



सत्यमेव जयते

AJADA DE LA INDIA
CARACAS

MARKET SURVEY



**Feasibility of the inclusion of
auto in the transport system
of the Bolivarian Republic of
Venezuela**



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Index of Content

| | |
|--|----|
| Introduction | 5 |
| Profile of the Venezuelan Rickshaw Market. | 14 |
| History..... | 14 |
| Market profile in Venezuela | 15 |
| Consumer Profile | 16 |
| Business Opportunities..... | 18 |
| Rickshaw Margarita Island, Nueva Esparta State, Venezuela..... | 18 |
| Objective for the use of the Rickshaw. | 19 |
| Contribution of the Rickshaw on Margarita Island..... | 19 |
| Weaknesses of the Rickshaw in Margarita..... | 20 |
| Phases for Managing Rickshaw mobility..... | 20 |
| Rickshaw delivery in the main cities of Venezuela | 20 |
| Courier enterprises in Venezuela..... | 21 |
| Objective for the use of Rickshaw | 21 |
| Contributions..... | 22 |
| Weaknesses..... | 22 |
| Phases to manage Rickshaw mobility. | 22 |
| Referential sources..... | 25 |



Profile of the Bolivarian Republic of Venezuela



Introduction

The Bolivarian Republic of Venezuela is a sovereign and independent form of political organization, constituted under a republican and democratic model, characterized by principles of justice and equality and a stable union of states in which the different constitutional powers are distributed between a central government and the individual states that comprise it.

The established form of government is the federation, in which the relationship between the member states is organized under the principles of unity, autonomy, hierarchy and participation. This form of government is exercised through the administration of public finances and the execution of each of the legal instruments established for compliance with the law. This exercise of government is a product of the attributions established in the national constitution for each of the branches of public power.

The Public Power, according to the Constitution of the Bolivarian Republic of Venezuela, is distributed among the Municipal Power, the State Power and the National Power. The National Public Power is divided into Legislative, Executive, Judicial, Citizen and Electoral, while the State and Municipal Public Power is divided into Legislative, Executive and Citizen, the latter represented by the State or Municipal Comptroller's Office, as the case may be.

Geographical aspects.

Astronomical Geography

The territory of the Bolivarian Republic of Venezuela is astronomically located at 12° 11' 46" North latitude, 0° 38' 53" South latitude, 59° 47' 30" East longitude and 73° 23' 00" West longitude; the distance East - West is 1,493 Km and North - South is 1,271 Km. It covers a continental and insular surface of 916,445 Km² and a continental platform of 98,500 Km² with a coastline of 4006 Km to the north.

Physical Geography

The territory enjoys a mostly temperate climate typical of a tropical region, although due to its characteristics it is divided into natural regions. These regions are differentiated by climates that vary from dry to rainy depending on the location. The existence of approximately 9 natural regions has been determined, and in general terms the average temperature of the territory is 28° C.

Political Geography

The Bolivarian Republic of Venezuela maintains a border in its northern part with the insular territories of the United States of America (Puerto Rico and U.S. Virgin Islands), the Kingdom of the Netherlands (Aruba, Curaçao and the Dutch Caribbean), the Dominican Republic, France (Guadeloupe and Martinique), and Trinidad and Tobago. Remaining to delimit are: part of the border with Colombia (430 km), the islands of St. Kitts and Nevis (80 km), the United Kingdom (Montserrat) (45 km), Dominica (80 km), St. Lucia (10 km), St. Vincent and the Grenadines (90 km) and Grenada (300 km).

Likewise, it has a border in its southern part with the Federative Republic of Brazil of 2,199 km, to the east with the Cooperative Republic of Guyana of 743 km (subject to change by claim) and to the west with the Republic of Colombia of 2,219 km.

The territory is divided into 23 Federal Entities, a Capital District, 89 Federal Dependencies and 2 Federal Territories, formed by the territories of Amazonas and Delta

Amacuro, which are a special political division. In turn, the 23 Federal Entities are organized into 335 Municipalities and 1136 parishes.



Demographic aspects

Structural

The Bolivarian Republic of Venezuela has a population of 31,028,637 people, of which 15,554,863 are men and 15,473,774 are women. Venezuelan life expectancy is 74.1 years with a birth rate of 20.1 births per 1,000 inhabitants and a neonatal mortality rate of 8.9 per 1,000 live births.

Dynamics

The schooling expectation is 14.2 years per inhabitant, with an average schooling of 8.9 years and a public expenditure on education of 6.9% of GDP. The employment rate at age 15 and older is 60.2%, with a labour force participation rate of 51.1% for women and 79.2% for men.

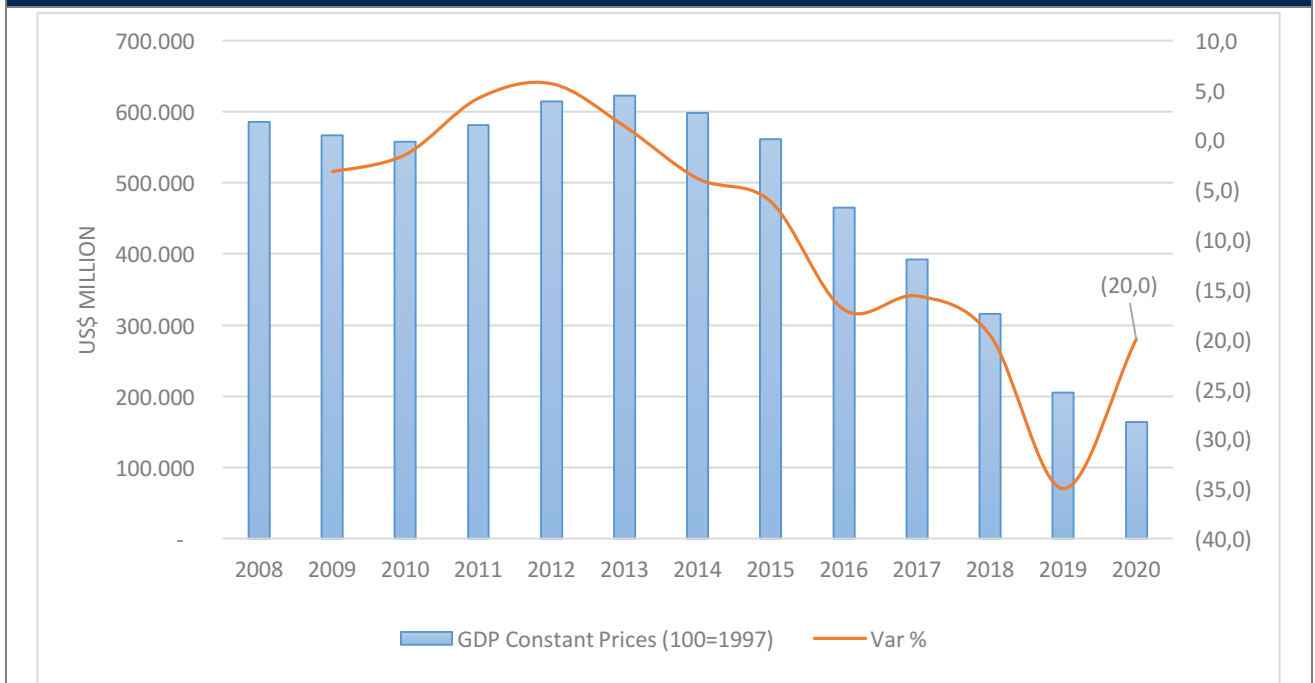
Economic Aspects

Summary

According to the data submitted by the Venezuelan National Bank (or Banco Central de Venezuela - BCV), the Venezuelan economy shows deep trouble with regard to economic growth, with high rates (5%) in 2012, while a sharp drop occurred since 2014 and now the economy is contracting for the seventh year running.

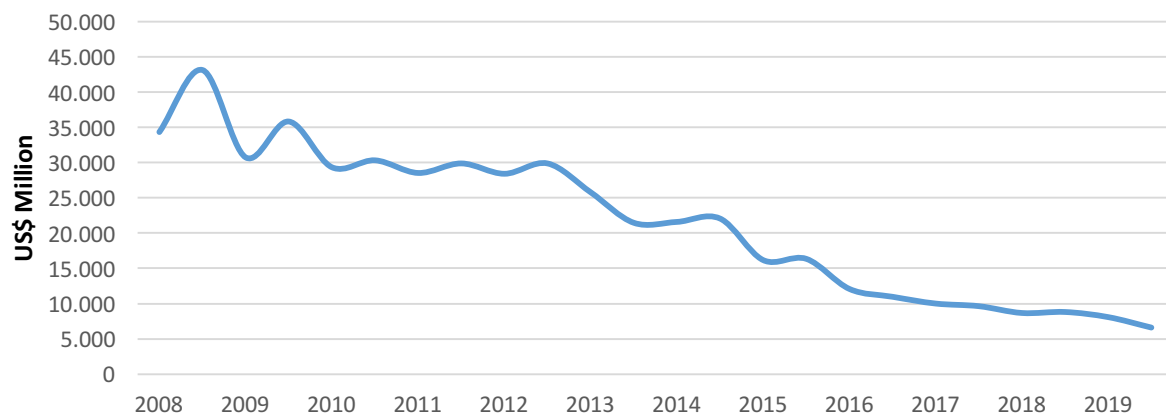
Venezuela | International Reserves (US\$ Million) 2008-2019

2008-2020 GDP Constant Prices



Source: Central Bank of Venezuela

Despite being an oil economy, the oil sector is contributing less to the national productive apparatus, representing only 11% of the Gross Domestic Product (GDP); a worrying situation because this is the only economic productive sector participating in international trade, and it contributes 98% of income in foreign currency. Consequently, the rest of the non-oil productive sectors, representing a non-tradable (89%) sector of the economy, is not working under criteria of efficiency and competitiveness. Additionally, the collapse of the oil market prices and the lack of investment has reduced the external revenues for all the Venezuelan economy. Additional U.S. sanctions have discouraged foreign investment in the oil sector.



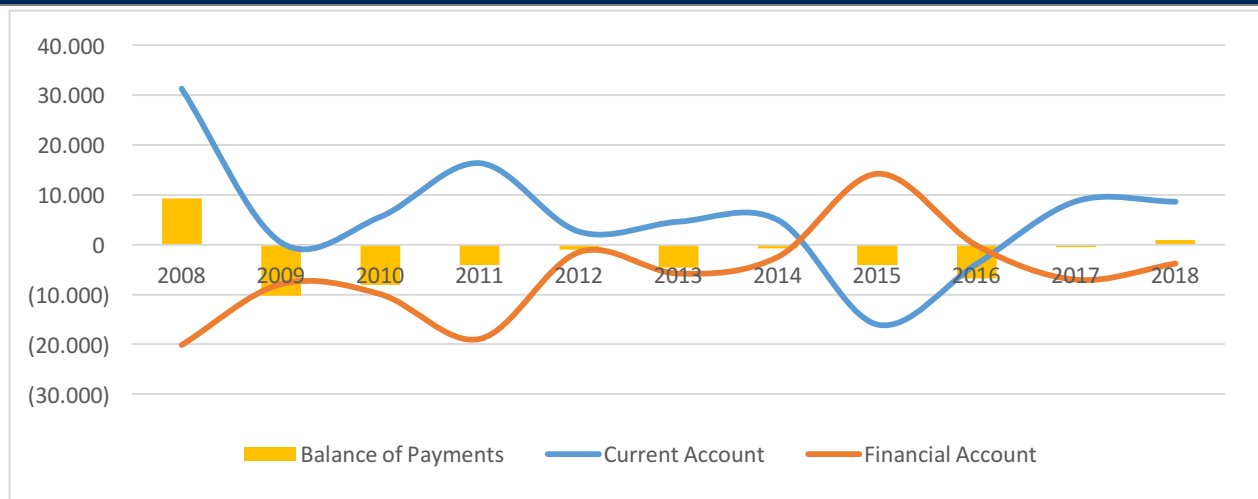
Source: Central Bank of Venezuela

The variation of prices is expected to remain at higher levels since the beginning of the hyperinflation period, changing exponentially. Nevertheless, the speed of price changes has relented and the inflation rate will be 5,000%, due to the partial dollarization of the economy which has encouraged economic activity and reduced scarcity levels.

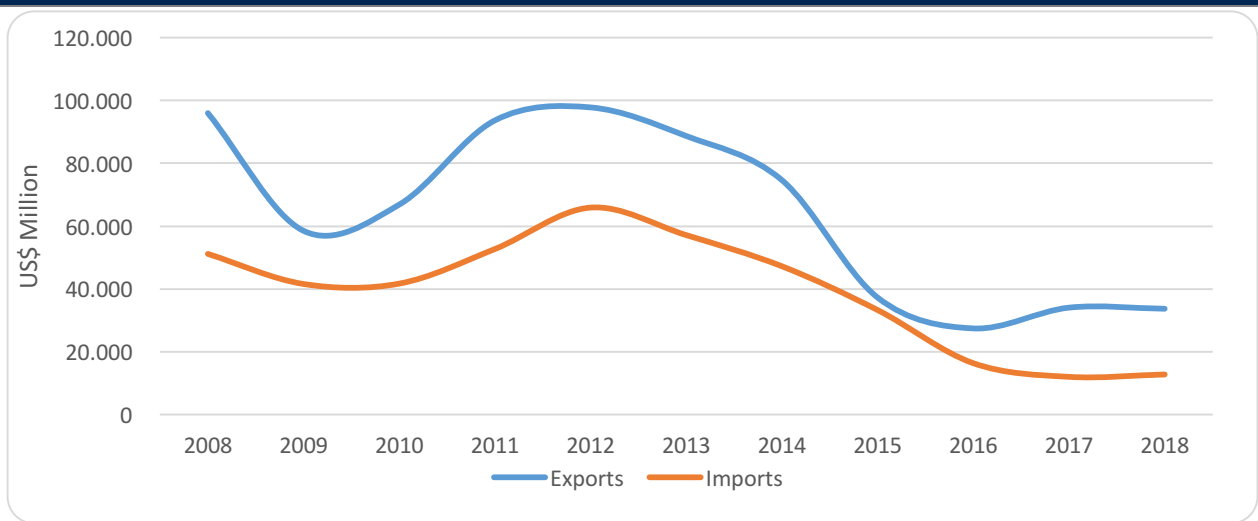
In the period 2008-2018, international reserves fell to less than a quarter, reaching lower levels similar to those experienced 40 years ago. This creates a strong pressure on external balances.

The growth of the foreign debt and the drop in international reserves, make the current coverage be less than 5%, meaning that the amount of international reserves only pays 5% of the total foreign debt. By 2017, the country declared default over most debt bonds.

The balance of payments remained negative during the period 2008-2018, with the characteristic feature of maintaining surplus trade balances, but capital outflows exceeded this surplus. By 2015, for the first time in 20 years, the third and the fourth quarters are shown with negative trade balances, mainly due to the fall in oil prices.

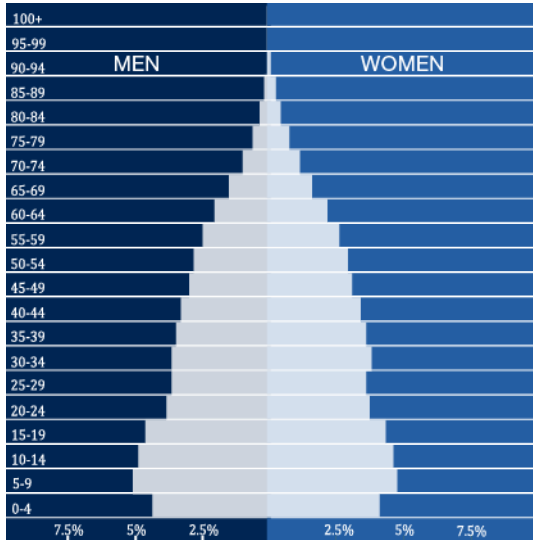
Balance of Payments (US\$ Million)

Source: Central Bank of Venezuela

Trade Balance (US\$ Million)

Source: Central Bank of Venezuela

MAIN SOCIAL AND ECONOMICS INDICATORS OF THE BOLIVARIAN REPUBLIC OF VENEZUELA

| INDICATOR | VALUE | LAST YEAR REGISTERED | VARIATION RESPECT TO LAST YEAR |
|--|---|----------------------|--------------------------------|
| GOVERNMENT | | | |
| Government Budget (%PIB) | -29.9% | DEC/2019 | 0% |
| UNEMPLOYMENT | | | |
| Unemployment Rate (%) | 6.4% | DEC/2018 | -0.9% |
| Employed Persons | 15,011,108 | DEC/2018 | 295,590 |
| Unemployed Persons | 1,035,238 | DEC/2018 | -147,666 |
| Minimum Wages (BSF) | 5,196,000 | MAY/2020 | - |
| Population (Total persons) | 32,220,000 | DEC/2019 | 390,000 |
| Population Pyramids |  | | |
| Unemployment Rate | 93.65% | DEC/2018 | 0.99% |
| TAXES | | | |
| Corporate Tax Rate (%) | 34% | DEC/2020 | 0% |
| Personal Income Tax Rate (%) | 34% | DEC/2020 | 0% |
| Sales Tax Rate (%) | 16% | DEC/2020 | 4% |
| Social Security Rate (%) | 24.5% | DEC/2019 | -0.5% |
| Social Security Rate For Companies (%) | 19% | DEC/2019 | 0% |
| Social Security Rate For Employees (%) | 5.5% | DEC/2019 | 0% |
| CONSUMERS | | | |
| Consumer Confidence (points) | 66 points | JUN/2020 | 8 points |
| Retail Sales Mom (%) | 12.55% | JAN/2019 | -20.9% |

| | | | |
|---|-------------------|----------|----------------|
| Consumer Spending (Millions VEF) | 3,819 | MAR/2019 | -1,238 |
| Private Sector Credit (Millions VEF) | 59,180,415.50 | AUG/2020 | 13,175,869.90 |
| BUSINESS | | | |
| Industrial Production (%) | -20.6% | JAN/2019 | 26.40% |
| Competitiveness Index (Points) | 41.83 | DEC/2019 | 2.0 |
| Competitiveness Rank | 133 | DEC/2019 | +6 |
| Ease of Doing Business | 188 | DEC/2019 | 0 |
| Changes in Inventories (VEF Million) | -543 | MAR/2019 | 365 |
| MONEY | | | |
| Interest Rate (%) | 38.15% | NOV/2020 | -0.77% |
| Banks Balance Sheet (VEF Million) | 1.830.451.445,50 | AUG/2020 | 384.806.356,27 |
| Foreign Exchange Reserves (USD Million) | 6.386 | DEC/2020 | 59 |
| Central Bank Balance Sheet (VES Thousand) | 19.285.269,44 | SEP/2020 | 4.714.390,8 |
| PRICES | | | |
| Inflation Rate Mom (%) | 27.90 | SEP/2020 | +3.2 |
| Consumer Price Index CPI (points) | 79,061,685,127 | AUG/2020 | 15,653,054,545 |
| Food Inflation (%) | 1,692.50 | SEP/2020 | -354,4 |
| CPI Transportation (points) | 79,988,086,540.40 | SEP/2020 | 16,704,369,856 |
| Core Inflation Rate (%) | 60.30 | DIC/2013 | -0.60 |
| Core Consumer Prices (points) | 594.30 | DIC/2013 | 12 |
| Inflation Rate (%) | 1,813.10 | SEP/2020 | -363.9 |
| GDP | | | |
| GDP Annual Growth Rate (%) | -26.8 | MAR/2019 | -6.6 |
| GDP (USD Billion) | 482.36 | DEC/2014 | 111.35 |
| Gross Fixed Capital Formation (VEF Million) | 347 | MAR/2019 | -192 |
| GDP per capita (USD) | 14,025.36 | DEC/2014 | -696.5 |
| TRADE | | | |
| Balance of Trade (USD Million) | 5,680.00 | | 793 |
| Current Account (USD Million) | 2,533.00 | | 487 |
| Current Account to GDP (%) | 9.80 | | 1 |
| Exports (USD Million) | 2.497,00 | | -873 |
| Imports (USD Million) | 8,627.00 | | 370 |
| External Debt (USD Million) | 0.00 | | 0 |
| Gold Reserves (Tonnes) | 161.22 | | 0 |
| Crude Oil Production (BBL/D/1K) | 441.00 | | 7 |
| Foreign Direct Investment (USD Million) | 105.00 | | -92 |
| Terrorism Index | 3.66 | | -0.44 |

SOURCE: Tradingeconomics. At: <http://www.tradingeconomics.com/venezuela/indicators>



Profile of the Venezuelan Rickshaw market



Profile of the Venezuelan Rickshaw Market.

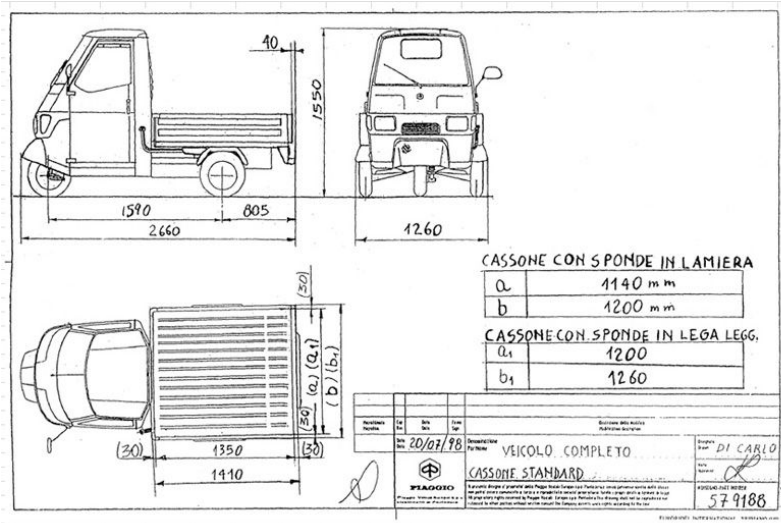
History

At the end of the Second World War, most of the Italians affected by the war lacked the means of transportation and, more importantly, the financial means to purchase full-size four-wheeled vehicles. In 1947, engineer Corradino D'Ascanio, inventor of the Vespa, was chosen by entrepreneur Enrico Piaggio, CEO of the Piaggio company, to design and build a light commercial vehicle to drive the economic reconstruction of Italy.

In the design, the engineer used his experience in the aeronautical sector, integrating elements used in the original Vespa design, adding two wheels at the rear; he built on a mast-frame a handlebar gear shift, and the engine fitted directly over the rear wheels. The front "shield" protection kept the rider dry and clean compared to the open front on motorcycles. The front fork (wheel support), like the landing gear on an airplane, allowed for easy wheel changes. The internal mesh transmission eliminated the standard motorcycle chain; this basic design allowed a number of features to be deployed on the frame, which would later allow rapid development of new models.

The vehicles come in various configurations, such as trucks and vans for transport and unloading; in 50cc, 125cc, 150cc and 175cc formats.

Rickshaw original design plan



Source: Original design plan of the Vespa Ap Consorzio Piaggio Ap

Bajaj Auto Limited, founded in November 1945 as Bachraj Trading Corporation Private Limited, started selling imported motorcycles and scooters and later in 1959 obtained a license from Piaggio and the Government of India to start manufacturing two and three-wheelers, motorized light transport vehicles and expanded throughout Asia with its headquarters in Pune Maharashtra, India. In 1960 it became a public company.

With the expansion of the company and the diversification of the uses that the new means of transportation could have, the Rickshaw cars, or currently called Tuk Tuk because of the onomatopoeia of its engine, began to boom. The most notable

modifications are related to the cargo area (supported by two rear wheels), in the Rickshaw car it is conditioned for passenger transportation; basically, the flat structure of the cargo area is eliminated and a cabin with seats for three people is enabled; an open division between the passenger cabin and the driver; doors are incorporated and the roof is commonly replaced by canvas.

The Auto Rickshaw is presented as an omnidirectional transport based on a cab service, applied in two systems; the vehicle is used with one, two or three individuals, regardless of whether they share destination, the driver determines the order of mobilization and a system similar to an urban transport service with specific routes and specific stops.

The tuk tuk represents one of the most used means of commercial transportation in the Asian continent in countries such as Thailand, India, Nepal, Indonesia, among others; expanding to Latin American countries and some regions of Europe.

Market profile in Venezuela

For 2018 in Venezuela, it was estimated that the vehicle and fuel fleet was distributed as follows:

| Percentage | Type of Vehicle | Quantity | Operational Quantity |
|--|-------------------------|----------|----------------------|
| 76% | Private vehicles 3.1 MV | 3.1 MV | 2.33 MV |
| 16% | Freight transport | 0.66 MV | 0.38 MV |
| 4.8% | Motorcycles | 0.2 MV | 0.11 MV |
| 2% | Public Transportation | 0.08 MV | 0.04 MV |
| 1.2% | Taxis | 0.06 MV | 0.03 MV |
| Source: Venezuelan Chamber of Automotive Manufacturers, Favenpa. | | | |

MV: Millions of vehicles

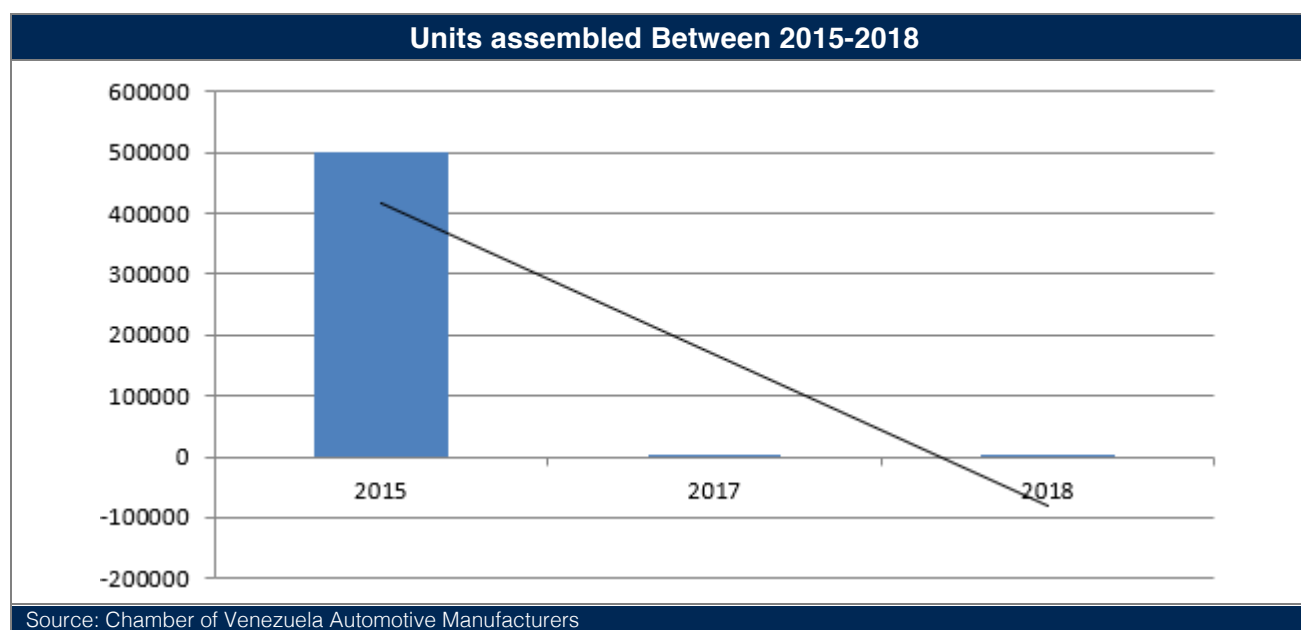
92% of the vehicle fleet uses gasoline, represented by 3.77 MV; in the case of motorcycles, 100% use gasoline.

The main member companies of the Association of Motorcycle Industrialists, Manufacturers and Assemblers (AIFEM) are made up of:

| Company | Address | Contact information |
|---------------------------------------|--|---------------------|
| Brand: SKYGO Repuestos landia C.A. | Carretera Nacional Guarenas - Guatire, Guatire 1221, Miranda | 02128086868 |
| MD Motocycles Motos Delicias C.A. | - Calle Lourdes con Av. Victoria, Calle Lourdes, | 0212 6326539 |

| | | |
|---|---|--------------|
| | Caracas, Distrito Capital | |
| Brand: SUZUKI Soloson Import C.A. | - Calle Lourdes con Av. Victoria, Calle Lourdes, Distrito Capital | 0212 6551600 |
| Brand: Bera Corporacion Kuri Sam C.A | - Calle Montecristo Galpon Nro 84 Urb. La Chapa Estado Aragua | 0412 4446738 |

According to figures from the Chamber of Venezuelan Automotive Manufacturers, the industry has an installed capacity to manufacture 1,627,000 motorcycles per year. In 2015 about 500,000 motorcycles were assembled, in 2017 they estimate that about 4,800 motorcycles were assembled and in 2018 about 1,000 were manufactured, which shows a drop in the last four years of 99.8%.



Units Assembled

Consumer Profile

According to the most recent data of ENCOVI 2019-2020 in Venezuela the population considered to be working is between 15 and 64 years old; reaching a figure of 19.2 million at the beginning of 2020, in the latest official figures the number of active workers reaches about 16.0 million people of which 14.9 million were employed; this implies that the number of workers who have abandoned the labor market, that is, who are neither employed nor looking for a job, fell by 4.7 million in the recent past, a contraction of 29.3%.

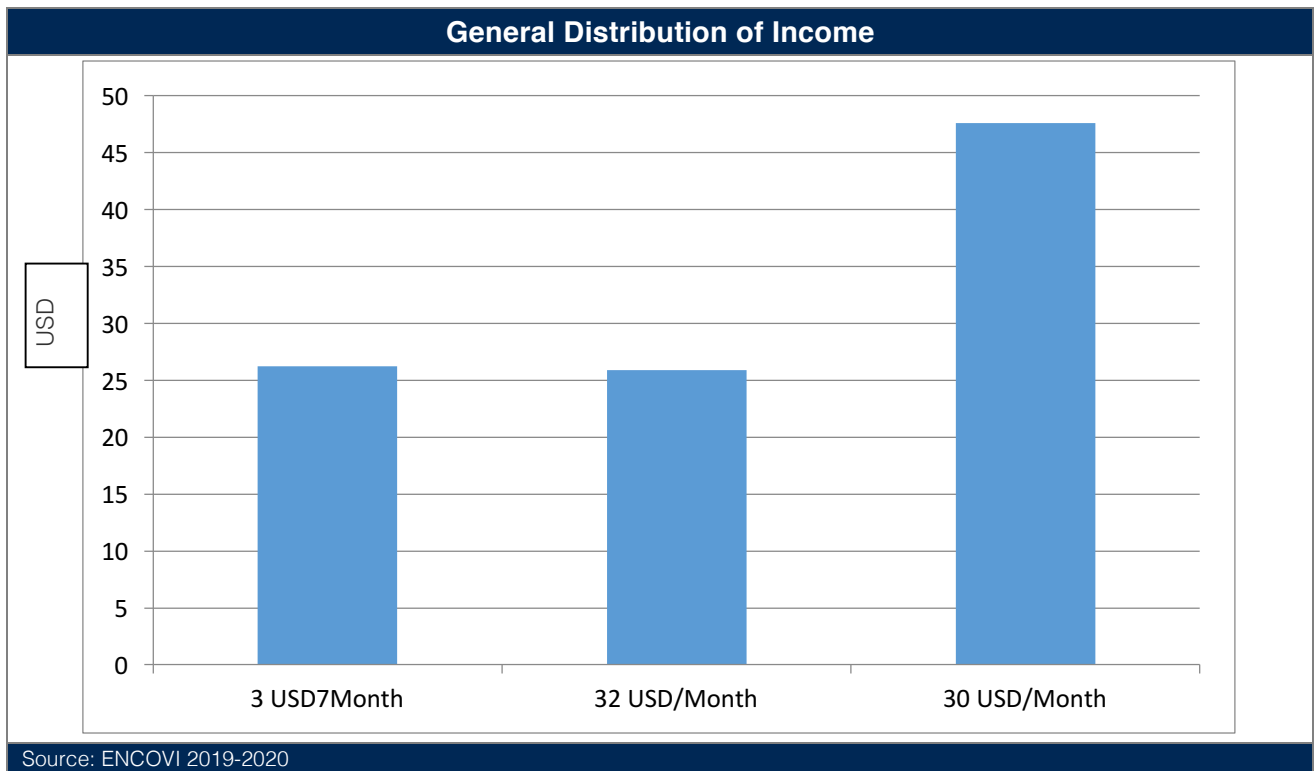
The labor participation rate according to gender is represented by 75.5% male and 44.6% female; with an unemployment rate of 4.1% and underemployment of 27.6%, with workers earning up to 1 minimum wage representing 26.2% of the population.

The decrease in the economically active population is due, on one hand, to those who voluntarily decided not to participate in the traditional labor market and migrated to non-

conventional practices and, on the other hand, to migration to other countries; meaning that Venezuela has a labor activity rate of 59.2%, the lowest in the Latin American region.

The information collected by ENCOVI 2019-2020 shows that for the moment the integral minimum wage (salary plus bonus) is equivalent to approximately three dollars per month. The evidence indicates that the minimum wage does not represent the general distribution of the average income, the inspection of data allows one to know that the average labor income of the economy is close to US\$26.4 per month, likewise an extremely low wage in relation to international standards.

In relation to the aforementioned, it is estimated that 26.2% earn only the minimum wage, especially public workers who represent 26.6% of the population. The private sector, represented by 25.9%, earns an estimated \$32.71 and the self-employed, represented by 47.6%, earn an estimated \$30.61 per month



Business Opportunities

Rickshaw Margarita Island, Nueva Esparta State, Venezuela.

Margarita Island, Nueva Esparta State is the largest coastline of Venezuela, located in the Caribbean Sea between latitudes 10 ° 52'N and 11 ° 11'N and longitudes 63 ° 48'W and 64 ° 23'W, the island, along with the islands of Coche and Cubagua, comprises the state of Nueva Esparta . The island is divided into two peninsulas joined by an isthmus 18 kilometres (11 miles) long and covers an area of 1,020 km². It is 78 kilometres (48 miles) long and measures approximately 20 kilometres (12 miles) at its widest point.

Margarita Island Map



Source: Google Map – Own graphic

It is characterized by a tropical climate, hot and humid throughout the year, with a dry season from late February to May, and a rainy season that is located between June to mid-February; the maximum temperatures are almost above 30 degrees and the minimum almost above 20 degrees.

The island has a known quality of beaches, the coastline possesses coasts where one can find at least 35 different beaches, deep, with waves, cold and warm, and has a hotel complex classified by the number of stars, with a capacity of approximately 46 thousand beds distributed in:

| | |
|-------|-----------|
| ★★★★★ | 10 Hotels |
| ★★★★ | 18 Hotels |

| | |
|------|------------|
| ★★★★ | 71 Hotels |
| ★★★ | 8 Hotels |
| ★ | 178 Hotels |

Objective for the use of the Rickshaw.

To offer hotels, local residents and tourists guided tours with different routes, so they can get to know the main points of interest of the city in a short time; promoting the historical and cultural values that Margarita Island has to offer.

RICKSHAW MODEL



Vehicle with capacity for 3 people, leather seats and back support.

Contribution of the Rickshaw on the Island of Margarita.

- Create a mobility alternative
- It offers tourists and residents the opportunity to tour the city in an innovative means of transportation.

- The design of the tuk tuk allows to travel through streets that tourist buses do not, facilitating a better mobility in alternative routes.
- Promote sustainable tourism (if it is electric).
- Possibility of creating a company that generates jobs and economic impulse in the region.

Weaknesses of the Rickshaw in Margarita.

- If it were electric, the duration of the battery would be 7 to 8 hours, which could generate delays in the service.
- If it is a gasoline engine, the increase in fuel prices would have to be reflected in the cost of the service.

Phases for Managing Rickshaw mobility.

1. Request to the municipality for the circulation permits
2. Contact personnel as tour guides (negotiate with the hotels).
3. Installation of a charging point for the tuk tuk (if they are electric).
4. Create a web page and an advertising campaign with the hotels subscribed to the service.
5. Start the project.

Rickshaw delivery in the main cities of Venezuela

Venezuela, in comparison with its neighboring countries, entered late to the massification of delivery. However, in a context where delivery represents an alternative for consumption and at the same time has been increasing due to the need to maintain the prevention and care of people because of COVID19, it has become one of the main alternatives for Venezuelans.

| Main Delivery applications in Venezuela | | | |
|---|---------------|--------------|---------------------------|
| APPLICATIONS | CUSTOMER | COVERAGE | LOCATIONS |
| Pedidos Ya | More than 800 | Restaurants, | Capital District, Miranda |

| | | | |
|---------------|-----------------------------|--|---|
| | businesses | Supermarkets, Pharmacies, Stores, Florists | State, Carabobo State, Lara State and Puerto la Cruz. |
| YUMMY | More than 300 businesses | restaurants, supermarkets, grocery stores | Capital District, Miranda State, Carabobo State, Lara State and Puerto la Cruz. |
| PEDIDOS TO GO | Less than 150 businesses | Restaurants | Capital District, Miranda State |

SOURCE: Own Graphics

Courier enterprises in Venezuela

- TEALCA
- DOMESA
- ZOOM
- DHL
- FEDEX

Objective for the use of Rickshaw

To offer an efficient goods distribution service, which has a rear compartment with more space and light load capacity.

TYPES OF RICKSHAW



Contributions

- Increased distribution capacity of medium-volume goods.
- Optimizes gasoline consumption to a single vehicle.
- Adapts to any type of commerce

Weaknesses

- If it were electric, battery life would be 7 to 8 hours, which could cause service delays.
- If it is a gasoline engine with the increase in fuel prices would have to be reflected in the cost of the service.

Phases to manage Rickshaw mobility.

1. Manage the Special Permit of Origin for International Freight Transport by Road issued by the National Institute of Transport INTT.
2. Contact qualified personnel with valid documents (license and medical certificate).
3. Installation of a charging point for the tuk tuk (if they are electric).
4. Manage with the stores and couriers the type of tuk tuk that suits your needs (may include a closed cabin with dry ice).



Legal Structure of the Sector



As of March 27, 2017, Decree No. 2,787 was published in Official Gazette No. 41,122, by means of which the Automotive Industry Re-boosting Plan was created, which contemplates investment programs towards vehicles for personal use, cargo and goods transportation and the so-called "Productive Motorcycle"; in order to boost the national automotive industry, specifically vehicle and motorcycle assemblers, with own resources or from individuals, auto parts manufacturers and related metal-mechanical companies.

For purposes of the decree, the "motorcycle produced or assembled in the country that is intended for productive activity, of a cylinder capacity less than or equal to 250 cubic centimeters with technical conditions and quality of the components similar to those of the rest of the motorcycles produced by the assembly companies, depending on the model offered by each company, which will be sold one hundred percent in local currency.

Vehicle and motorcycle assembly companies participating in the Programs and working under the scheme of own resources, from dealers or individuals, must allocate ten percent (10%) of the total income collected from the portion paid in foreign currency of the vehicles produced and imported under this scheme to obtain the imported raw materials (MEIV and manufacture of local parts) necessary for the production of units to be sold entirely in bolivars.

Exceptionally, vehicle and motorcycle import licenses will be granted, as the case may be, to assembly companies included in the "Venezuela in Motion" automotive industry revitalization plan. Likewise, the assembly companies must use minimum ordinary material of the Bolivarian Republic of Venezuela, in relation to the parts manufactured in the national territory and the Ministry of the People's Power of Economy and Finance will define through a resolution, the measurement of the minimum ordinary material; the joint ventures and strategic allies will incorporate parts and pieces according to the established in assembly agreements.

Vehicles assembled under the own resources schemes of dealers and individuals, which have not been marketed before the entry into force of this Decree, may be beneficiaries of the exemptions applicable to them under this Plan to Boost the Automotive Industry "Venezuela in Motion", prior authorization of the Ministry of the People's Power of Economy and Finance.

Referential sources

Decreto N 2.787 en Gaceta Oficial N 41.122, Plan de Reimpulso de la Industria Automotriz.

Available at: <https://www.finanzasdigital.com/wp-content/uploads/2017/03/Gaceta-Oficial-41122-Programa-Venezuela-En-Movimiento.pdf>

Website of the Asociación de Industriales, Fabricantes y Ensambladores de Motociclos.

Available at: <http://www.aifem.com.ve/noticias25.php>

Website of the Encuestadora Nacional de Condiciones de Vida (ENCOVI).

Available at: <https://www.proyectoencovi.com/informe-interactivo-2019>

Website of the Proyecto de inversión en Rickshaw Cartagena.

Available at: <https://repositorio.upct.es/bitstream/handle/10317/8817/tfm-mar-ana.pdf?sequence=1&isAllowed=y>
