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Banco do Brasil provides easier access to working capital for autoparts manufacturers and sales of capital goods

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In an additional clear signal that the federal government decided to revert its policy of benefits to the industry, especially the automotive industry. Banco do Brasil, Anfavea, Fenabrave, and Sindipeças jointly announced two important initiatives to the automotive chain. The event, which had the presence of the presidents of the three associations and the bank, took place in São Paulo on Wednesday morning, 19.

The first initiative relates to automotive parts manufacturers, especially small ones, Tier 2 and below. Under the agreement, Banco do Brasil will receive the parts purchasing schedule from 26 “anchor-companies” - vehicle manufacturers and systems suppliers - for “a defined group of suppliers,” which was not divulged. The bank will then immediately offer these suppliers the values equivalent to the receivables for these purchase orders.

In practice, suppliers will have cash in advance for the payment of the autoparts that they will have not even produced. The purchase orders from the vehicle manufacturer or the systems supplier will be used as a guarantee for the loan - that is, in this case, payment in advance. Interest rates, according to BB, will be negotiated on a case-by-case basis, depending on the volume of orders and the size of the company.

According to the bank, resources valued at up to R\$ 3.1 billion (US\$ 885 million) should be supplied until the end of the year through this brand-new type of operation, with the participation of Anfavea and Sindipeças.

Banco do Brasil stated that “the advantage is to have anticipated access to resources with better financial conditions, without the need to resort to the higher rates applied to discounts on receivables or direct working capital financing.”

Sindipeças celebrated the agreement. According to its president, Paulo Butori, the financial benefit should provide ways for suppliers to balance their cash and maintain production and workforce levels. “As Henry Ford would say, the automotive industry worker needs to be able to acquire vehicles. If we maintain the current level of employment, we will maintain the market at its current level,” he stated, adding that he does not expect the initiative to improve things, but only prevent them from getting worse.

According to Sindipeças, the automotive parts industry cut approximately 30,000 jobs during the first semester of this year alone.

Caixa, another federal bank, also revealed a very similar initiative on Tuesday, 18. According to Luiz Moan, president of Anfavea, both federal banks will be able to “compete for the customers, trying to offer better conditions.”

Trucks and machines - Another initiative from

Banco do Brasil relates to the sales of trucks and agricultural machinery within the harvest season plan, Plano Safra. The bank plans to implement efficiency measures that would make the number of days needed to process these financing requests drop from 67 to only 14.

The new system should allow the dealer to work as a bank agency. The customer would negotiate the financing and provide the necessary documents directly to the salesperson. The buyer would only need to go to a Banco do Brasil agency to sign the contract.

The entire process may also be conducted via the Internet, within an environment especially developed for this purpose, called Esteira Agro BB. The system will simulate purchase orders, and process, receive, and manage them, ultimately leading to the financing.

The bank will also have an application that will allow the process to be conducted via smartphones and tablets. The launch should take place at the Expinter agricultural fair in Esteio, RS, at the end of this month.

The resources will be available through the new harvest season plan and should also contemplate the purchase of agricultural implements.

According to Moan, the main advantage is exactly the strong drop in the time needed to process the credit request and receive the vehicle, “which should have an enormous impact in the dealers’ - and customers’ - working capital. Imagine what it means to have this money frozen for more than 50 days” - in reference to the difference between the current and the new plan’s conditions.

In order to apply for the program, the dealer must sign a contract with BB in order to act as a commercial correspondent. Fenabreve estimates that 200 dealers should immediately join the program, increasing to approximately 1000 within a short period of time.

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Hybrid and electric vehicles to pay only 50% of the IPVA tax in São Paulo

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Owners of hybrid and electric vehicles, as well as those who plan to acquire these types of vehicles, received good news from the city of São Paulo on Friday, 21: these types of models licensed in the city will be provided a 50% discount on the IPVA tax - a Brazil-wide tax that varies between 1.5% and 5% of the vehicle's market value.

The city's Mayor, Fernando Haddad, signed Decree 15,997, also known as the Electric Car Law, in an event attended by Anfavea, ABVE, and vehicle manufacturers' representatives. The IPVA is a state tax, but its resources are shared half-and-half between the state and the municipality where the vehicle is licensed. In effect, the city of São Paulo will not be charging its

share of the tax. If the state government decides to also offer such exemption on its share, owners of hybrid and electric vehicles in the state would be granted total IPVA tax exemption.

The measure is valid for vehicles acquired this year. The refund process still requires paperwork. However, starting next year, the entire refund process will be done electronically.

The vice president of Anfavea, Marco Saltini, said in a statement that the association supports the initiative. "Undoubtedly, the cost of (an electric) car is one of the barriers preventing the development of sales, and this measure by the city of São Paulo adds support for this cost to eventually drop. In all countries where hybrid and electric vehicles entered the fleet in greater number, stimulus was provided."

During the signing event, the Mayor of the city also revealed that studies are being conducted to determine whether this type of model should be excluded from the municipal law that prohibits vehicles

from circulating in the city during certain hours one day per week. If we exclude (hybrid and electric vehicles) from the car, perhaps owners will replace two polluting cars for one non-polluting car, with a very small impact on traffic, almost none, since the fleet is very small. Throughout the years, this would need to be reevaluated in terms of mobility. From the perspective of sustainability, however, it is obvious that the impact would be very significant."

The Brazilian association of Electric Vehicles, ABVE, also celebrated the measure. Island Costa, a director, said in a statement that the law can generate a domino effect causing other municipalities, federal and state governments, to review the tax burden on electric vehicles. "In addition to offering lower usage cost, the electric vehicle contributes to public health since it does not generate air or sound pollution."

According to Anfavea, 482 hybrid and electric vehicles were sold in the country between January and July. In 2014, this total was 855 units. **WE**



MAN: maintenance of the workforce is a priority.

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Despite the 41% drop in truck sales between January and July of this year, MAN Latin America has not cut investments and managed to maintain its workforce at its Resende the unit in the state of Rio de Janeiro practically unchanged, based on measures adopted in agreement with its employees. The objective, according to its president, Roberto Cortes, in an exclusive interview, is to position the company for recovery, "which we do not know when it will come, but it will come."

At the end of last year, when the PPE, Employment Protection Plan, was nothing more than a project, MAN struck an agreement with the local metalworkers union to reduce the number of working days and salaries by 10% throughout the entire year of 2015.

"We made a bridge plan to enable us to move through the crisis without affecting the workers," explained Cortes. The measure is valid for MAN and the eight suppliers that participate in the unit's modular consortium, involving a total of 4000 employees.

"Since January, nobody works two Fridays per month. The measure is valid up to December and, depending on what should happen at the end of the year, we do not discard discussing the PPE here at the plant," added Cortes. The federal government's plan, which has been in effect since July, allows for a 30% reduction in the number of workdays, with the government paying for half of the loss, up to 30% of the salaries.

According to the president of MAN, the good relationship with the local union is the main reason

allowing the vehicle manufacturer to move through this period of crisis without facing problems with labor - during the first seven months of the year, only 11.8 thousand of its trucks were licensed in the country, when compared to 20.3 thousand units licensed during the same period in 2014.

Without revealing numbers, he guaranteed the dismissals that took place this year were limited to the voluntary dismissal program, with a number of incentives, principally for those who were close to retirement. In July, the company eliminated the second shift and placed 600 workers on layoff for a five-month period, guaranteeing their return to the plant.

"Knowing that 2015 would be difficult, we planned for the crisis and negotiated with local union even before the year began. The workday and salary reduction program was unanimously approved, since the worker assigns more importance to the maintenance of the job," added Cortes.

Now, with estimates that the crisis will be longer than expected, the president of MAN does not discard a plan B: "If the recovery should not take place until the end of the year, we will then need to discuss new forms of preserving our workforce."

Without providing any forecast about when the market should start to react, Cortes said that the recovery is directly related to the return of consumer and investor confidence in the country: "One day, it will have to come and we want to be prepared when this occurs, which is why we have assigned priority to maintaining our workforce, which is highly qualified."

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Corolla close to reaching twice the sales of the Civic

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The medium sedan segment in Brazil has always been a very challenging market, especially for the two top contenders for the leadership: the Toyota Corolla and the Honda Civic. However, in 2015, the game has changed completely, as the Corolla is close to registering twice the sales volume of its eternal rival.

According to Fenabrave data, compiled by AutoData news agency, 41.6 thousand units of the Corolla had been licensed up to Wednesday, 19, against only 22.4 thousand units of the Civic. In August, 3.5 units of the Toyota model were licensed, against 1.8 thousand units of the Honda. At this rhythm, the Toyota

model should close the year with twice the volume of the Honda model. There are no indications this trend should change, since both are 2016-model year versions.

During the same period last year, the gap between the sales volumes of both models was only 63 units, with 31.2 thousand units licensed for both, representing 24.5% market share for each model. Today, the Corolla has a 34.5% market share, against Honda's 18.8%.

The current scenario is a reflection of the launch of the new generation of the Toyota, which took place in March of last year, and has been responsible





for the model conquering the leadership position in the segment already in 2014, with 63.3 thousand units, when compared to 52.3 thousand units of the competitor. In 2013, the Honda model closed as the leader, with 61 thousand units when compared to 54.1 thousand units of the Toyota model. However, the launch of the most recent generation of the Corolla caused the model to race ahead of the Civic.

It is interesting to note that Toyota apparently learned the lesson taught by the Civic, and, later, forgot it. In 2006, Honda presented the so-called New Civic, which shocked the usually sleepy and puritan world of the medium sedans with an extremely bold and young design. As a result, Honda was the isolated leader in sales in 2007 and 2008 in the country.

However, as time passed by, the model held on

only to its visual style, giving Toyota time to plan the same shock and becoming the local market leader between 2009 and 2012. Both cases clearly indicate that the Brazilian consumer in this market segment can apparently be a conservative, but clearly prefers to buy a non-conventional style vehicle. In any event, the Corolla also offers an impressive performance despite its price, which ranges between R\$ 70,000 (US\$ 20,000) to stratospheric R\$ 101,000 (US\$ 29,000), against R\$ 72,000 (US\$ 20.5 thousand) to R\$ 89.4 thousand (US\$ 25.5 thousand) of the Civic. The sales volume of the Toyota model is so striking that, for the past three months, it has been the best-selling sedan in Brazil, overcoming even the compacts with this type of body, such as the Fiat Siena, VW Voyage, Renault Logan, Chevrolet Prisma and Cobalt, as well as others. **WE**

Bosch expands exports by 20%

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Despite facing a difficult year, with losses, Bosch Latin America has obtained good results from exports. Between January and July of this year, the company's sales to foreign markets increased 20%, principally to the US and China. As a result, the share of exports on total sales increased five percentage points, from 22% in 2014, to 27% this year. Previously it stood between 18% and 20%.

The information was revealed exclusively by the president of Bosch Latin America, Besaluel Botelho.

"Exports are not conducted from one day to another, but we have global products that favor foreign sales, including within the Group itself."

In addition to having competitive products, the devalued real has contributed to increased exports from Bosch Brazil: "With the favorable exchange rate, we are exporting more to the US and China, and also a little bit to Europe."

As examples of competitive products, Botelho mentions the high-performance ignition bobbins that are being supplied to the US market. The president of Bosch, still in reference to the exchange rate, believes the US dollar is overvalued and should also favor the

company's internal business in the country: "I believe that the real, devalued by more than 30%, will drive customers to acquire locally instead of importing."

As for exports, the company's strategy, according to the executive, is to have 30% of its total revenues based on this type of business: "This ratio contributes to the maintenance of some equilibrium in periods of domestic market retraction, as is the current scenario. And we are very close."

In the aftermarket, the company operates with positive results, a year-to-date increase of 5%. However, both areas have not completely offset the loss in domestic OEM business - despite the fact that it is registering smaller drops when compared to the average drop in total market sales to vehicle manufacturers:

"Sales of vehicles dropped 18%, and our business with vehicle manufacturers dropped 9%. Our ratio is lower for new business and increases in domestic supply of some components, such as ABS and ESP. However, our dependence on the automotive market is very big, reason why we have not been able to offset the drop in the domestic market with the increases in exports and aftermarket (sales)."

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