

## Telematics in Brazil: is this time for real?

(Carlos Alberto Pinto Nogueira explores the latest developments in Brazil, regarding the implementation of mandatory tracking and blocking devices in every vehicle sold, forecasted to start later this year)

Let's start with the simple things. If you are going to talk about anything mandate by law in Brazil, you need to understand the country's culture first. If I can paraphrase George Orwell in his famous novel "Animal Farm", I will say this about laws in Brazil: - All "laws" are "enforced" but some are more "enforced" than others.

Based on that above motto, it is easier to understand why the law, originally published back in July 27<sup>th</sup> 2007 forecasted to be enforced after 24 months, therefore August 2009, is still not currently being enforced. Although the law has a noble intention to reduce rates of stolen vehicles and cargo in Brazil (according to some unofficial public press data it is almost one vehicle/cargo being stolen every 3 or 4 minutes in Brazil), those same rates that are currently responsible for 50% of the Insurance Premiums (against 25% in Europe for instance), it did not take into consideration the complexity of the automotive environment as well as the overall advance of the technology just to mention a few. Some local insurance companies in Brazil have reported recovery as high as 95% when they first started to install their own devices but with a decline to around 80% nowadays, due to the advance of counter measurements by thieves.

If there was not enough attention to debate those things before the Government decided to publish the Contran Resolution 245 making devices mandatory, it certainly generated a lot of attention afterwards! From vehicle manufacturers to insurance companies, from service providers to device suppliers, the whole automotive products and services supply chain suddenly started to believe those devices were going to be enforced one day, not necessarily 24 months after publication as stated, but one day in the future. There was even some noise created by the debate the real Government intention could have been to track your car all the time, what could be considered a private invasion in the car owner rights what also generated further changes in the device, which now can only have the tracking portion activated by the owner.

Technical working groups involving all the players plus the Government were created and started to meet regularly. The debate brought many new companies interested in tap this new potential market and also was good to develop some new technologies. Like the SIM Card over the air carryover that had to be agreed by the telecom carries, since every vehicle will leave the factory with a "Government generic" SIM Card and will only be transferred to the company of choice of the consumer, after he makes the more convenient choice for him. Anybody involved on those discussions from the beginning could tell you there was no way this law were going to be enforced in 24 months. The problem was, it was not "politically correct" to say that either because you did not want to create problems for your company or sector with the Government or because your company business was investing too much money in that market and want it to succeed as fast as possible (wishful thinking)! And just to complicate things a little more there was an election for President forecasted for 2010 (actually the Party in power was re-elected).

Here we are now, about to complete 48 months after publication and 24 months after the original timing for implementation. Depending on where do you look or who do you ask, the new enforcement date is now anytime between May/2011 and January/2012! Still a pretty wide range if you are thinking about embark on that “adventure”, or even worst, are already in since 2007.

But that is not what I look when advising clients to invest or not in this market. What I look is other signs in the market. During all this time, investments were made everywhere in the supply chain. The local subsidiaries of the vehicle manufacturers and their suppliers have put together now stronger engineering teams able to work in more aspects of the technology. The service providers also have invested in technology and partnership to broad the range of possible services to be offered. Even the consumer, with the general advance of the car, phone and technology in general became more demanding of what he wants to have available at his fingertips (or voice commands) while he is in his regular commute inside the vehicle. Believed or not, the year the law was published was the year the iPhone was first launched! So, four years in technology evolution seems like almost a century of evolution in the old times!

Going back to my original question “Telematics in Brazil: is this time for real?” my answer is a definitely and with no hesitation a big YES! Why? Because now everybody that already had committed with the start-up of the mandatory devices law implementation, have already developed a plan B to have a return on their investments. The ROI now is being calculated with market demand figures and not based in the law anymore. Sure, if the law gets enforced sooner than later it will make the results better, but with or without it, there is a demand being shaped right now in the market, to have different products and services in around 10% to 30% of total vehicles sold in the market. Considered last year almost 4 million new vehicles sold in the total market, whenever the share is going to be initially, is not a bad market at all, especially when we look at all the economic crisis around the world.

So, if you or your company is thinking about participating on this market, the time is now. Pack your bags and come to be one of the players that will help shape the market. In six months it could be too late!

**Note:** Regarding the specific law enforcement, I do believe it is going to be enforced as an option with a limited market penetration of 20% to 40% and it will never go to be flying above that percentage because of its own technical limitations and the evolution of the devices demanded by the market. It will probably stop to be enforced after a couple years.

**Regarding the author:** Carlos Alberto P. Nogueira is an automotive executive with worldwide experience that has dedicated the last 15 years of his professional career to the development and study of Telematics products and services. Formerly held C-level positions around the world in companies like General Motors, General Electric and Motorola among others. He is currently the President and Founder of Nogueira Business Consultants (e-mail: [ca@carlosalberto.org](mailto:ca@carlosalberto.org)).