# EMBASSY OF INDIA

# SANTIAGO

# CHILE

# AUTOMOTIVE COMPONENT AND SPARE PART MARKET SURVEY

# MARCH 2018

Commissioned from Ms. Carmen Fuentealba

on behalf of the

सत्यमेव जयते

**Economic Diplomacy Division**

Ministry of External Affairs

I N D E X

This market survey aims to provide relevant information on the automotive component and spare part sector in Chile so that Indian exporters may get a deep understanding of it and may also develop and execute a successful market entry into Chile.

The survey includes quantitative information, such as market size, import and export statistics, distribution channels, among other data. It also contains qualitative information about companies, products, consumer trends, entry requirements, etc.

# 1. Market Overview

## 1.1 Automotive fleet and market size

According to the Chilean Chamber of Automotive Components and Spare Parts ("Cámara Chilena de Comercio de Repuestos y Componentes" or its acronym CAREP), the Chilean automotive component and spare part market accounts for about US$ 700 million per year[1], without considering tires. As these latest totalizes about US$ 500 million[2], the total market size accounts for approximately US$ 1.200 million.

According to the Internal Revenue Agency ("Servicio de Impuestos Internos", or its acronym SII), in Chile, there are about 7.500 companies[3] dedicated to the sale and distribution of spare parts and components, representing about 40% more than 5 years ago. In 2015, their total taxable sales account for approximately US$ 2.870 million, representing a +32.4% increase in the last 5 years.

As per the National Automotive Association ("Asociación Nacional Automotriz de Chile" or its acronym ANAC), in 2016 the total light-duty vehicle (LDV) fleet accounted for 4.4 million units, representing almost 95% of total automotive fleet. From them, 74% corresponded to passenger cars and SUVs, while the remaining 26% to light commercial vehicles.

In 2016, the LDV rate of motorization was 3.9[4], the second-best of the region after Argentina (3.75) and ahead of Brazil (5.0), Uruguay (5.1) and Venezuela (7.4).

The LDV fleet is composed by 79.3% of gasoline-powered vehicles, while the rest are mostly diesel vehicles. The number of natural gas-powered vehicles and electric cars is still

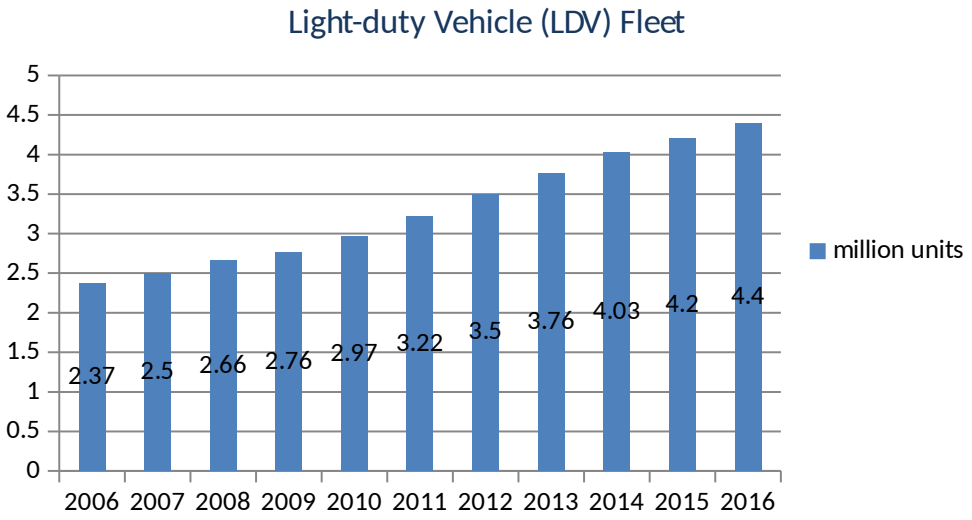
1 Measured in terms of total imports
2 Measured in terms of total imports and exports
3 Statistics can include legally-active companies, but which have not currently commercially operating
4 The rate of motorization corresponds to the number of inhabitants per existing vehicle.

insignificant; nevertheless, these segments have great potential but in the long term, due to the high level of pollution in some cities and the high cost of fuel. It is worth mentioning that in Chile diesel costs about 50% less than gasoline.

In Chile, almost 63.7% of the LDV automotive fleet is composed by vehicles of more than 5 years old and 38.0% of more than 10 years.

In the case of trucks and buses, around 58% and 59% of their fleet, respectively, is composed by vehicles of less than 10 years old.

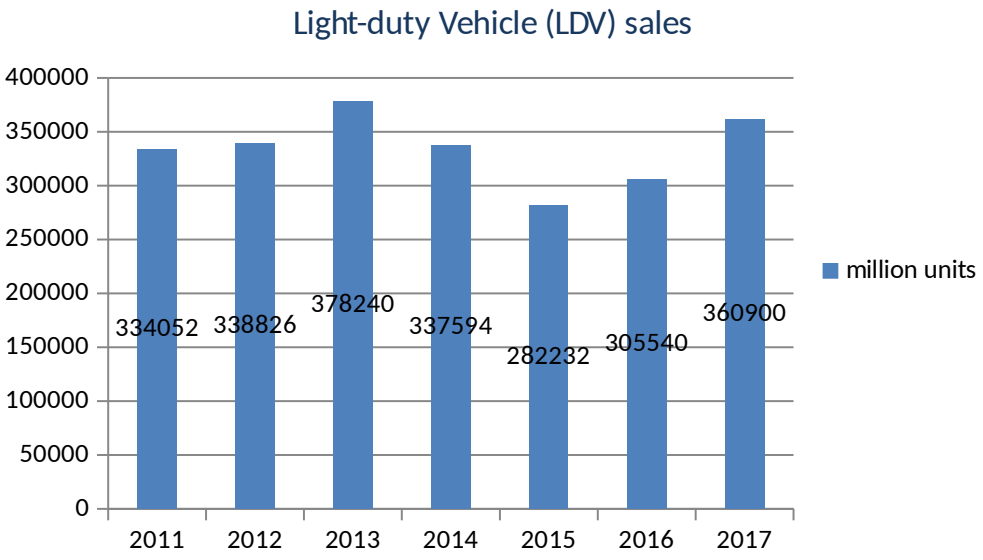
In the last 10 years, LDV fleet has shown a strong growth, in line with the country's economic development. Within this period, passenger car fleet increased 85%, while SUV and light commercial vehicle fleet grew 104% and 78%, respectively. See chart below.




Source: ANAC

In 2016, the total truck fleet was estimated in around 196 M units, representing a 40% increase in the last decade. From them, 23% correspond to semi-trailer trucks. The total bus fleet was around 54 M units, representing a 23% increase compared to a decade ago.

According to ANAC, in 2017, sales of new LDV in terms of volume accounted for 360.900 units, representing an 18.1% increase versus previous year. Most LDV sales corresponded to passenger cars (42.4%), followed by SUVs (32.3%). See chart below.




Source: ANAC

In 2017, sales of new trucks accounted for 13.150 units. From them, 53.7% corresponded to heavy-load trucks, 31.3% to medium-load and 15.0% to light-load. In the same year, Chile imported around 2.750 buses.

It is worth mentioning that the pre-owned car market is quite dynamic, moving around 1 million units per year, that is, about 3 pre-owned cars are sold per each new one.

## 1.2 Consumers and trends

During the last decade and in line with the increase of the disposable income per capita, Chilean consumers have had access to buy a car. The easier access to loans, as well as the entry of low-cost vehicle brands, has enabled a raising number of persons and families to buy a new or previously-owned car, situation that a decade ago was reserved for mainly high-income consumers.

For several Chileans, the car ownership is a matter of pride and personal fulfilment. It is one of the goals several persons wish to achieve, once they start working and generating an income and it is seen as an investment. For this reason, Chileans usually take care of their cars, and try to keep them in good mechanical and aesthetic conditions.

Moreover, all vehicles in Chile must pass yearly a technical evaluation. Any mechanical and safety-related malfunction should be fixed in order to get the registration certificate and be authorised to circulate.

It is worth mentioning that in Chile there is no vehicle assembly or manufacturing, therefore all automotive components and spare parts are imported for replacement.

The large number of existing vehicle brands and models (see section 1.3) force Chilean retailers to offer a wide range of products. Some of them prefer to concentrate their efforts only in spare parts for the most-sold brands and models.

It is estimated that 50% of spare parts and components sold in Chile are brand –original, while the remaining 50% are alternative.

Most independent car repair shops (not belonging to vehicle brand representatives) offer to their clients both options (original or alternative parts) at different budgets.

Some car owners prefer to buy always original components and spare parts, especially those that are essential for the operation and safety of their cars. Moreover, most vehicle brands require that car repairs and periodical reviews must be conducted in their technical centres and using original components and spare parts, in order to keep the manufacturer guaranty of the vehicle.

Other car owners – especially those belonging to mid and low income sectors - prefer alternative products, even if their quality is not ensured or certified. Original spare parts can cost 2 or 3 times more than alternative ones. Sometimes, in the case of old car models, the only option is to use alterative or adapted spare parts, as original ones are no longer available.

Even if seasonality is not very prominent, there is an increase in automotive spare part and components during the first quarter of each year. Car owners want to have their car in good mechanical conditions for their summer holidays (which usually take place in January and February), as well as a requisite to get the registration certificate (each March).

It is worth mentioning that Chilean consumers are more and more willing to purchases of automotive spare parts, accessories and components on-line (from Chile and abroad). According to a research conducted by GFK Adimark and Mercado Libre, on-line spare part sales increased +180% in the first quarter of 2018, compared to previous year.

## 1.3 Competition

### 1.3.1 Brands and models

In total, there are currently 134 different brands and 2.374 different models of LDV, trucks and buses among which Chilean buyers can choose, showing the high level of competition and atomization existing in a small market like the Chilean one. From them, about 55% of brands and 79% of models corresponds to LDV.

The following chart shows the number of brands and models currently available for sale in Chile in each category.

Number of vehicle brands and models

| Type of vehicle | Number of Brands | Number of models |
|---|---|---|
| **Light duty vehicles**  | 74 | 1.874 |
| **Trucks**  | 36 | 450 |
| **Buses**  | 24 | 50 |

Source: ANAC

The main brands composing the Chilean automotive fleet are[5] (in order of number of units): Chevrolet, Hyundai, Toyota, Nissan, Suzuki, Kia, Peugeot, Fiat, Renault and Mazda.

In 2016, most sold brands in the LDV segment were Hyundai (9.2%), Chevrolet (9.0%) and Kia (8.3%). In the case of trucks, most sold brands were Mercedes Benz (15.1%), Chevrolet

5 Includes vehicle brands registered upon the "Servicio de Registro Civil" from 1990 on

(13.4%) and Hino (7.5%). Bus most-sold brands (chassis brands) were Mercedes Benz (46.1%), Scania (9.0%) and Volvo (7.2%).

Among passenger cars (the largest category), in 2017 most sold models were Chevrolet Sail (5.7%), Hyundai Accent (5.5%) and Kia Morning (4.7%).

### 1.3.2 Component and spare part manufacturers and importers

It is estimated that about 90% of automotive components and spare parts sold in Chile are imported.

There are just a few local manufacturers, from which the main ones are Good Year (some types of tires) and Cormecánica-Renault (gearboxes). There are also some minor producers of mufflers to tailpipes, windshields and some types of seals, among other.

Related to importers, following is a list of main automotive component and spare part importers[6]:

Main automotive component and spare part importers

| COMPANY | WEB SITE | IMPORTS (US$ CIF 2017) |
|---|---|---|
| FINNING CHILE S A | www.finning.com | 79.498.448 |
| CORMECANICA- RENAULT | n/a | 49.816.261 |
| KAUFMANN S A | www.kaufmann.cl | 26.375.372 |
| KOMATSU CHILE S A | www.komatsucummins.cl | 24.764.525 |
| DERCO S A | www.dercocenter.cl | 17.493.800 |
| MANNHEIM S.A. | www.mannheim.cl | 16.022.868 |
| REFAX CHILE S.A. | www.refaxchile.cl | 15.488.938 |
| AUTOMOTORES GILDEMEISTER S A | www.rtc.cl | 15.186.921 |
| IMPORTADORA ITAL FRENOS LTDA | www.italfrenos.cl | 8.440.061 |
| PORSCHE CHILE SPA. | www.porsche-chile.cl | 8.287.997 |
| IMPORTADORA BICIMOTO LIMITADA | www.bicimoto.cl | 7.702.094 |
| NORIEGA VANZULLI S.A | www.noriegavanzulli.cl | 7.401.053 |
| IMPORTADORA ALSACIA LTDA | www.alsaciarepuestos.com | 6.755.827 |
| CAREN - AVANT SERV. INTEGRALES S.A | www.caren.cl | 6.275.517 |

6 Considers main importers of goods classified under the HS chapter 87.08

Source: Chilean Customs Statistics

The above chart shows that importers are mainly composed by 2 types of companies:

- Vehicle importers and representatives, which also imports original components and spare parts to provide after-care services to their clients and/or distribute them to other retailers. This is the case, for instance, of Finning Chile, Kaufmann, Komatsu, Derco, Porsche Chile and Automotores Gildemeister, among others.

- Component and spare part importers, which import original and alternative products, for direct distribution and/or through other small retailers. This is the case for instance, of Mannheim, Importadora Italfrenos, Importadora Bicimoto, Noriega Vanzulli, Importadora Alsacia and Caren, among others.

## 1.4 Prospects

According to the consulting firm Forecast, in 2018 LDV sales will account for approximately 380.000 units, representing a 5.3% increase versus 2017. All categories (passenger cars, SUVs and light commercial vehicles) will show sales increases, but SUVs will continue to lead the growth, in line with better economic expectations.

Car market will be boosted by a higher consumer confidence vis-à-vis the new government (elected in December 2017) and the appreciation of the peso currency versus the U.S. dollar expected for next year, which will drive down the cost of imported goods.

In the next years, it is expected that automotive spare parts and components will continue to grow, accordingly with the increase of vehicle sales and of the automotive fleet. It is also expected that alternative parts will increase at a higher rate, given the improvement of their quality and the better image they have among Chilean consumers. In this regard, many Chilean importers are only importing alternative parts of good quality and with international certifications.

## 2. Imports and Exports

According to Custom statistics, in 2017 Chile imported US$ 541 million[7] (CIF value) in spare parts for different kinds of vehicles (not including tires). Imports of tires for passenger cars, SUVs, buses and trucks accounted for $ 264 million.

The list of spare parts imported into Chile is very long. For the purpose of this survey, we have identified some of the main. Import statistics contained in this section correspond to the following products, with the respective Harmonized System (HS) code under which they are classified in Chile:

| HS Chapter/code | Description |
|---|---|
| | **Tires** |
| 40.11.10.00 | For passenger cars and SUVs |
| 40.11.20.00 | For trucks and buses |
| | **Brake parts** |
| 87.08.30.10 | Brake pads |
| 87.08.30.20 | Brake discs |
| | **Shock absorbers (Mc Pherson struts)** |
| 87.08.80.92 | For buses and mini-buses |
| 87.08.80.93 | For passenger cars and SUVs |
| 87.08.80.94 | For trucks |
| | **Batteries** |
| 85.07.10.10 | Electric accumulators; lead-acid, of a kind used for starting piston engines, including separators, whether or not rectangular (including square) |
| 85.07.10.90 | Other lead electric accumulators of a kind used for starting piston engines |

7 Includes spare parts registered under HS chapter 87.10.

## 2.1 Imports

### 2.1.1 Imports by type of product

#### 2.1.1.1 Tires

Total imports of tires have decreased in the last 5 years in terms of value (-18.5%). See chart below.

Total tire imports (in US$ CIF)

| HS chapter/code | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| 40.11.10.00 | 88.090.723 | 90.565.345 | 86.785.425 | 90.448.935 | 97.472.197 |
| 40.11.20.00 | 235.854.002 | 200.334.370 | 196.014.985 | 176.031.889 | 166.396.773 |
| **Total** | **323.944.725** | **290.899.715** | **282.800.409** | **266.480.824** | **263.868.970** |

Source: Chilean Customs Statistics

Despite the above, in terms of volume, imports have significantly increased + 51.9 %, from 3.6 million units in 2012 to 5.5 million in 2017, in line with the growth of the automotive fleet. The average unitary import price has decreased from to US$ 89.2 in 2013 to US$ 47.80 in 2017, reflecting the entry into the market of several low cost tire brands, mainly from China.

In 2017, in terms of value most imports corresponded to tires for trucks (63%), while in of volume, most imports were of tires for passenger vehicles and SUVs (%).

#### 2.1.1.2 Brake parts

In line with the growth of the automotive fleet, imports of brake parts have increased in the last 5 years, in terms of value (+17.8%) and volume (+48.2%). See chart below

Total brake part imports (in US$ CIF)

| Hs chapter/code | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| 87.08.30.10 | 18.100.466 | 17.610.076 | 18.640.818 | 20.616.261 | 21.403.366 |
| 87.08.30.20 | 13.587.667 | 12.869.519 | 12.237.914 | 14.210.768 | 15.923.703 |
| **Total** | **31.688.133** | **30.479.595** | **30.878.732** | **34.827.029** | **37.327.069** |

Source: Chilean Customs Statistics

It could be also noticed a decrease in the average import price, from US$ 6.88 per kilogram in 2013 to US$ 5.47 in 2017, reflecting the entry into the market of low cost products, mainly coming from China.

#### 2.1.1.3 Shock absorbers

Total imports of struts have increased in the last 5 years in terms of value (+33.1%) and volume (48.2%), in line with the increase of the automotive fleet. See chart below.

Total shock absorber imports (in US$ CIF)

| Hs chapter/code | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| 87.08.80.92 | 821.606 | 809.479 | 760.606 | 535.929 | 522.368 |
| 87.08.80.93 | 16.556.700 | 15.066.803 | 14.524.585 | 16.230.875 | 20.164.563 |
| 87.08.80.94 | 8.269.022 | 6.331.106 | 6.503.111 | 11.418.333 | 13.452.587 |
| **Total** | **25.647.328** | **22.207.387** | **21.788.302** | **28.185.137** | **34.139.518** |

Source: Chilean Customs Statistics

In 2017, main imports corresponded to struts for passenger cars (59.1% of total). Noteworthy, imports of struts for truck has grown at a higher rate than of the other types of vehicles. Trucks, especially more recent models, are increasingly using struts at least partially (front and/or rear wheels), instead of other type of shock absorption systems.

#### 2.1.1.4 Batteries

Total imports of batteries have increased in the last 5 years in terms of value (+21.8%) and volume (35.2%), in line with the increase of the automotive fleet. See chart below.

Total battery imports (in US$ CIF)

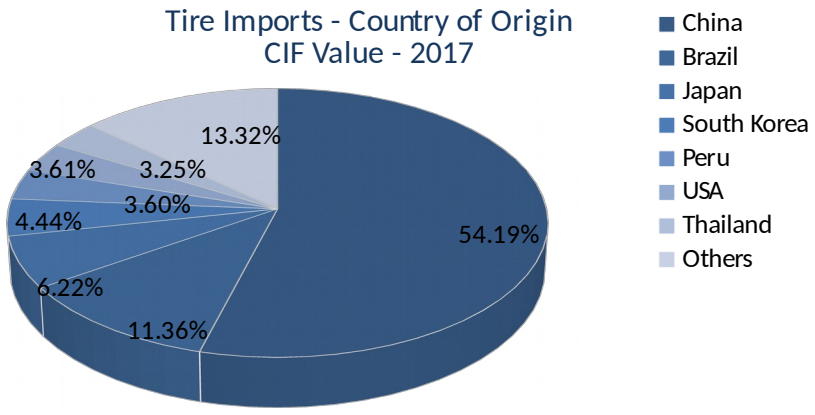
| Hs chapter/code | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| 85.07.10.10 | 60.601.379 | 66.086.915 | 69.017.016 | 61.369.982 | 74.443.758 |
| 85.07.10.90 | 2.277.888 | 1.784.640 | 1.435.436 | 2.019.314 | 2.123.692 |
| **Total** | **62.879.267** | **67.871.555** | **70.452.452** | **63.389.296** | **76.567.450** |

Source: Chilean Customs Statistics

### 2.1.2 Imports by country

### 2.1.2.1 Tires

In 2017, most imports of tires came from China (54.2%), followed by far by Brazil (13.3%) and Japan (11.4%). See chart below.




Source: Chilean Customs Statistics

Most imports from China correspond to Westlake tires (Zhongce Rubber Group Co) imported by Salinas y Fabres. Zhongce Rubber Group Co also export to tires under its brands Goodrige and Trazano to the local importers Neumachile (Urrutia y Otarola) and Importadora Caren.

Other brands from China are Nexen, Windforce and Linglong, which are imported by Neumachile.

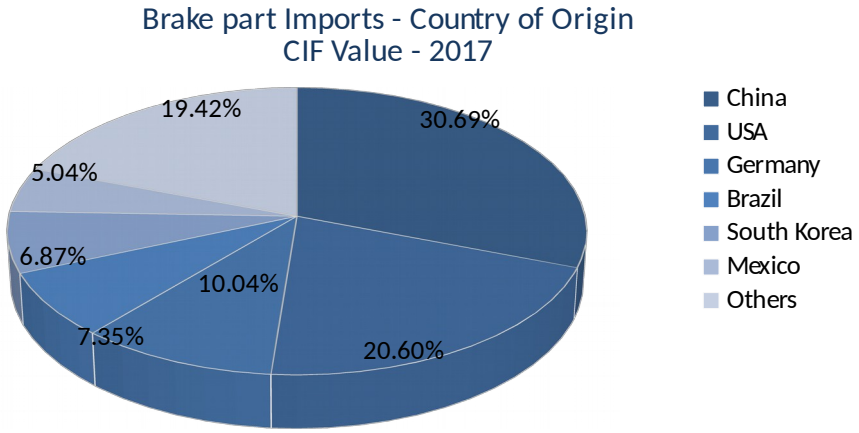
Most imports from Brazil correspond to Michelin brand, which tires are produced in the company manufacturing plant located in this country and imported to Chile by the local Michelin branch.

In the case of Japan, most imports correspond to Bridgestone brand and are imported by the company branch in Chile

In 2017, imports from India were not significant, ranking in 31th position and accounting for US$ 131 M, representing 0.05% of total.

### 2.1.2.2 Brake parts

In 2017, most imports of brake parts (pads and discs) came from China (30.7%), followed by U.S.A. (20.6%) and Germany (19.4%). See chart below.



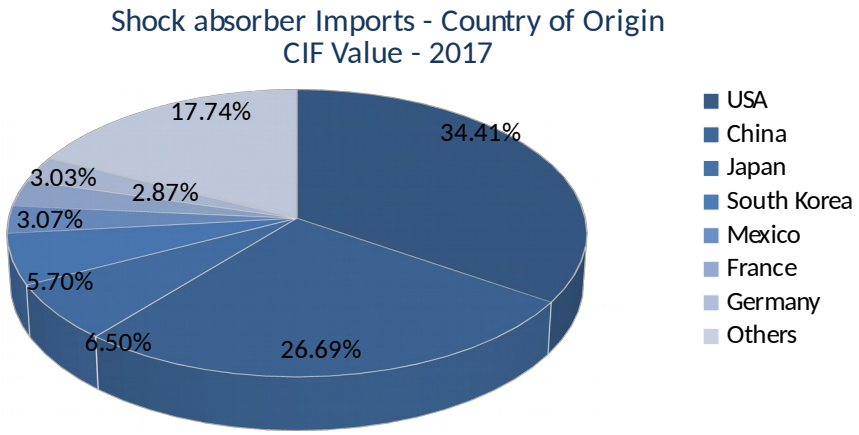

Source: Chilean Customs Statistics

Main importer from China was Italfrenos (an specialist in automotive brake systems), followed by Comercial Kaufmann (local representative of Mercedes Benz and other brands). This latest company is also the main importer from USA and Germany.

In 2017, imports from India ranked in 17th position and accounted for US$ 191 M, representing 0.5% of total. Main local importers were Italfrenos and Automotores Gildemeister.

#### 2.1.2.3 Shock absorbers

In 2017, most imports of shock absorbers came from U.S.A. (34.4%), followed by China (26.7%) and Japan (17.7%). See chart below.




Source: Chilean Customs Statistics

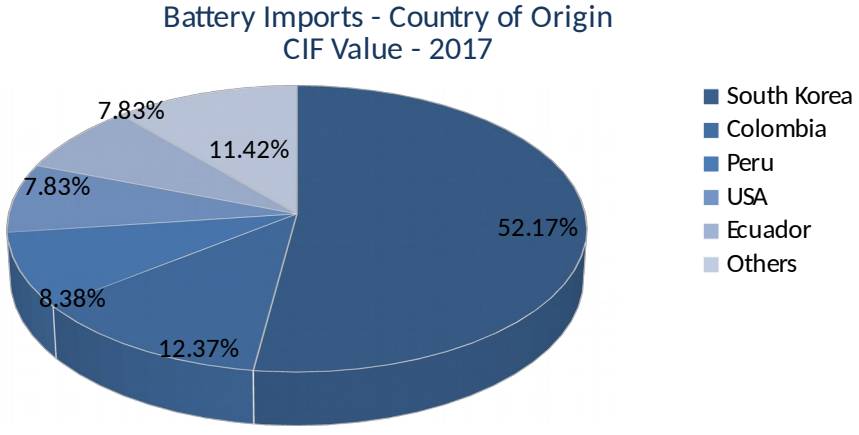
Main importers form U.S.A. were the local branches of Finning and Komatsu, both as original spare parts for the mining, forestry and/or building trucks they commercialize.

Main importers from Chile are Refax and Mannheim, two important spare parts distributors.

In 2017, imports from India ranked in 17th position and accounted for US$ 170 M, representing 0.5% of total. Main importers were Derco and Automotores Gildemeister, both local representatives of Suzuki and Hyundai respectively and which imports some models from India.

#### 2.1.2.4 Batteries

In 2017, most imports of batteries came from South Korea (52.2%), followed by Colombia (12.4%) and Peru (8.4%). See chart below.




Source: Chilean Customs Statistics

Most battery imports from South Korea correspond to the brand Hankook (represented by Derco S.A.). In the case of Colombia, almost all correspond to batteries manufactured by the multinational Johnson Controls, which export their products to Chile under their brands (i.e. MAC), but also under importers' private label brands (i.e. Powermeister and Energix imported by Gildemeister). In the case of Peru, most correspond to batteries manufactured by Etna, a local producer.

In this category, there are not imports coming from India

### 2.1.3 Imports by company

#### 2.1.3.1 Tires

In 2017, almost 430 Chilean companies and natural persons imported tires. The 8 major importers gathered 47.5 % of total in terms of value and 60.5% in terms of volume. See chart below.

Tire Imports by Company – 2017 (CIF Value)

| Company | Volume (units) | Value (US$ CIF) |
|---|---|---|
| MICHELIN CHILE LTDA | 1.103.325 | 30.909.808 |
| GOODYEAR DE CHILE S A I C | 498.335 | 24.549.688 |
| SALINAS Y FABRES | 375.908 | 24.250.025 |
| BRIDGESTONE CHILE S.A. | 247.335 | 17.389.782 |
| NEUMACHILE (URRUTIA Y OTAROLA LTDA.) | 322.231 | 15.125.890 |
| SUPERMERCADO DEL NEUMATICO | 199.392 | 13.213.983 |
| DERCO S A | 474.377 | 12.593.509 |
| IMPORTADORA CAREN (AVANT SERVICIOS INTEGRALES S.A) | 116.102 | 11.460.748 |
| OTHERS | 3.337.005 | 125.243.409 |
| **Total** | **5.519.889** | **263.868.970** |

Source: Chilean Customs Statistics

Among main importers are the local branches of three multinational tire producers (Michelin, Goodyear and Bridgestone). Goodyear has a plant in Chile for producing some type of tires.

Other importers, such as Neumachile and Supermercado del Neumatico are tire specialist retailers, dedicated to the import, commercialization and installation of tires and tire accessories.

Salinas y Fabres and Derco are vehicle and spare parts importers and distributors of several brands.

#### 2.1.3.2 Brake parts

In 2017, 412 Chilean companies and natural persons imported brake parts. From them, the 8 main importers represented 56.0% in terms of import value and 62.1% in terms of volume. See chart below.

Brake part Imports by Company – 2017 (CIF Value)

| Company | Volume (Kg) | Value (US$ CIF) |
|---|---|---|
| IMPORTADORA ITAL FRENOS LIMITADA | 2.215.598 | 6.551.565 |
| FINNING CHILE S A | 86.698 | 3.580.329 |
| KAUFMANN S.A. | 547.532 | 2.764.365 |
| NORIEGA VANZULLI S.A | 575.538 | 2.447.024 |
| KOMATSU REMAN CENTER CHILE S.A | 70.323 | 2.324.457 |
| MANNHEIM S.A. | 240.733 | 847.602 |
| REFAX CHILE S.A. | 274.481 | 802.037 |
| WILLIAMSON BALFOUR MOTORS S A | 22.704 | 778.505 |
| OTHERS | 2.587.689 | 16.425.103 |
| **Total** | **6.826.616** | **37.327.069** |

Source: Chilean Customs Statistics

Main importer was the bake specialist retailer Importadora Italfrenos (17.6%), followed by Finning Chile (13.2%) and Kaufmann (7.4%).

#### 2.1.3.3 Shock absorbers

In 2016, almost 417 Chilean companies and natural persons imported shock absorbers. The 8 major importers gathered 61.5% of total imports in terms of value and 68.2% in terms of volume. See chart below.

Shock absorber Imports by Company – 2017 (CIF Value)[8]

| Company | Volume (Kg) | Value (US$ CIF) |
|---|---|---|
| FINNING CHILE S A | 244.581 | 8.626.332 |
| REFAX CHILE S.A. | 994.925 | 3.343.291 |
| EMASA EQUIPOS Y MAQUINARIAS S.A. | 311.702 | 2.187.147 |
| MANNHEIM S.A. | 433.835 | 2.081.203 |
| X | 393.889 | 2.033.713 |
| IMPORTADORA ALSACIA LTDA | 398.714 | 1.251.749 |
| IMPORTADORA BICIMOTO LIMITADA | 214.648 | 781.546 |
| NORIEGA VANZULLI S.A | 85.555 | 679.451 |
| OTHERS | 1.434.607 | 13.155.086 |
| **Total** | **4.512.456** | **34.139.518** |

Source: Chilean Customs Statistics

In terms of value, main importer of shock absorbers was the local branch of the multinational company Finning (25.3%), followed by Refax Chile (9.8%) and Emasa (6.4%).

8 It should be noted that – in accordance with the Chilean Personal Data Protection Act–companies can explicitly request that their import and export operations do not appear under their name in the publicly available statistics prepared by Customs. In these cases, the company name is replaced by a "X".

#### 2.1.3.4 Batteries

In 2016, almost 185 Chilean companies and natural persons imported batteries. The 8 major importers gathered 76.8% of total imports in terms of value and 74.2% in terms of volume. See chart below.

Battery Imports by Company – 2017 (CIF Value)

| Company | Volume (units) | Value (US$ CIF) |
|---|---|---|
| DERCO S A | 462.917 | 17.671.873 |
| EMASA EQUIPOS Y MAQUINARIAS | 296.153 | 12.717.067 |
| AUTOMOTORES GILDEMEISTER S A | 285.782 | 10.519.822 |
| SERVICIO LUCAS BLANDFORD S A | 186.759 | 10.360.436 |
| IMPORTADORA ALSACIA LTDA | 107.919 | 3.653.230 |
| FINNING CHILE S A | 14.922 | 3.626.266 |
| GENERAL MOTORS CHILE | 60.755 | 2.904.992 |
| REFAX CHILE S.A. | 64.678 | 2.652.358 |
| OTHERS | 514.648 | 19.317.537 |
| **Total** | **1.994.533** | **83.423.582** |

Source: Chilean Customs Statistics

Main importer was Derco (21.2% of total), which main brand they distribute is Hankook (South Korea), Etna (Peru) and Leoch (China). Emasa (15.2% of total) ranked in second place, importing mainly batteries of RGL brand (manufactured in Bangladesh) and Bosch (manufactured in Ecuador).

Automotores Gildemeister (12.6% of total) ranked in third place, importing batteries of foreign brands (i.e.Duralite, Odyssey and Optima) and of its private labels (i.e. Powermeister and Energix)

### 2.2 Exports

In 2017, Chile exported US$ 286 million of spare parts considered in this survey.

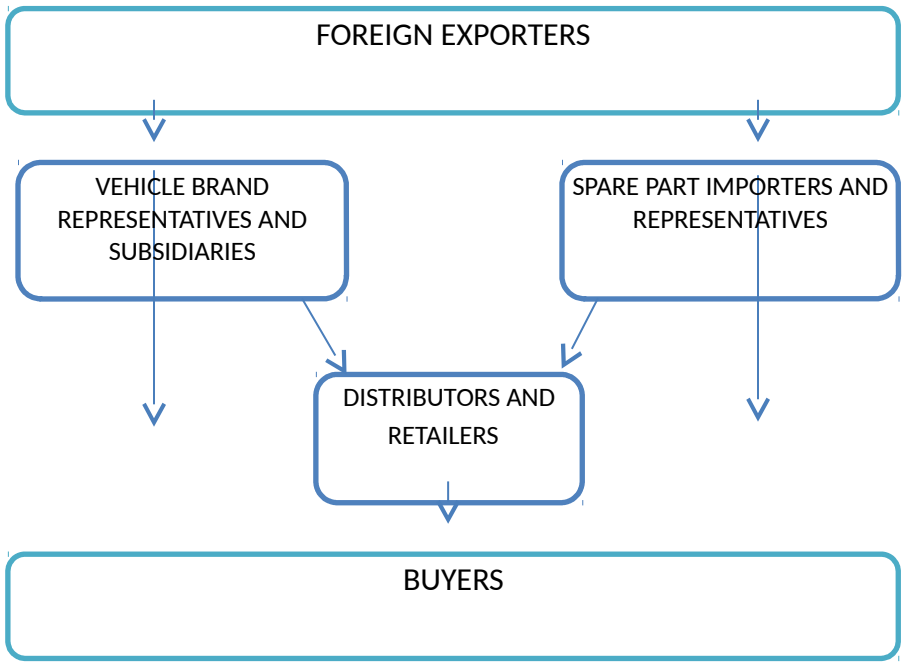
Almost all of them (99%) corresponded to tires, especially those for passenger cars, which are manufactured locally by Goodyear. Main destination country of these exports was USA.

Other minor Chilean exports of spare parts (such as shock absorbers and batteries) in 2017 corresponded to re-exports conducted by importers to other countries.

## 3. Distribution channels

The following chart shows the flow of imported automotive component and spare part distribution in Chile and its main players.

Automotive component and spare part distribution flow




ANNEX 1 shows the contact data of some of the main importers and representatives and of vehicle brand representatives and subsidiaries.

## 3.1 Vehicle brand representatives and subsidiaries

This group is composed by local companies representing one or more vehicle brands and of foreign vehicle brands which have created their own subsidiaries in Chile.

These companies import – as a secondary business area – the original components and spare parts for the vehicle brands they sell. These products are sold directly to final users and/or to their brand distributors (called “concesionarios”). In some cases, they sell them to other small retailers and car repair shops.

Components and spare parts are also used for the maintenance and repair services vehicle brand representatives provide through their own technical centres.

Vehicle brand representatives conduct the whole product supply process. They buy the components and spare parts to the foreign manufacturers and are responsible of importing them and conducting custom clearance formalities. They are also in charge of the storage, internal transportation, sales and promotion, customer service and aftercare service. Accordingly, they assume almost all the risk of product operation in Chile.

As required by the brands they represent, these companies usually must keep significant stocks of spare parts and components, in order to fulfil fast their clients’ needs. This demands an important logistics operation and substantial financial costs, which is reflected in their final prices, which are generally higher than competitors.

In some cases, part of these activities are not directly conducted by them, but subcontracted to third parties (i.e. storage, handling. etc.).

## 3.2 Spare part importers and representatives

This group is composed by importers of original and/or alternative spare parts and components.

Most of these companies are focused on certain vehicle brands, type of vehicle (i.e. passenger cars, trucks, etc.) or on certain type of products (i.e. brake systems, tires, batteries, accessories, etc.).

This group of companies could be divided in 2 groups:

- Companies that commercialize components and spare parts only of well-reputed brands (original or high-quality alternative) or high-quality products having international certifications. Usually, their prices are in the medium-to-high range of

prices. Some of them have representation contracts (exclusive or not) with foreign spare part brands.

- Companies that commercialize alternative spare parts and components, for which the main decision factor is price. As most spare parts and components do not need a certification or registration to be sold in Chile, they look for cheap alternatives from different suppliers all over the world.

These companies usually operate in a very similar way than vehicle brand representatives, that is, they conduct the whole product supply process and assume almost all the risk of product operation in Chile. Also, they sell their products directly to final clients or through distributors.

### 3.3 Distributors

Distributors and small retailers usually do not import directly but buy to different local importers and representatives.

They usually focus on certain vehicle brands, type of vehicle or on certain type of products.

## 4. Import and commercialization formalities

All products imported and commercialized in Chile should meet some formalities. Some of them are the usual to any import, but there are some specific to spare parts, necessary to its commercialization. Although most of these formalities are conducted by the importer, it is advisable that the exporter be aware of the documentation and product requirements necessary to fulfil the Chilean regulation.

### 4.1 Import procedures

In the case of any import, Chilean Customs requires that each customs entry be supported by the following documents:

- Commercial Invoice
- Certificate of Origin, if applicable
- International Transport Document (Bill of Lading or Air Way Bill)
- Packing List, when necessary
- Value declaration
- Other Documents (i.e. safety certificates)

All imports of a total value exceeding USD 1,000 (FOB) require the participation of a Customs Broker. Minor imports (less than USD 1,000 FOB) can be cleared directly by importers, following a simplified procedure.

Prior import licenses are not requested by authorities. This is valid for any type of goods.

## 4.2 Import restrictions

As a general rule, the import of used, reconditioned and re-treaded tires is forbidden in Chile. Some exceptions are the import of preowned tires when they are part of a vehicle to be imported as a whole or if tires have been previously exported from Chile for repair.

## 4.3 Duty fees and taxes

The tax treatment applicable to imports into Chile includes the payment of customs duties, Value Added Tax (VAT) and other taxes (if applicable), all calculated on CIF value and determined under GATT valuation standards.

The ad-valorem customs duty rate is 6%. However, goods originating in any of the countries or regions having signed a Commercial Agreement with Chile and evidencing such condition by means of a Certificate of Origin can be benefited with a reduction or exemption of import duties.

Chile has signed 25 Commercial Agreements with 66 countries, which have granted tariff preferences which each country applies to imports.[9]

India and Chile have signed a Partial Scope Trade Agreement (PSA) giving Indian spare part imports into Chile some tariff preferences. In the case of the spare parts (and their respective HS codes) analysed in this survey, duty taxes to pay go from 1.2 to 6.0%. See details in the following chart:

| HS Chapter/code | Description | % of Tariff preference | % of Duty tax to pay |
|---|---|---|---|
| | **Tires** | | |
| 40.11.10.00 | For passenger cars and SUVs | 30% | 4.2% |
| 40.11.20.00 | For trucks and buses | 30% | 4.2% |

9 Find the list of countries and the complete texts of Commercial Agreements signed by Chile, by clicking on this link: www.direcon.gob.cl/acuerdos-comerciales/

| | | | |
|---|---|---|---|
| | **Brake parts** | | |
| 87.08.30.10 | Brake pads | 60% | 2.4% |
| 87.08.30.20 | Brake discs | 0% | 6.0% |
| | **Shock absorbers (Mc Pherson struts)** | | |
| 87.08.80.92 | For buses and mini-buses | 0% | 6.0% |
| 87.08.80.93 | For passenger cars and SUVs | 60% | 2.4% |
| 87.08.80.94 | For trucks | 80% | 1.2% |
| | **Batteries** | | |
| 85.07.10.10 | Electric accumulators; lead-acid, of a kind used for starting piston engines, including separators, whether or not rectangular (including square) | 60% | 2.4% |
| 85.07.10.90 | Other lead electric accumulators of a kind used for starting piston engines | 60% | 2.4% |

Source: Direcon

It is worth mentioning that, Chile has Free Trade Agreement signed with most of the countries of origin of imported spare parts, giving tariff preferences of up to 100%, to different products that is to say, they are exempted of duty tax payment.

## 4.4 Commercialization requirements

### 4.4.1 Compliance with technical standards

Even if it is not required for all automotive components and spare parts, some few products should comply with some technical standards and get an authorization prior to their commercialization. Following are some examples:

#### 4.4.1.1 Tires

Tires should comply with the following safety and quality standards[10]:

- NCh1776:2016 Tires- Definitions
- NCh3384:2015 Tires for trucks and buses - Product requirements and testing
- NCh3413/1:2016 Tires for passenger and light load vehicles - Part 1: Product requirements and testing

10 Technical standards can be bought to the National Institute of Standards ("Instituto Nacional de Normalización" or its acronym INN). Click on: http://ecommerce.inn.cl/

- NCh3413/2:2016 Tires for passenger and light load vehicles - Part 2: Selection criteria and safety recommendations.

#### 4.4.1.2 Safety elements

Some vehicle parts and elements should comply with safety and quality standards, when they are part of a new car and when they are replaced. Local requirements are based on International standards. Some examples follow.

- Windshield glasses: should comply with U.S. CFR49-571 (number 571.205), EC Type Approval (92/22/EC), S.R.R.V. Japan (technical standard D.O. 10.12.2013 Trias 52-1994) or CONTRAN Brazil (Resolution 2933 Number784/94).
- Brake systems: should comply with U.S. CFR49-571 (number 571.105 or 571.135), EC Type Approval (71/320/CEE Art. 1° d), S.R.R.V. Japan (technical standard 11-4-6, 11-4-7), South Korea K.M.V.S.S.(article 9) or CONTRAN Brazil (Resolution 777/93).

#### 4.4.1.3 Catalytic converter (spare parts)

Catalytic converters should be certified by authorities, previous their commercialization and installation in vehicles, in replacement to an existing one.

Importers should submit a request and provide support documents to the Vehicle Certification and Control Center (called 3CV).

#### 4.4.1.4 Particulate filters

Particulate filters to be used in urban buses must be previously certified by authorities.

Importers should submit a request and provide support documents to the Vehicle Certification and Control Center (called 3CV), which will also will conduct tests to filters.

### 4.4.2 Recycling and Extended Producer Liability Law

In May 2016, Chile enacted the Recycling and Extended Producer Liability Law, in order to establish an efficient public policy for waste management.

This law regulates six priority products: lubricant oils, electrical and electronic appliances, car batteries, batteries, packaging, and tires. Producers and/or importers must take responsibility for these products at the end of their useful life, returning them to the

industries where they were manufactured or to the warehouses where their distribution originated.

Even if this law is already in force, the obligations related to collection of waste and compliance with goals shall be subject to the enactment of the specific supreme decrees. In the case of tires and batteries, goals are in process to be determined by authorities jointly with industry actors.

### 4.5 Trademark protection

Even if it is not mandatory, it is strongly recommended that foreign companies register their trademarks if they aim to use them in Chile. They will permit to uniquely identify a company and its products to its customers and to distinguish them from those of its competitors

It is also advisable that, before using a trademark or logo, companies should check if such signs are already registered in identical terms or in similar terms (from a visual or phonetic point of view).

Trademark protection lasts 10 years and its registration can be renewed indefinitely (for periods of 10 years at a time). According to Chilean law, trademarks cannot be revoked for non-use reasons. The owner of a trademark could authorize a third party to use it under a license contract.

The National Institute of Industrial Property INAPI (www.inapi.cl) is the Chilean agency for registering trademarks, copyrights and appellations of origin. The registration procedure can be done in person or via internet, for a fee. According to Chilean law, it is not necessary to hire a lawyer or trademark agent to file a trademark application. Nevertheless, it is highly recommended in the case of companies having foreign residence, which should appoint a local representative.

## 5. Market opportunities and conclusions

### 5.1 SWOT analysis

The following SWOT Analysis is intended to be a useful technique for understanding the Strengths and Weaknesses of India automotive components and spare part exporters, and

for identifying both the Opportunities open to them and the Threats they could face in the Chilean market.

SWOT ANALYSIS

| **Strengths** | **Opportunities** |
|---|---|
| • Good quality of Indian components and spare parts.<br>• High technological level of Indian manufacturers<br>• Competitive prices<br>• Existence of experienced Indian producers and exporters.<br>• General good image of Indian products. | • The sector is expected to continue growing.<br>• Small local spare part manufacturing industry<br>• Good opportunities for both, original and alternative products<br>• Yearly technical evaluation required for all vehicles<br>• Dynamic pre-owned vehicle market<br>• No certification needed for most of products |
| **Weaknesses** | **Threats** |
| • Highly competitive market with the presence of several brands<br>• High competition of Chinese products<br>• India-Chile Partial Scope Agreement versus FTA with other countries. | • Highly segmented companies (per brand, type of spare part or vehicle, etc.) leaving less option to find a representative or distributor. |

## 5.2 Main conclusions

According to IBEF, the Indian auto-components industry accounts for almost 7% of its Gross Domestic Product (GDP) and employs about 25 million people, directly and indirectly. In FY 2016-17, it represented almost (US$ 43.52 billion), reflecting its huge importance in both, internal and external markets. Related to these latest, it is estimated that in 2021 about 26% of India auto component sales will be exported to foreign markets.

Chile has a very small manufacturing industry of automotive components and spare parts and most of it corresponds to tires (Good Year). Most auto parts are imported

and are used in the aftermarket (repair and maintenance) as there is not vehicle production or assembly in Chile.

At present, component and spare part imports from India are very low, but have big potential for growing, giving the high quality and wide variety of products the country manufactures.

In Chile, almost 63.7% of the LDV automotive fleet is composed by vehicles of more than 5 years old and 38.0% of more than 10 years. In the case of trucks and buses, around 58% and 59% of their fleet, respectively, is composed by vehicles of less than 10 years old.

Besides, the pre-owned car market is quite dynamic, moving around 1 million units per year, that is, about 3 pre-owned cars are sold per each new one. This shows a significant potential of vehicles that would need at some time to be repaired and/or maintained.

Moreover, all vehicles in Chile must pass yearly a technical evaluation. Any mechanical and safety-related malfunction should be fixed in order to get the registration certificate and be authorised to circulate.

In Chile, there are opportunities for both original and alternative components and spare parts.

According to market actors, best prospects for trucks are for engine kits, tires, differential gears, clutches, rings, accessories, lighting products, suspension systems, batteries and filters.

In the market for light vehicles, the best prospects include engine components, clutches, mufflers, tires, catalytic converters, lights, gearboxes, air filters, brake components, and windshields.

Related to market entry, it is important to take in mind that local vehicle brand representatives and subsidiaries have generally no possibilities to decide where to import from the original components and spare parts, as most of the time this decision is imposed to them by the brand headquarters. Nevertheless, some vehicle brand representatives also import alternative brands, in order to offer to their customers a wider range of options for different budgets.

In the case of imports and representatives, India exporters should carefully identify and select the most suitable prospects, as most are focused on certain vehicle brands, type of vehicle (i.e. passenger cars, trucks, etc.) or on certain type of products (i.e. brake systems, tires, batteries, accessories, etc.).