Fleet Logistics sets up Brazilian fleet management operation

South America's largest country, Brazil, presents special problems in establishing fleet management operations there. Whereas the national fleet market is surprisingly well developed with many of the recognised fleet services and both local and international suppliers, there is still significant potential for further development of fleet management.

That's the view of Marcus Hennecke, Global Account Manager at Fleet Logistics**,** Europe's largest independent fleet management provider, which has just gone live in Latin and Central America with global agri-business Syngenta, managing a fleet of around 1,600 vehicles in eight countries across the region, including Brazil.

Fleet Logistics is responsible for a fleet of 800 cars in Brazil, plus another 800 cars in other Latin American countries, managed from the office that the company has created in São Paulo.

The São Paolo office was set up in June 2016 using the footprint of parent company, international certification provider, TÜV SÜD Group, to take advantage of local infrastructure, facilities and staffing. This allowed the required fleet management operations to be set up much more efficiently, effectively and speedily than if new operations had to be developed from the ground up.

With a population of more than 200 million people, Brazil is the largest fleet market in South America. Of the approximately four million corporate vehicles in Brazil, more than half are located in the southeast region of the country, which contains the major population centers, including Rio de Janeiro and São Paulo.

Most of the corporate cars are outright purchased as leasing is still an uncommon way to finance cars, although it is on the increase.

Fleet Logistics International
Keltenring 13
DE – 82041 - Oberhaching

Tel : +49 89 638982 0
Fax : +49 89 638982 60
E-mail : info@fleetlogistics.com
www.fleetlogistics.com/legal

HRB: 199835, Amtsgericht Munich
VAT: DE 221.304.969

Hennecke said that fleet management in the region was split 70:30 between recognised fleet management techniques as seen in mainland Europe, and regional content which needed to take into account local factors, such as the sheer size of the country, the different regional conditions and specific national rules and regulations, especially those that were tax-related.

As the largest market in Latin America, Brazil provides special challenges, mainly because of its size and the different geographical conditions - it is as big as the whole of Europe.

Hennecke continued: "The first question 'Are there suppliers who are able to cover the whole country, especially in the remote areas in the north of Brazil can be answered with a definite 'yes'.

"Suppliers with an almost nationwide coverage for fuel, maintenance, accident services and telematics do exist. So, with the exception of a few cases in very remote areas where we have to find pragmatic solutions, networks of suppliers can be used.

"But further challenges arise from the size of the country. For example, as a result of the different topography, different cars are needed to serve the purpose of the driver; so a fit-for-purpose analysis, differentiated by region, is necessary," says Hennecke.

In addition, Brazil's roads infrastructure is not constant throughout the country, and in the north of the country many of the roads are just mud or dust tracks.

"This requires special vehicles to tackle the terrain and 4x4s are definitely required in some of the more remote provinces in the north, "says Hennecke. "Also the delivery time of new vehicles or spare parts in this region is different – in the rain season it may take weeks to deliver urgently needed items."

Brazil imposes 35% import duties to "incentivize" commercial companies to buy vehicles that are produced locally. Not only does the import duty apply to vehicles, but it is also applicable to imported replacement parts that will be needed during the course of a vehicle's service life.

At the same time, there are a number of different taxes on vehicles, based not only on the type of vehicle and its powertrain, but also on the province where the car is registered, for example.

"All of these local factors have to be taken into account when calculating the TCO of the vehicles involved, as taxation is clearly a key component of the TCO calculation," says Hennecke.

Another issue is the rising cost of fuel. Brazil has a national initiative to reduce dependence on imported petroleum. Historically, imported oil accounted for more than 70% of the country's oil needs, but Brazil has succeeded in becoming self-sufficient in oil.

Despite this, current fuel prices in Brazil are increasing linked to rising taxes on gasoline and diesel which were increased last year. Companies tend to buy gasoline or flex-fuel vehicles, which can run on either ethanol or gasoline, while pick-up trucks with diesel engines are also a popular choice.

There is still only a low percentage of cars financed via a leasing company, as a result of taxation issues from the past, but also because of 'cultural' or 'market maturity' reasons.

Nevertheless, good suppliers for operational leasing do exist in Brazil, including the major international providers as well as some 'local heroes'.

"As a result, it is worth carrying out a lease versus buy analysis, to determine what – in the specific circumstances of our clients – is the best way to finance their fleet operations," says Hennecke.

For fleet management to become optimized in the Brazilian market, Hennecke sees the need for an independent global fleet management company to become established as the most important factor.

Fleet Logistics International
Keltenring 13
DE – 82041 - Oberhaching

Tel : +49 89 638982 0
Fax : +49 89 638982 60
E-mail : info@fleetlogistics.com
www.fleetlogistics.com/legal

HRB: 199835, Amtsgericht Munich
VAT: DE 221.304.969

There are three major challenges in setting up successful fleet management in the region, he says.

"The first is to challenge the internal processes that are driven by the Brazilian administration culture, which are often complex.

"The second is to select cars on TCO-basis. This means finance, maintenance, fuel, and taxation as well as deciding between the operation of a purchased fleet versus an operational lease setup.

"And thirdly, the setting up of a powerful system of multi-bidding for all new vehicles, which means setting up clear and standardized rules amongst a range of multiple suppliers and then selecting the best individual offer available."

Marcus Hennecke, Business Development Director at Fleet Logistics

If you require any further information on the fleet management services that Fleet Logistics offers, please visit www.fleetlogistics.com

Fleet Logistics International
Keltenring 13
DE – 82041 - Oberhaching

Tel : +49 89 638982 0
Fax : +49 89 638982 60
E-mail : info@fleetlogistics.com
www.fleetlogistics.com/legal

HRB: 199835, Amtsgericht Munich
VAT: DE 221.304.969

Ends

Notes to editors

About Fleet Logistics

Fleet Logistics currently has a contracted vehicle fleet of around 180,000 vehicles with a related cost base of around €2.5 billion on behalf of leading multi-national corporations.

The company was acquired by TÜV SÜD in September 2012, the leading international technical service organization catering to the industry, mobility and certification segment. Its experts and technology consultants are dedicated partners in their clients' processes, offering comprehensive industry expertise throughout the entire value chain.

They focus their services on their core competencies of consulting, testing, certification and training. Over 19,000 employees are committed to optimizing technology, systems and know-how at over 800 locations in Europe, the Americas, Asia Pacific and Africa. Further information is available at www.tuev-sued.de.

The Fleet Logistics group currently has operations in:
• Austria, Vienna
• Belgium, Vilvoorde
• France, Paris
• Finland, Helsinki
• Germany, Mainz, Düsseldorf, and Münich
• Hungary, Budapest
• Czech Republic, Prague
• Italy, Milan
• Netherlands, Oosterhout
• Poland, Warsaw
• Portugal, Lisbon
• Romania, Bucharest
• Russia, Moscow and St. Petersburg
• Spain, Madrid and Barcelona
• Sweden, Malmö
• Switzerland, Baden
• United Kingdom, Birmingham.

Fleet Logistics has strengthened its geographical coverage to include the Baltic region -Estonia, Latvia and Lithuania - by creating consulting partnership agreements.

Fleet Logistics has emerged in Europe as a unique, knowledge-based fleet organisation, offering expert and impartial advising and management services, ranging from fleet solutions (fleet cost, policy and practices benchmarking) to strategic procurement (supplier tendering, negotiation and selection) and ongoing supplier monitoring (continuing control on overall costs, suppliers' pricing, and service quality).

Fleet Logistics' support services enable clients to reduce costs, simplify administration, and achieve maximum effectiveness for their policies and operations.

Fleet Logistics International
Keltenring 13
DE – 82041 - Oberhaching

Tel : +49 89 638982 0
Fax : +49 89 638982 60
E-mail : info@fleetlogistics.com
www.fleetlogistics.com/legal

HRB: 199835, Amtsgericht Munich
VAT: DE 221.304.969

For more information please contact Mike Gunnell on 0044 (0)1832 275060; mobile 07786 971 544; email mike@mgmediaservices.com or visit www.fleetlogistics.com