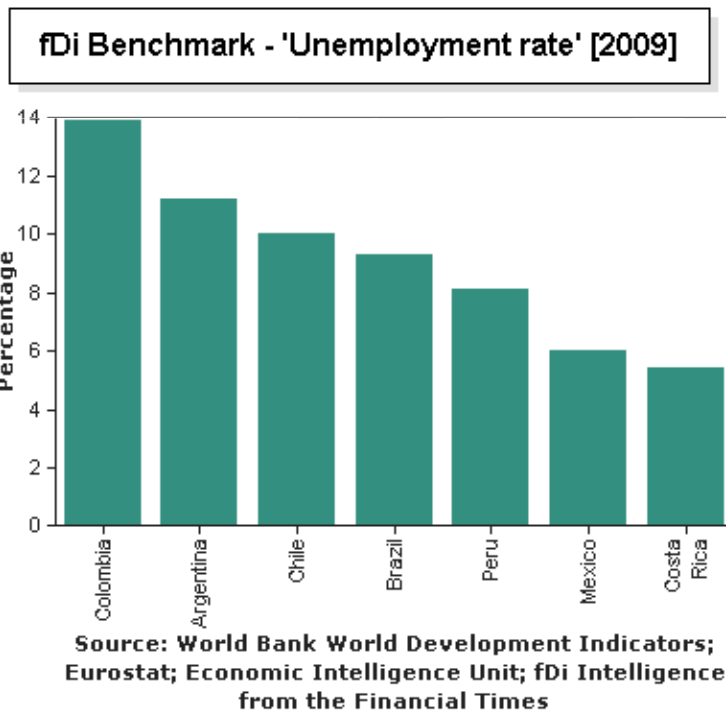
Source: International Monetary Fund

Brazil stands as the biggest economy in the region with a GDP of Int\$2002 billion. Mexico closely follows with a GDP of Int\$1459 billion.

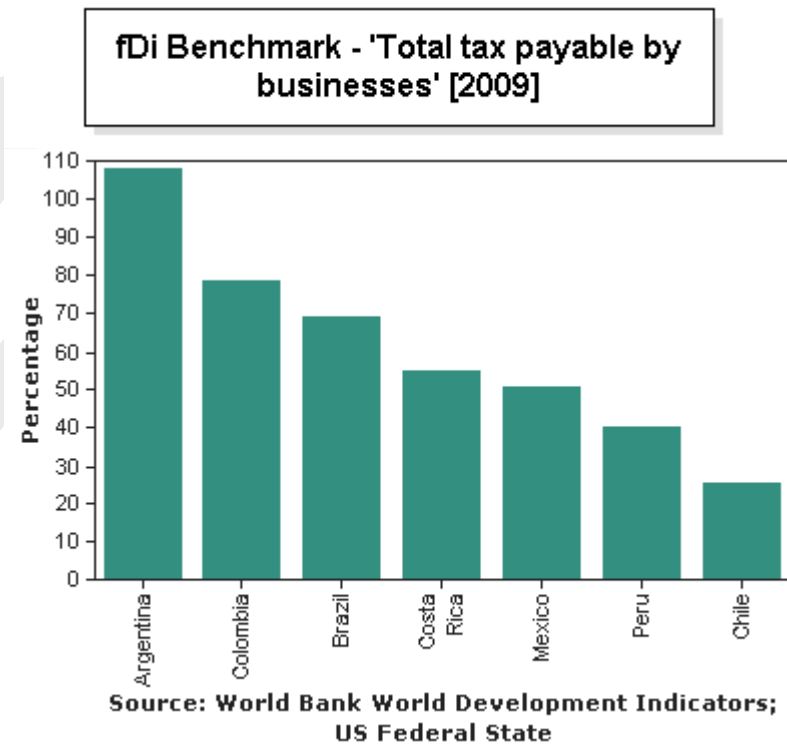
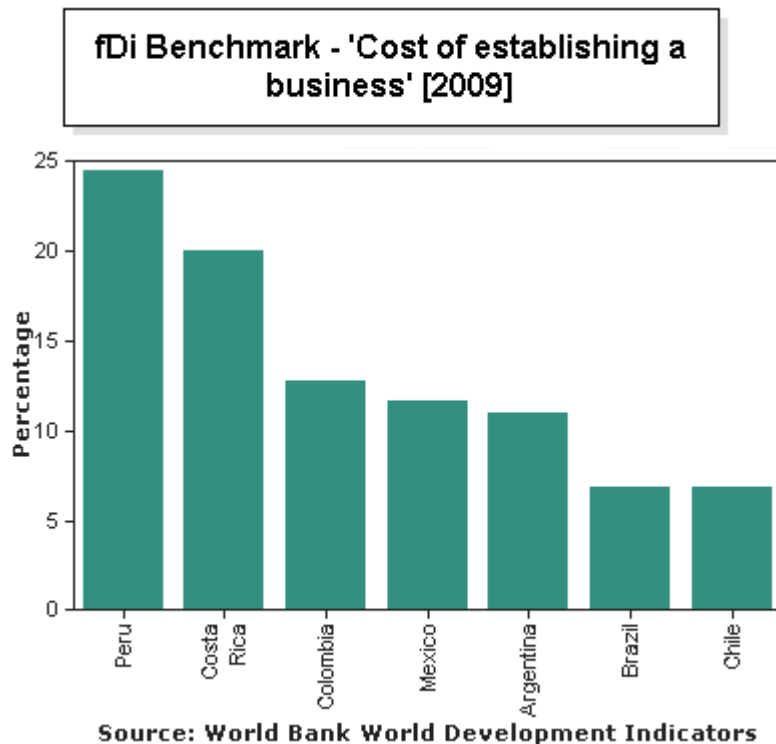
Chile has the highest GDP per capita in the region at Int\$14,299. By world standards, GDP per capita in the region is low particularly in Colombia and Peru.

Argentina, Peru and Colombia were the only locations in the region to record a growth in their economies in 2009.

As labour markets across the globe were hit by the global downturn some labour markets experienced soaring unemployment rates while others weathered the storm, this can be echoed in unemployment rates of Colombia (13.9%) and Costa Rica (5.4%). Forecast unemployment rates are promising for the Latin American region, with rates forecasted to fall by 2014. Chile is the most stable economy with an inflation rate of 2.04%, in contrast Costa Rica is the most volatile economy with a inflation rate exceeding 8%.



The cost of establishing a business (as a % of income per capita) varies across the region, from 7% in Chile to 25% in Peru. On average, business tax is high in the region at 61%. Overall, Chile offer the most lucrative business proposition with the lowest business tax rate of 25.3% and the lowest cost of establishing a business.



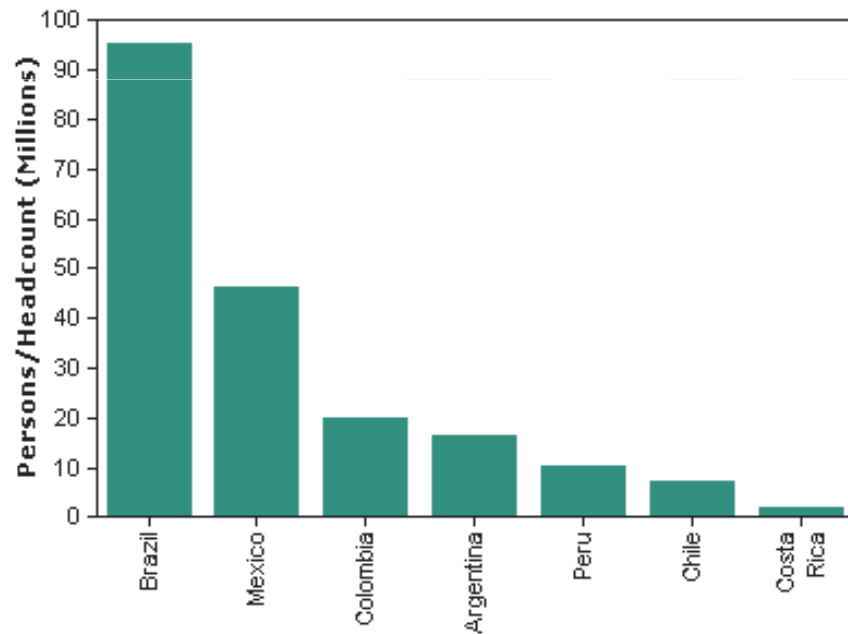
Labour Availability and Productivity

Peru offers investors an excellent source human capital, with the most experienced industry specific labour force and the lowest firing costs in the region.

- Brazil has the largest labour force of 95.21 million persons - suitable for such a labour intensive industry
- The region has an average gross secondary enrolment rate of 91%
- Argentina holds the highest gross tertiary enrolment rate
- Peru's labour force is the most industrial-focused in the region
- Chile has the highest labour productivity in the region
- Costa Rica represents the most flexible labour market

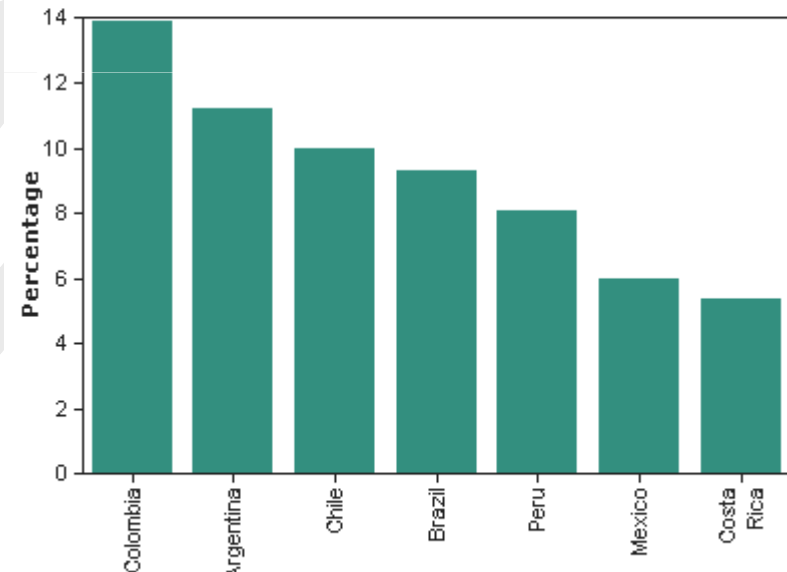
Brazil and Mexico are best placed to provide a strong labour force of more than 95 million and 46 million persons respectively. Argentina and Colombia offer the highest available labour force in the region, signified by the high unemployment rates.

fDi Benchmark - 'Labour force' [2009]



Source: Economic Intelligence Unit; CIA The World Factbook

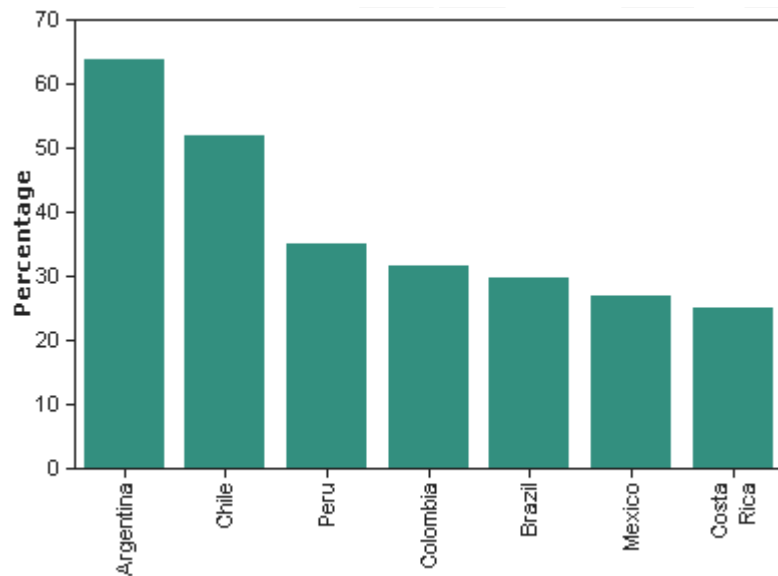
fDi Benchmark - 'Unemployment rate' [2009]



Source: National Statistics; Economist Intelligence Unit; fDi Intelligence from the Financial Times

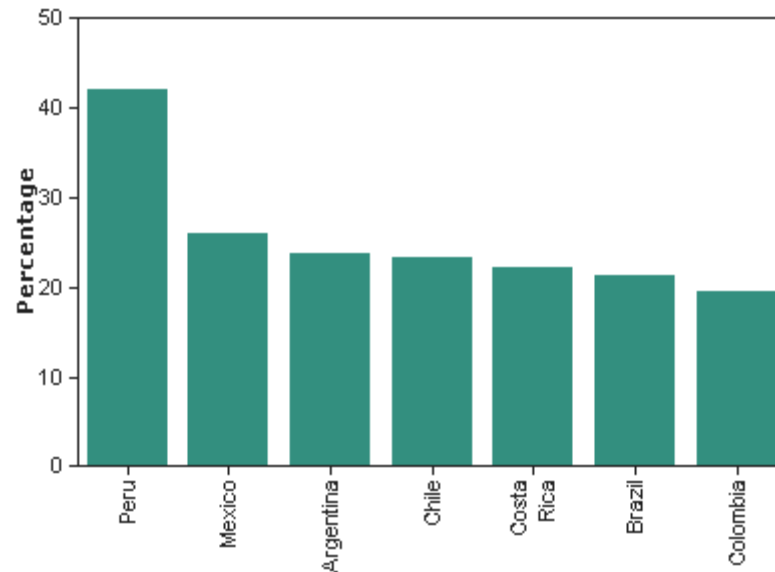
Focusing on the skills of the labour force, it is evident that all of the prime locations offer an educated labour force with a secondary enrolment rate of 90% and above. Argentina possess the highest skilled labour force in the region, with a gross tertiary enrolment rate above 60%. While Peru offers the most industrial-focused labour force in the region, with the largest proportion employed in this broad sector.

fDi Benchmark - 'Gross tertiary enrollment rate' [2006]



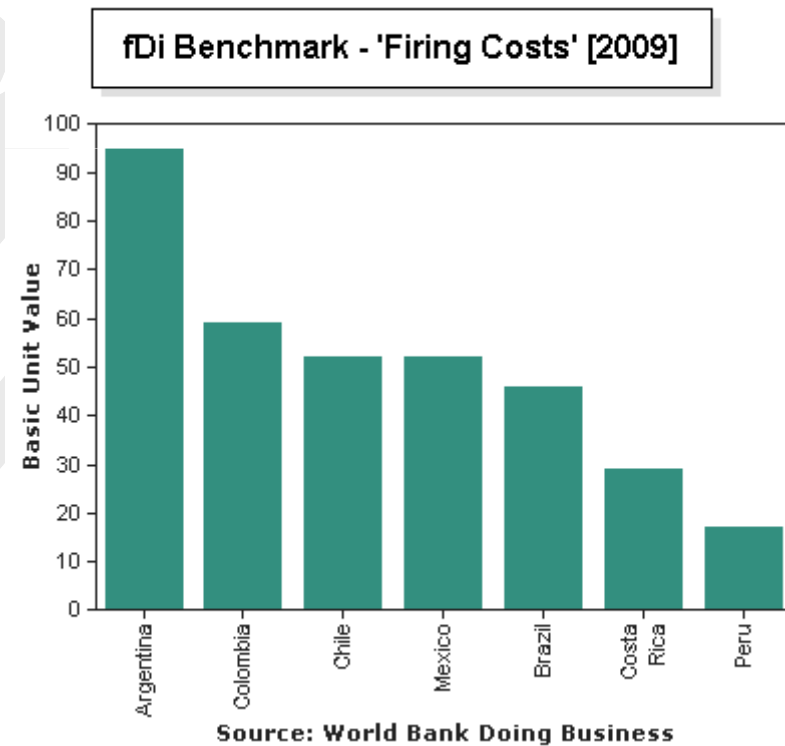
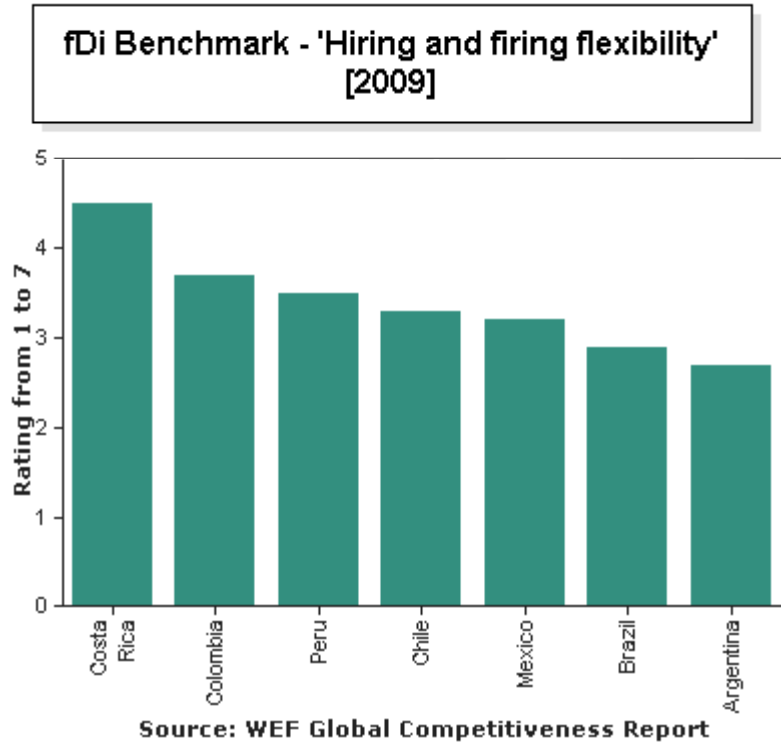
Source: WEF Global Competitiveness Report

fDi Benchmark - 'Employment in Industry' [2007]



Source: World Bank World Development Indicators

Employers and potential investors within Costa Rica are given the greatest confidence in determining labour market outcomes, as the country tops the region for their hiring and firing flexibility. Firing costs (expressed in weeks of salary) impose the greatest burden in Argentina at 95 weeks, in contrast Peru present the lowest firing costs in the region at 17 weeks.

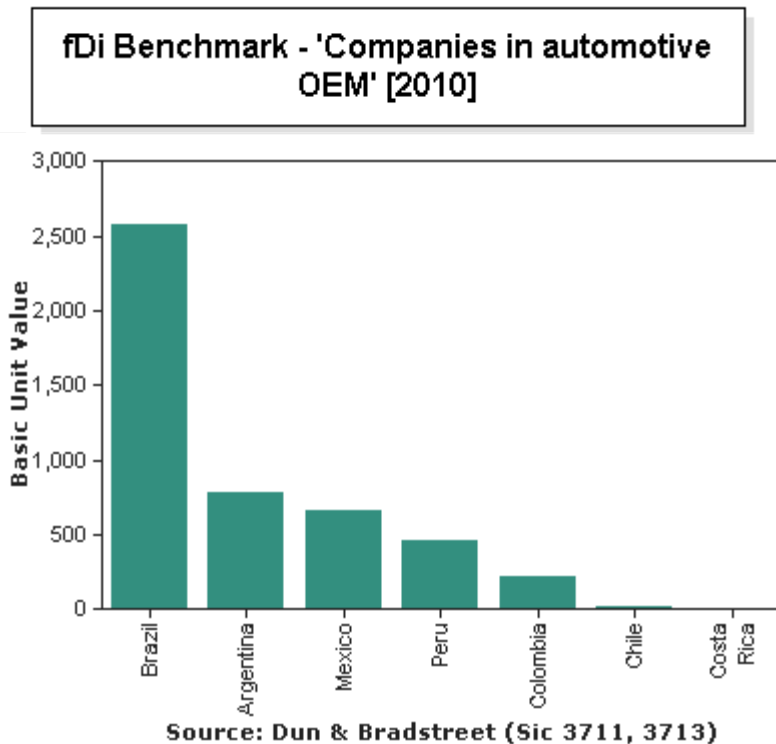
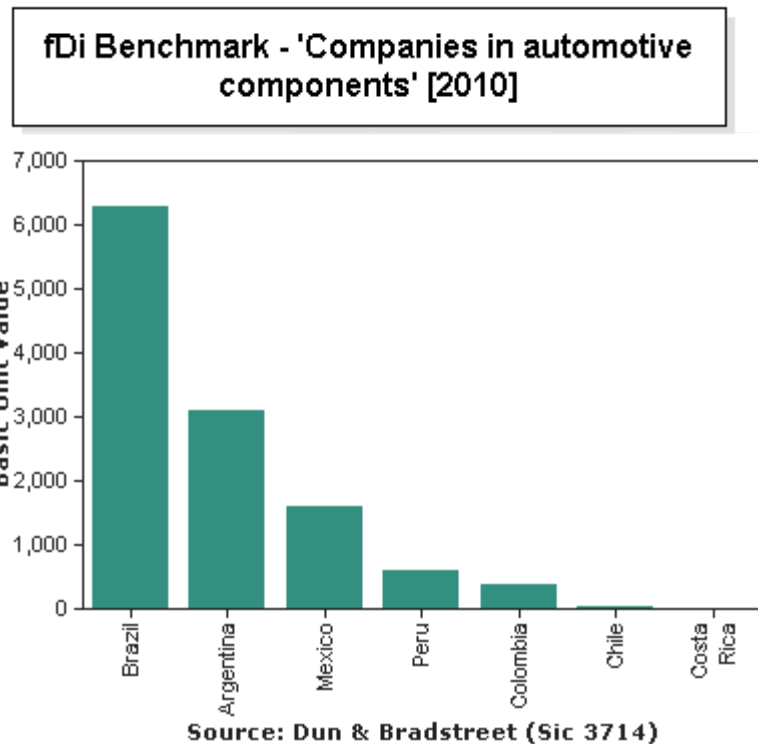


Presence of an Industrial Cluster

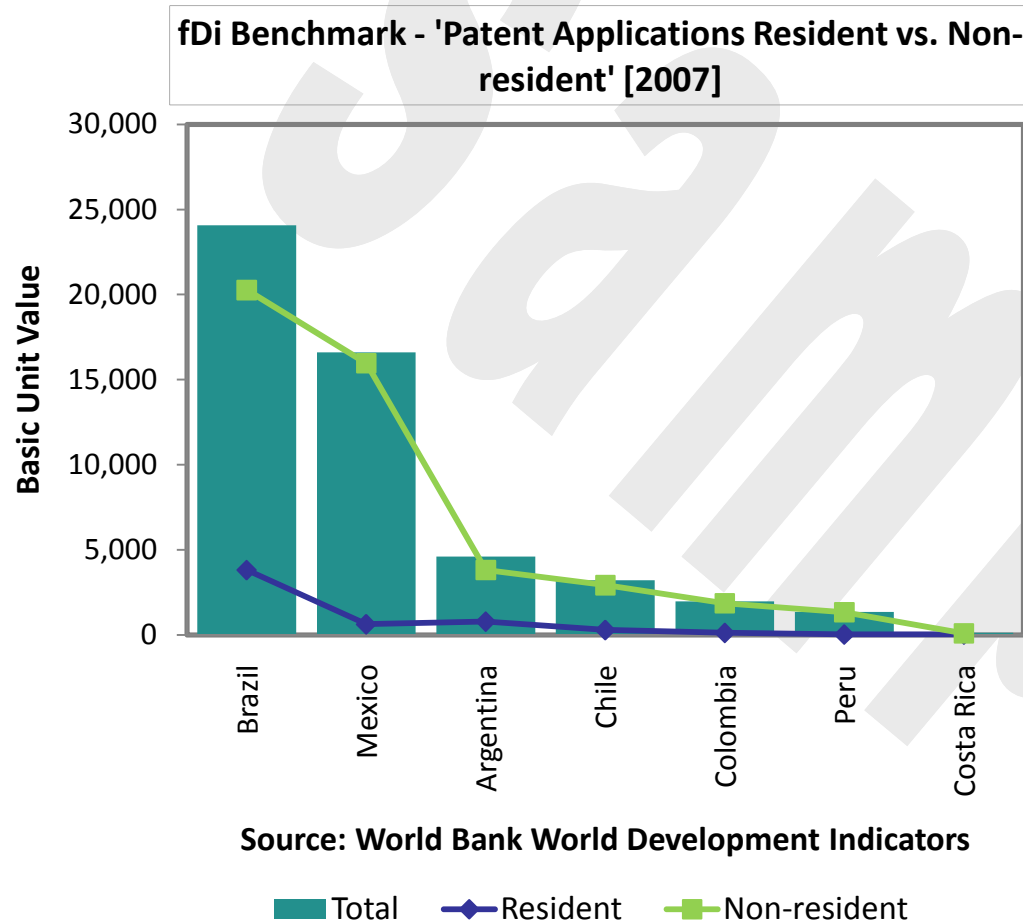
Brazil is host to the most established automotive industry, with the highest number of related companies located in the most innovative country of the region.

- A total of 6,304 companies in automotive components reside in Brazil - almost double the amount of Mexico
- Brazil and Mexico reflect the most innovative locations in the region
- Non-residents are key to unlocking Latin America's innovation
- Mexico proves to be more specialised location for the automotive industry
- Mexico has the highest export competitiveness, closely followed by Brazil

Brazil has the strongest and most established automotive components industrial cluster, with a total of 6,304 companies residing in the country. The country also benefits from the largest presence of automotive OEM companies.



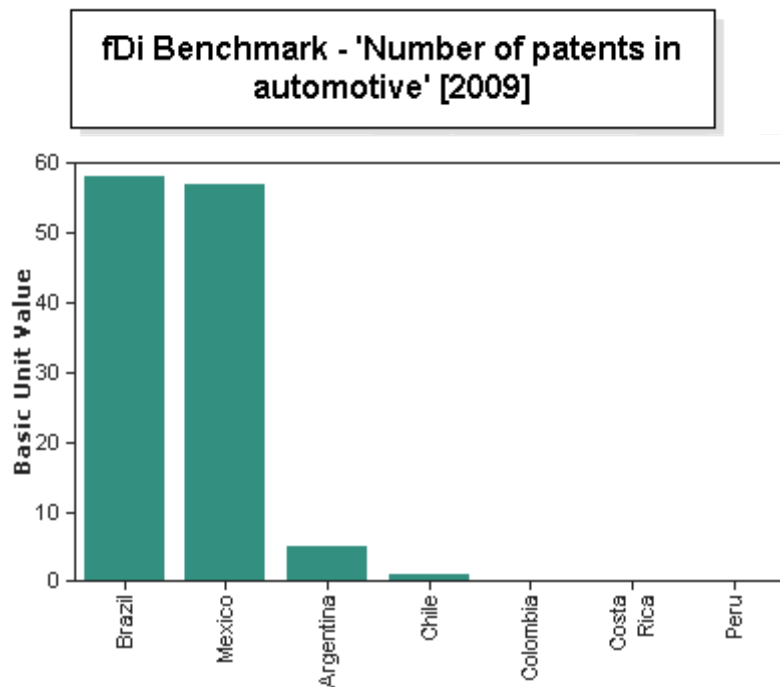
Presence of an Industrial Cluster



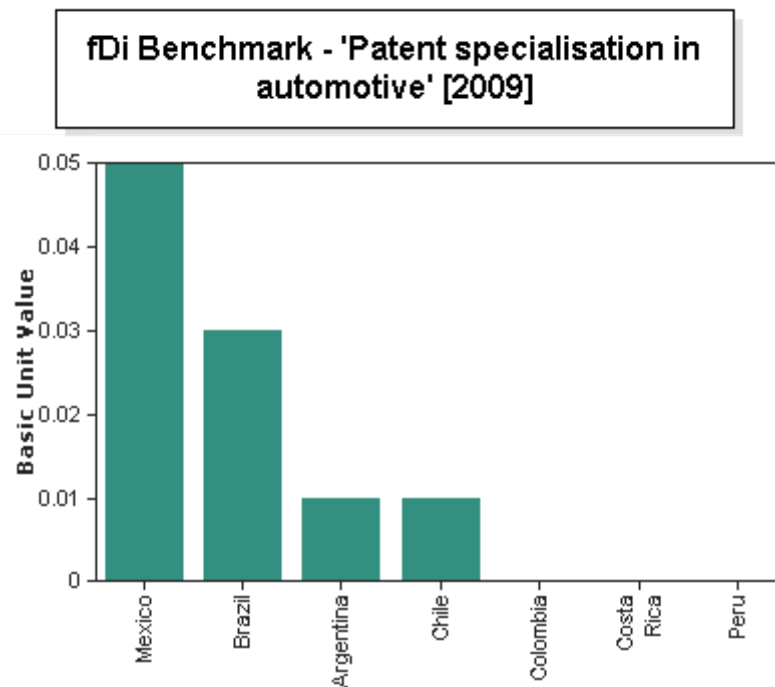
Brazil and Mexico reflect the most innovative economies, producing the largest number of patents in the region.

However, it is evident that foreign investors are the key drivers of innovation across the region, as patent applications are predominately filed by non-residents. Non-residents in Peru alone filed 97% of country's total patent applications figure.

Brazil and Mexico are the leading locations in the region for their innovation within the automotive industry, producing 58 and 57 patents respectively. Some countries namely Colombia, Costa Rica and Peru show no innovation in the automotive industry. However concentrating solely on specialisation in automotive industry, Mexico proves to be more specialised location in the industry, with patent specialisation exceeding it's rival Brazil.



Source: fDi Intelligence estimates based on the US Patent and Trademark Office



Source: fDi Intelligence based on US Patent and Trademark Office

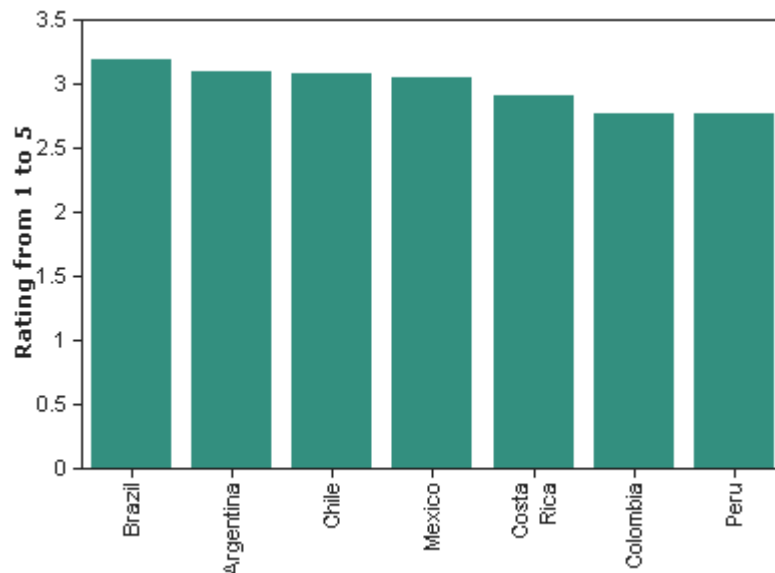
Infrastructure & Accessibility

Brazil and Chile offer investors a vast trading potential for the auto components industry given the countries well developed logistics infrastructure, complemented by world class ports.

- Brazil is ranked first in the region for their logistics infrastructure
- The region offers a world-class port infrastructure with all locations appearing in World Port Rankings 2008*
- Chile boasts the highest quality air infrastructure
- Chile provides the best quality ICT infrastructure
- Mexico proves to be the most internationally connected country closely followed by Brazil

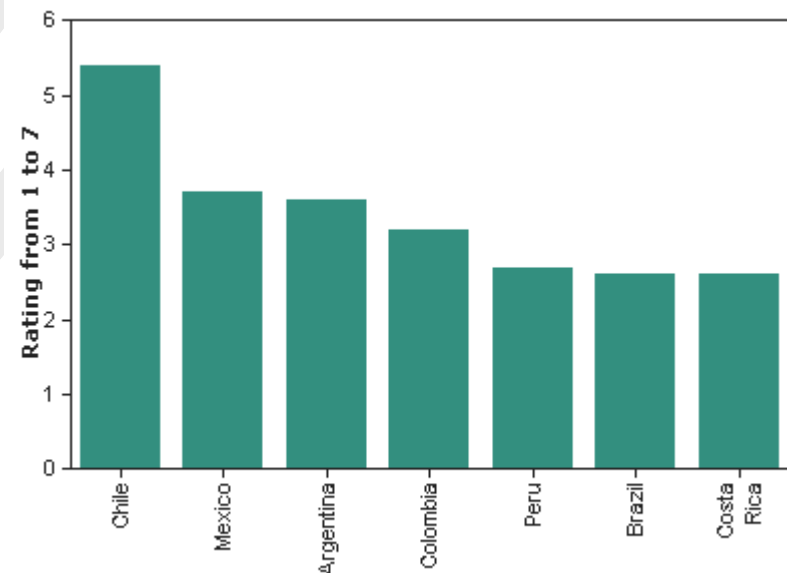
All of the prime locations are well positioned to trade across borders, with a well developed infrastructure reflected in each locations high rating in the *World Bank's* - Logistics Performance Index(LPI). The LPI is an international benchmarking tool that focuses specifically on measuring the 'friendliness' of a country's trade and transport facilitation. Chile's port infrastructure reflects the highest quality in the region, in contrast Costa Rican ports reflect the poorest quality in the region.

fDi Benchmark - 'Logistics performance Index' [2010]



Source: World Bank

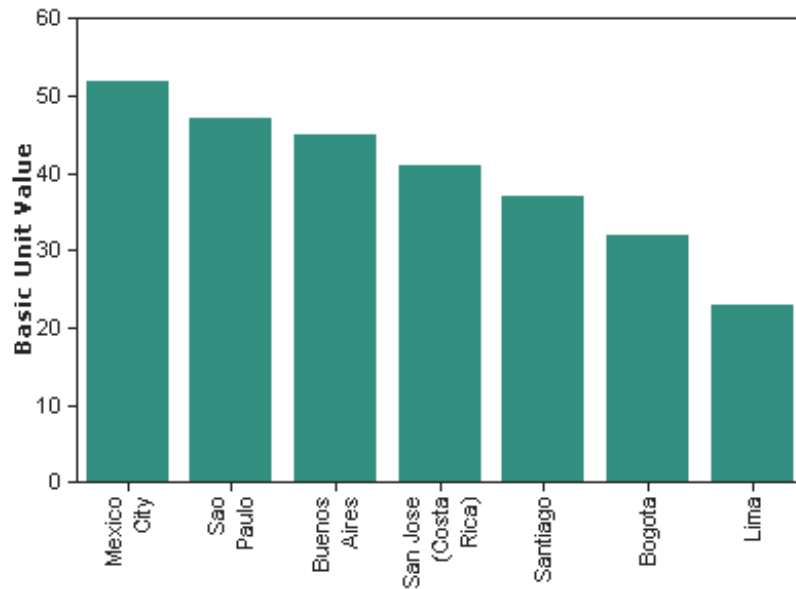
fDi Benchmark - 'Port infrastructure quality' [2009]



Source: WEF Global Competitiveness Report

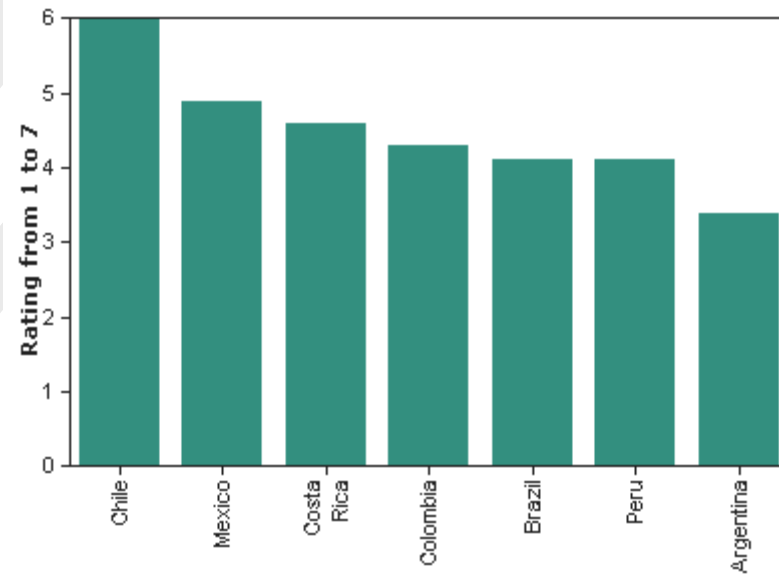
Concentrating on the capital and major cities of the Latin American region to give an insight of international connectivity for the international investor, we can see that every location is host to a number of international destinations. Mexico proves to be the most internationally connected location in the region offering 52 flights to international destinations closely followed by Brazil. Peru is least connected location offering 23 flights. Chile boasts the highest quality air infrastructure.

fDi Benchmark - 'No. of international destinations served from airports' [2009]



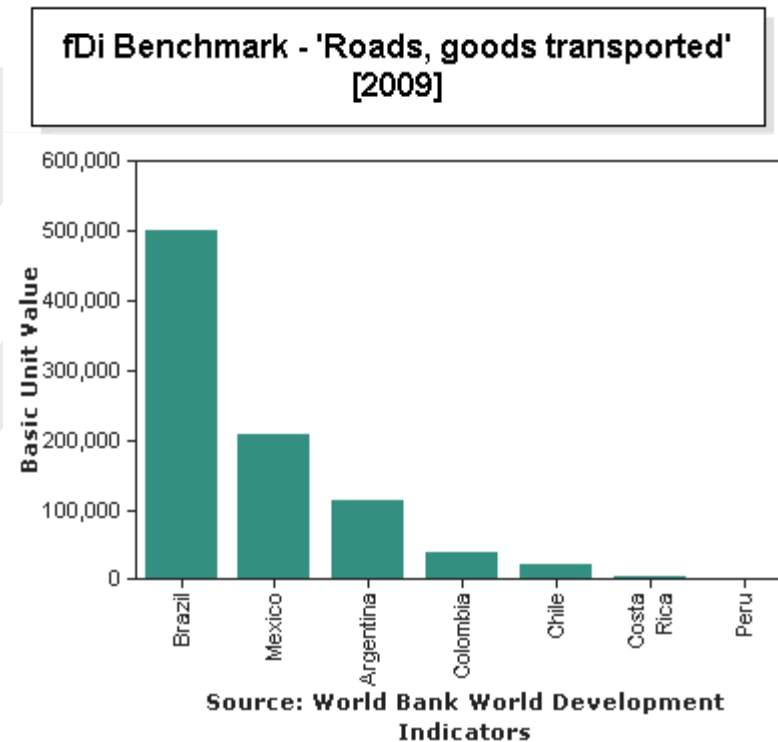
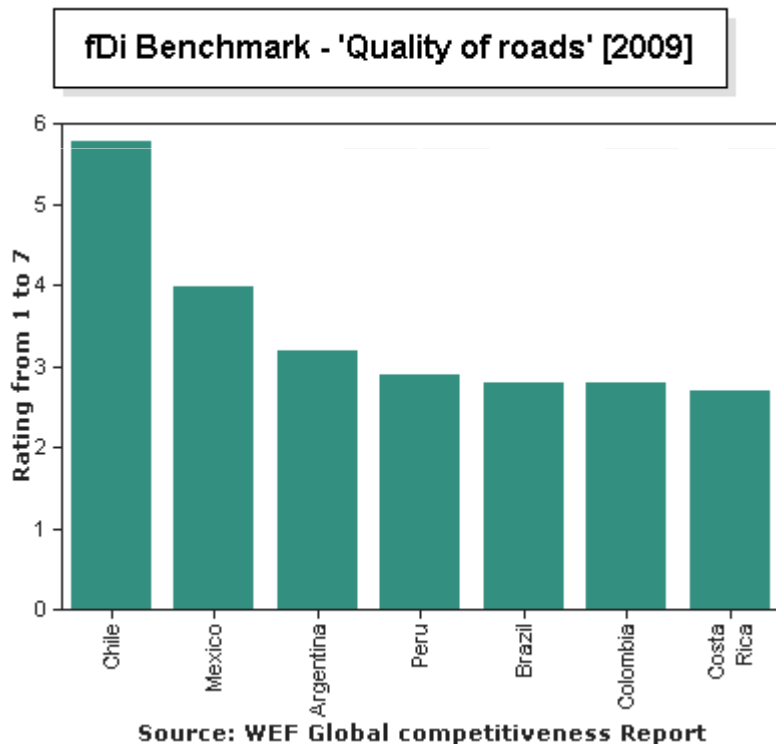
Source: OAG Flight Guide

fDi Benchmark - 'Air transport infrastructure quality' [2009]



Source: WEF Global Competitiveness Report

Chile offers the most developed and efficient road network in the region, rating 5.8 out of 7. Focusing on quantity over quality Brazil has the largest capacity to transport goods, with the largest total road network in the region transporting over 500,000 million-kilometre tons annually. Brazil offers investors a competitive edge, as the country shares borders with all but two South American countries.



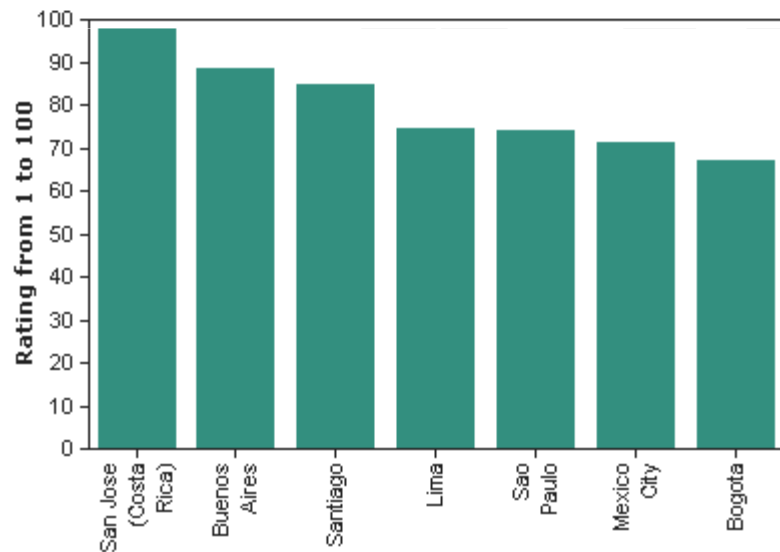
Living Environment

Combining an unparalleled quality of life together with the lowest personal tax rate and a high quality education system, Costa Rica offers investors the ultimate location to attract and retain an international labour force.

- San Jose (Costa Rica) is ranked first in the region for the quality of living
- Mexico City offers the lowest cost of living
- Average life expectancy of 75 years
- Costa Rica offers the most attractive tax rate at 15%
- Mexico is host to the highest number of International Baccalaureate World Schools
- Costa Rica boasts the best quality education system
- Investors are least effected by organised crime in Chile

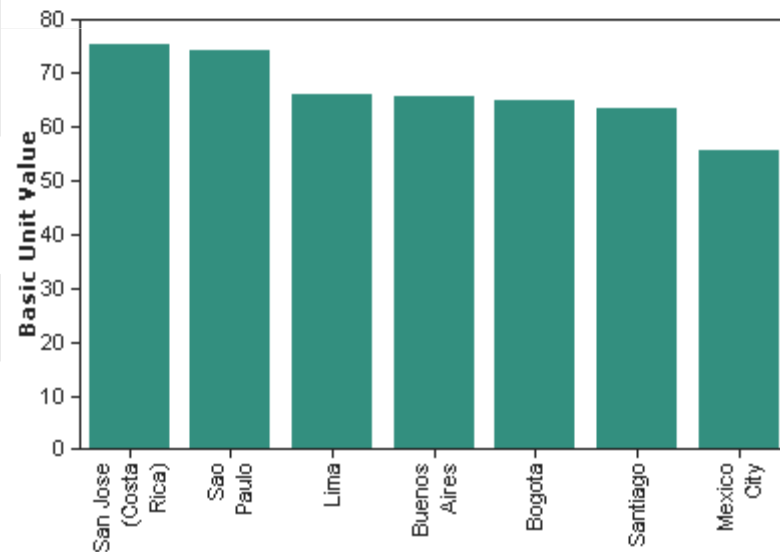
People of San Jose enjoy the highest quality of living. This unparalleled quality of life offers investors enhanced capabilities to attract and retain an international pool of labour. However, this high quality of life comes at a relatively high cost as San Jose ranks as the first capital city for its cost of living. In contrast, Mexico City offers the most favourable location for cost of living. Overall Santiago offers the highest quality to cost ratio.

fDi Benchmark - 'Quality of living index' [2009]



Source: Mercer Global Quality of Living Report; www.internationalliving.com; fDi Intelligence from the Financial Times

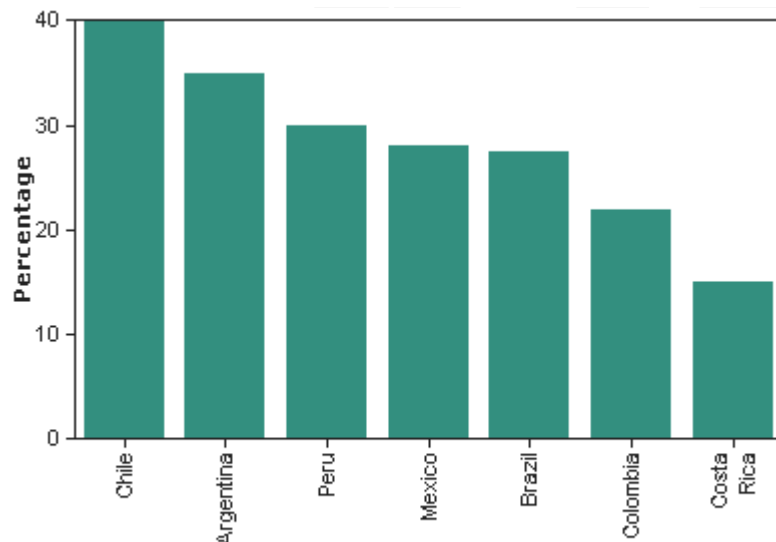
fDi Benchmark - 'Cost of living Index' [2009]



Source: Economic Intelligence Unit; www.internationalliving.com; fDi Intelligence from the Financial Times

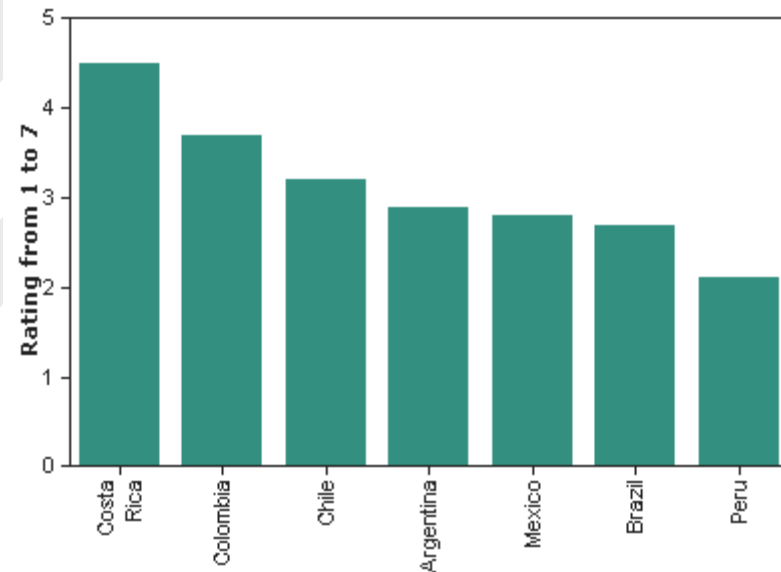
Concentrating on tax rates and the country's education system as further indicators of international attractiveness, Costa Rica proves to be the most favourable location. Personal tax rate across the region varies, from 15% in Costa Rica to 40% in Chile. Costa Rica delivers the highest quality educational system in the region in turn offering the highest quality public schools.

fDi Benchmark - 'Maximum personal tax rate' [2007]



Source: World Bank World Development Indicators, Forbes Global Tax Misery Index

fDi Benchmark - 'Quality of the educational system' [2008]

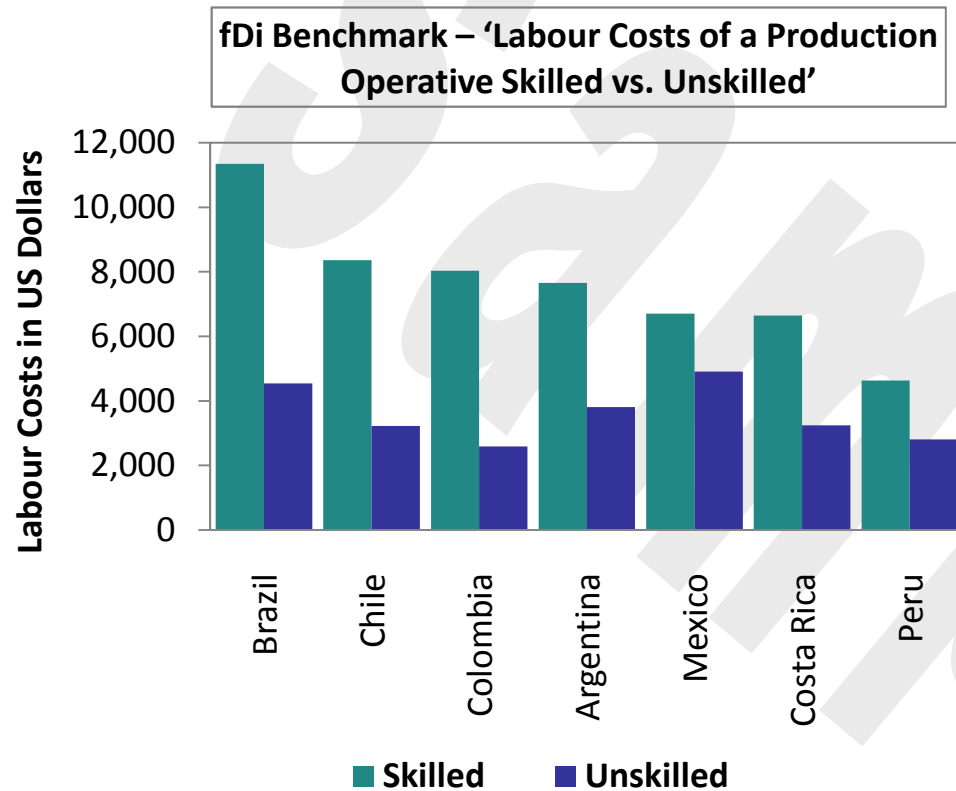


Source: WEF Global Competitiveness Report

Cost Analysis

Peru stands as the most affordable location in the region, with the lowest industry specific labour costs and low competitive utility costs.

- Peru offers the lowest labour costs in the region making it a cheaper alternative to its regional rival Mexico
- Brazil is the most expensive location in the region
- Argentina has the lowest forecasted rate of labour costs growth at 1.9%
- Argentina benefits from the lowest utility costs
- Chile offers the lowest costs associated with trading



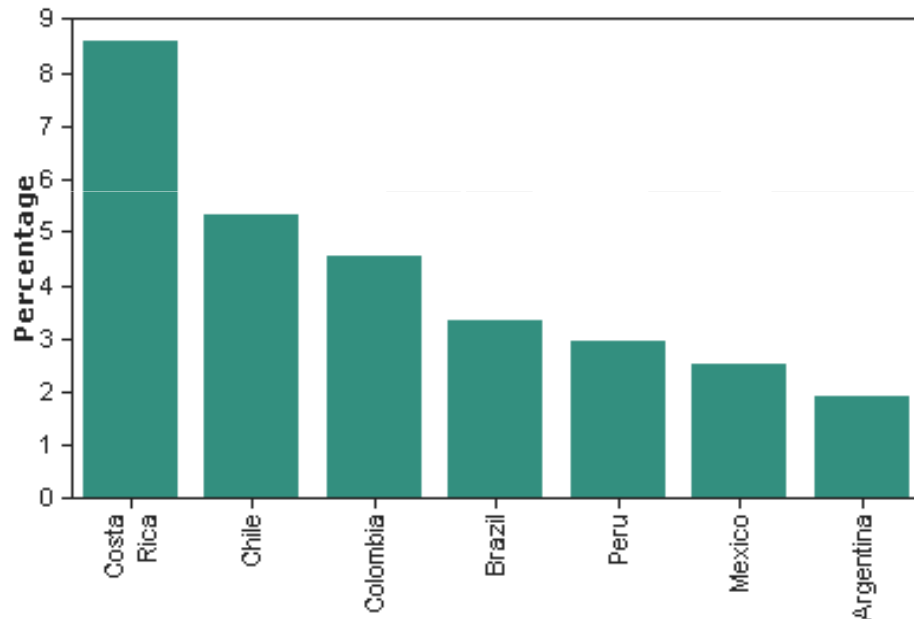
Source: fDi Intelligence estimates based on National Statistics, Economic Intelligence Unit and Watson Wyatt)

Labour costs vary across the Latin American region depending on the level of skill involved. Peru offers the lowest labour costs for a skilled operative in the region, with an annual salary valuing \$4,632. Colombia is a more favourable location for its low cost offering for unskilled labour (\$2,584).

Overall Peru is the most cost-effective location, offering a cheaper alternative to its regional rival Mexico. For example employers with a team of 50 skilled and 100 unskilled production operatives could expect to save over \$310,000 a year on total labour cost.

While Brazil stands as the most expensive location in the region, it is still a cheaper alternative to its Western European and North American rivals.

fDi Benchmark - '(Forecast) growth in labour costs p.a.' [2010]

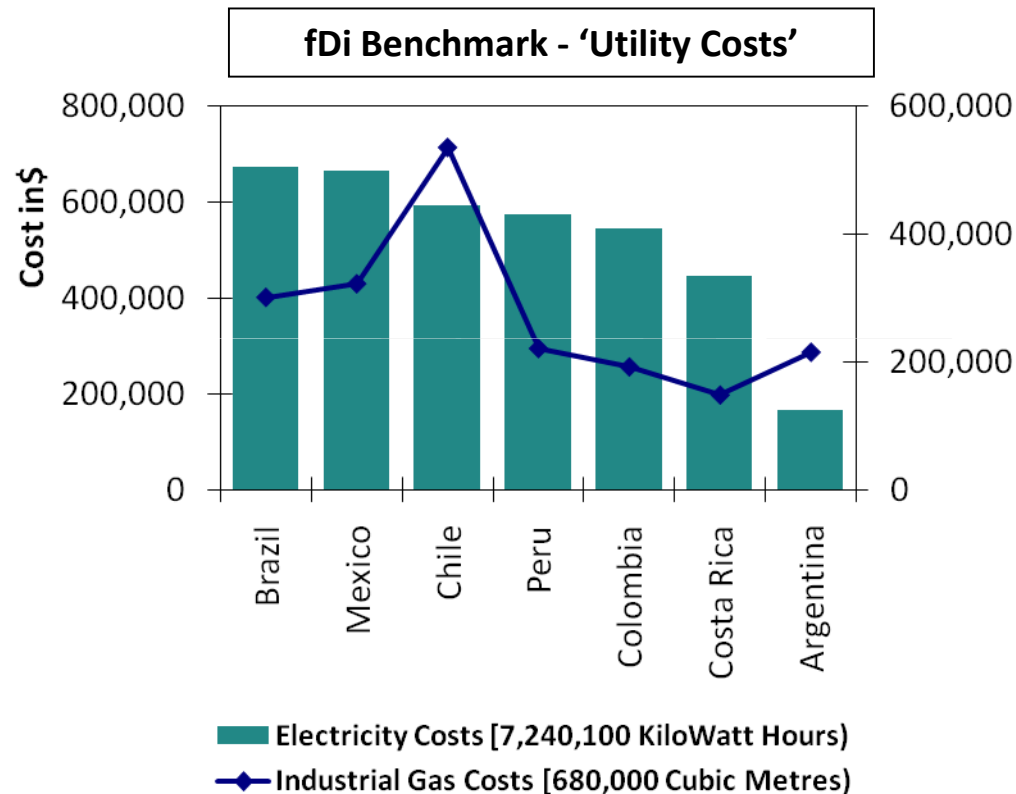


Source: fDi Intelligence estimate based on Economist Intelligence Unit

Labour costs across the region are forecasted to grow on average at a rate of 4.2% between 2010 - 2014.

Argentina offers investors the greatest confidence in stability of labour costs, as the country's labour costs are forecasted to grow at the lowest rate in the region (1.9%)

Costa Rica represents the most volatile location with labour costs forecasted to grow at 8.6%.



Source: fDi Intelligence estimates based on Economist Intelligence Unit, Eurostat and main utility providers

Argentina offers investors within the automotive components manufacturing sector, the most affordable electricity costs. In contrast, Brazil, with the highest quality offering in the region, dictates the highest electricity costs.

Costa Rica offers the most affordable industrial gas in the region.

Overall Argentina is the most favourable location in the region offering investors the opportunity to minimise operating costs.

	Cost to export (US \$ per container)	Cost to import (US \$ per container)
Argentina	1,480	1,810
Brazil	1,540	1,440
Chile	745	795
Colombia	1,770	1,750
Costa Rica	1,190	1,190
Mexico	1,472	2,050
Peru	875	895

Chile will appeal to investors with a heavy reliance on trading across borders with the lowest cost to export (\$745) and import (\$795) in the region.

Cost to import in Argentina is \$1,810 and cost to export in Colombia is \$1,770, making them the most expensive trading locations in the region.

Source: World Bank Doing Business Guide 2009

Summary

On the basis of quality Brazil offers investors the ultimate business proposition in the auto components manufacturing sector, while Argentina and Peru offer a low cost alternative.

- Chile offers a good ground to do business - with the highest GDP per capita, low inflation rate and strong efficient legal framework
- Brazil's automotive industry is the most established in the region
- Mexico shows the greatest signs of specialisation in the automotive industry
- Chile present the most lucrative business climate - with the lowest cost of establishing a business, lowest social security and business tax in the region, complemented by the lowest trading costs
- Costa Rica with its unparalleled cost of living is best placed to attract and retain an international labour force
- Argentina offers labour cost stability with labour costs forecasted to grow at 1.9%
- Peru propose the lowest industry specific labour costs
- Argentina is the leading location in the region offering investors the opportunity to minimise operating costs

Who's already harnessing Latin America's potential...



ArvinMeritor™



SIEMENS



Das Auto.

DAIMLER

MAHLE

Driven by performance