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BMW and JLR assign new presidents to Brazilian operations

BMW Brazil will have a new president starting February of next year: Helder Boavida (*left*) will succeed Arturo Piñeiro, transferred to the United States. And Jaguar Land Rover announced Frank Witteman (*right*) as the new president for Latin America, also starting on 2016 February. [Page 2](#)

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BMW and Jaguar Land Rover assign new presidents to Brazilian operations

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BMW Brazil will have a new president starting February of next year. Helder Boavida, a Portuguese executive, will succeed Arturo Piñeiro, who has been transferred to the United States to become president of BMW of Manhattan.

Boavida is currently director-general at BMW Mexico. Born in Lisbon, he obtained a Business Administration degree from a local university and became Managing Director of BMW Group Portugal between 2008 and 2014, when he took over the Mexican operation. In Brazil, he will be responsible for all of the operations of BMW Group, including BMW, Mini, and BMW Motorrad.

Piñeiro succeeded Jörg Henning Dornbusch on April 1, 2013, having arrived from the United States. Approximately a year and a half later, he experienced the company's most important initiative in Brazil in its history, the inauguration of the Araquari plant, in the state of Santa Catarina. Since then, the unit has already produced more than 10,000 vehicles.

Jaguar Land Rover - Only a few months from inaugurating the Jaguar Land Rover plant in Itatiaia, in the state of Rio de Janeiro - the first with complete assembly outside Great Britain -, Terry Hill, director-president for Latin America and the Caribbean, announced he will leave the company and the industry in 2016. According to a press release, the executive



Helder Boavida



will dedicate himself to personal projects in China beginning in February of next year, without revealing any additional details.

Hill, who has more than 30 years of experience in the automotive sector, occupied a number of different positions within Jaguar Land Rover until becoming the president of the Latin American subsidiary in 2013, succeeding, at the time, Brazilian executive Flávio Padovan. The British executive took over the operation months after the announcement of the construction of the Brazilian plant. He will leave the company moments before the inauguration of the unit, which will have a production capacity of 24,000 vehicles per year and will produce the Land Rover Evoque and the Discovery Sport, starting in the first quarter. Frank Witteman, his successor, will probably be responsible for cutting the inauguration ribbon at the production line in the state of Rio de Janeiro.

The executive, who was director-president of

JLR Russia for more than four years, will exchange the current temporary position of director of sales in China for the presidency of JLR Latin America and the Caribbean starting February 1.

GM Argentina - Meanwhile, General Motors defined who will succeed Isela Costantini as president of the operations for Argentina, Uruguay, and Paraguay. Carlos Zarlenga, current CFO for GM South America, based in Brazil, has been chosen - keeping the CFO position. He represented the vehicle manufacturer at the AutoData Outlook Congress 2016, in October.

Zarlenga was born in Argentina and made his career within General Electric, within the financial area, in a number of positions throughout the world.

Costantini, born in Brazil to Argentinean parents, will become president of state-owned Aerolíneas Argentinas, at the invitation of the recently elected president of Argentina.

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Kia projects 31% growth in Brazil in 2016

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The year of 2015 will not be memorable for the majority of automotive sector companies in Brazil. The same will be true to José Luiz Gandini, president of Kia Motors do Brasil. In a lunch with the press, held on Tuesday, 8, still with 15 working days of sales ahead, the executive stated the company should close the year with sales of approximately 16,000 vehicles, a very small portion for someone who managed to sell 71.2 thousand units in 2011.

The depressed domestic market and, principally, the 30 additional percentage points of IPI tax on vehicles sold above the annual quota of 4.8 thousand units - more than the rate of increase of the value of the US dollar against the Brazilian currency - are blamed by Gandini as the major villains for the significant drop from the 23.8 thousand vehicles licensed by Kia in 2014 in Brazil.

The president of Kia, however, is more hopeful for 2016. "Everything indicates we should experience a slight recovery. For next year, we project sales of 21 thousand units, representing a growth of 31%, consequently returning to a market share of more than 1%," he stated, adding that he does not see a domestic market recovery, estimating total sales of around 2 million units, below Fenabreve's projection, which calculates sales at around 2.3 million units.

Kia's sales recovery, therefore, should be based much more on internal factors, especially the arrival of products without any additional taxes. Two of the four

launches planned for 2016 - the New Cerato, in June, and the Rio, and November - are scheduled to arrive from Mexico, exempt of the 35% import tariff, within the trade agreement with Brazil. Before their arrival, the company should also bring the new Sportage and Optima from Korea, scheduled to occur at the end of the first quarter.

However, Kia will try to launch the Rio before, in July, but in the Korean version. The idea is to take advantage of the Olympic Games in Rio de Janeiro as a stage. A curiosity: Nissan is one of the official sponsors of the sporting event.

The company plans to invest around R\$ 35 million in a vehicle emissions certification laboratory in the city of Salto, in the state of São Paulo, which should be inaugurated during the last quarter of 2016. It continues to battle so the government may review the sanctions imposed on imported vehicles, whether higher tariff rates or smaller quotas. Gandini hopes for good will, in the least, and provides an indication of what he hopes for 2016:

"We have already been with minister Armando Monteiro, from MDIC, who is concerned with the survivor of the sector itself. The proposal of lifting the maximum quota of 4.8 thousand vehicles, by using the average during the past three years for imports exempt from the 30 additional percentage points, could represent a way out for the imported vehicles."

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Scania Brazil already exports more than it sells domestically

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Mathias Carlbaum

Image/Scania

The share of foreign sales on total Scania business this year has reached 60%, double the ratio registered in 2014. Without mentioning volumes, the director-general of Scania Brazil, Mathias Carlbaum, informed on Thursday, 10, the company conquered new

markets in 2015, now totaling 20, and is negotiating with clients in Iran and India, among others.

In order to strengthen its position abroad even further, Carlbaum revealed that Scania Brazil plans to launch the Euro 6 technology already next year:

“Some countries in South America that were being handled by other subsidiaries will start receiving our products. In addition, with the Euro 6 next year, we will be able to export to any market, offering, from Brazil, the brand’s most advanced (features) available globally.”

Exports, at least in part, have been one of the routes adopted by the truck and bus manufacturer to offset the crisis of the Brazilian market. The company adopted a series of actions in order to position itself closer to the customers, including the Vou de Scania Caravan and the Scania Experience.

“For example, we launched individual maintenance packages and went after new clients. In the truck segment, 20% of our sales were destined to companies and independent owners with whom we had not yet established contact, a ratio that totals 30% in the case of buses.”

Adjustment - Scania, according to Carlbaum, is better prepared to face 2016: “We will enter the new year with an adjusted production. One of the problems at the beginning of this year was the excess inventory in the market, approximately 20,000 trucks. We were previously more adjusted, but, in September, certain brands were still selling models produced in 2014.”

In the segment where it is active, that is, trucks above 16 tons (semi-heavy and heavy), Scania has a year-to-date share of 12.5%. The market this year

is forecast to total 41,000 units in this segment, representing a drop of 55% when compared to 2014. Scania’s director-general believes that next year’s sales should continue to drop, with stability settling in only in 2017.

According to his calculations, the market should drop between 13% and 15% in 2016, representing somewhere between 35-36 thousand units. The GDP in decline and the lack of consumer confidence are the major factors that, according to him, will prevent a recovery of the market in the short term.

As to the end of the PSI, Carlbaum said the market will have to become accustomed to this new reality: “Sales cannot be eternally sustained by subsidies. We can live the PSI.”

Taking advantage of the end of this sales model, Banco Scania plans to launch a new leasing option in January. The customer will give a down payment of 10%, as a kind of guarantee, and, at the end of the contract, this money will be returned, with interest, offering the option of acquiring the truck for market value.

At the retail level, Scania has helped dealers in financial difficulties by taking over operations that are running the risk of closing down. Last week, for example, it took over seven dealers of the Batistella Group in the state of Santa Catarina, in a business deal that involved R\$ 100 million.

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MAN wants to advance in the Argentinean market

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Nearing the end of its 13th consecutive year as the leader of the Brazilian market, MAN Latin America is now searching to advance in other markets of the region. A clear objective defined by its president, Roberto Cortes, is the neighboring country: he wants the company to become the sales leader in the truck segment in Argentina.

There is still a long way to go. Statistics from Acara, the association that represents the distribution sector in Argentina, indicate the brand ranks as the fourth best-selling brand of heavy vehicles - the calculation takes into consideration trucks and bus chassis -, behind Mercedes-Benz, Iveco, and Ford. In trucks alone, Iveco is the leader, followed by Ford and MAN, according to Cortes.

Iveco and Mercedes-Benz, the two best-selling brands in the market, have an advantage: subsidized financing. In order to acquire a truck through financing lines offered by Banco de la Nación, which offers rates similar to the Brazilian BNDES, the product must have local content, something that only the leaders in the Argentinean market are capable of offering - Iveco produces trucks in Argentina and Mercedes-Benz has a plant with a CKD operation for some of the models.

Cortes did not confirm whether the company will do something similar to the competitors, but imposed a certain tone of mystery in his words:

“We want to be the leaders in sales in Argentina.

And, in order to lead in that market, we need to do what must be done.”

The president of MAN admitted, however, there are plans and some alternatives that have already been studied. Among them, taking advantage of the two Volkswagen plants in that country: in Pacheco, where the Amarok pickup is produced, or Córdoba, where it produces transmissions. If the plan moves ahead, production could occur within the Modular Consortium process, similar to Resende, in the state of Rio de Janeiro, Mexico, and South Africa.

The election of Mauricio Macri, who will officially be sworn in as president of Argentina on Thursday, 10, contributed to make the company's plans move ahead. Cortes admitted he had conversations with the recently elected president, but did not mention the subject.

Brazil - The leadership position in Brazil in 2015 is almost guaranteed. With only a few days left for the close of the year, MAN continues ahead of Mercedes-Benz, despite the competitor's commercial strategy being very aggressive in 2015, according to Cortes.

However, there is no climate for celebration. A year ago, the executive expected to duplicate, or slightly drop, the performance of 2013, which had not been a very good year anyway. The almost 50% drop was unexpected, not even by the most pessimistic market analysts.

“Expecting a difficult moment, I met with the union at the end of last year and negotiated a smaller working week and a 10% reduction on wages. If I would have known the market would act this way, I would’ve increased this ratio.”

According to the president of MAN Latin America, one needs to move through the crisis with concern, serenity, and celebration of the achievements. The celebration relates to the leadership of the market and increased market share, since the drop in sales will be smaller than the overall market.

“There is concern. The level of activity in the truck industry has moved back to the levels evidenced 15 years ago and we are going to register losses for the first time in 20 years of activity in Brazil. If we, who already have a lean structure, are losing money, imagine our competitors.”

The executive emphasized that, despite producing only 24,000 units in 2015, in a plant that has a capacity to produce 100,000 trucks and buses

per year, the company has not cut its workforce: “We used vacation, long holidays, and all types of possible initiatives to preserve employment. But, until when will we be able to withstand? Until when will this crisis occur?”

Without any improvement perspective, since the political scenario that fuels the economic crisis is not showing any signs of change, the executive chose to adhere to the PPE, this time officially, in 2016, with the approval of 100% of the workers. Work hours will be reduced by 20%, with half of the wage reduction borne by the government and the other half by the company itself. The company did not correct wages according to inflation this year.

All of these problems must be faced with serenity, says Cortes. He tries to transmit this message to his customers, suppliers, and a dealer, despite facing, what he believes is the worst crisis ever: “And I have already experienced 16 crises, none as profound as this one.”

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Roberto Cortes

Brazil and Uruguay sign free trade agreement in the automotive sector

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Brazil and Uruguay signed on Wednesday, 9, a free trade agreement for automotive sector products. It should go into effect on January 1 and grants 100% professional tariff treatment to automobiles, light commercial vehicles, buses, trucks, agricultural machinery, automotive parts, chassis and tires, according to information from the Ministry of Development, Industry, and Foreign Trade, MDIC.

For Brazil, the free trade will include products with a regional local content equal or superior to 55%. In the case of products from Uruguay, the ratio, which is calculated by a formula set by the Mercosul, should be equal or superior to 50%.

In a press release, minister Armando Monteiro stated that it is a free trade agreement. "It is not restricted to quotas. Therefore, it has the perspective of being a totally free and fluid trade based on rules of origin that contemplate the peculiarities and the stage of development of both countries in this area."

There are still a few quotas for products that do not reach the minimum local content, on both sides: US\$ 650 million for Uruguay, and US\$ 325 million for Brazil. The agreement also establishes a program of productive integration for development of suppliers to vehicles and automotive parts that begin production in the country.

According to the MDIC, there is an additional safeguard clause for situations of significant unbalance in both countries, which calls for the temporary suspension of free trade and renegotiation of the agreement.

Last year, 56.5 thousand vehicles were sold in Uruguay, including 14.2 thousand units imported from Brazil. Between January and November of this year, Brazilian exports to the country totaled 12.5 thousand units.

According to Monteiro, "the agreement with Uruguay opens a new perspective so we can establish a broader free trade mark and bigger productive integration."

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Abraciclo projects stability for 2016

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The wholesale sales and motorcycle production drop of 15% between January and November of this year surprised the executives at Abraciclo, the association that represents the two-wheeled vehicles segment. Marcos Fermanian, president of the association, had projected the industry would register a performance, in the least, similar to the numbers achieved in 2014, which already weren't so good.

Credit restrictions, where only two in ten proposals were approved by the banks and the lack of consumer confidence in the economy caused this retraction, which should not change much in December, a month in which the manufacturers place their workers on vacation at the Manaus free trade zone in the state of Amazonas.

"It was a difficult year," stated Fermanian, during a press conference on Tuesday, eight, in São Paulo. "We thought it would be the same as 2014, but we did not imagine a new drop. But we will not cry or throw in the towel. We have to work significantly in order to maintain the results in 2016."

Between January and November, 1.2 million motorcycles were produced, including 1.1 million units sold in the Brazilian market. In November, the rhythm at the lines in Manaus dropped 38.4% when compared to the same month last year, reaching the lowest level of the year, 75 thousand units, in a movement that, according to the president of the association, served to adjust inventories. Wholesale sales followed the same trajectory



and shrank 41.2%, totaling 70.4 thousand motorcycles.

Fermanian said there is still a need to reduce the volume of motorcycle inventories at the dealers and manufacturers. "Production during the first quarter should suffer a significant change in order to adjust inventory to the size of the market."

According to projections divulged by the association, production and wholesale sales in 2016 should increase by 10,000 units each, practically stable when compared to this year. The projection calls for production of 1.28 million motorcycles, and sales of 1.22 million units to the dealers.

The number of vehicles licensed should now suffer from the impact of a new law: since last month, motorcycles equipped with engines of up to 50 cm³ will need to be registered at the state transportation departments, Detrans. This caused an increase of 18.4% in sales in November, when compared to the previous month, totaling 105.4 thousand units. The number of license registrations of these models registered an increase of 287% during the same period, going from 4.7 thousand units to 18.2 thousand units licensed.

According to Abraciclo, the number of units licensed in 2016 should increase 0.5%, totaling 1.26 million units.

Exports - The exchange rate valuation, which could represent an ally to offset a portion of the production drop, is suffering from another scenario: the market in Argentina and its US dollar restriction policy.

As the major customer of products manufactured in Manaus, exports to that country dropped 22% between January and November of this year, totaling



Marcos Fermanian

63.1 thousand units. The results of the past two months, however, show some improvement, with an increase of 54.2% in October, and an increase of 87.7% in November, when compared to the same months, respectively, last year.

"The outlook for the market in Argentina is positive, but we also have the Latin American market, which is a lot bigger than the Brazilian market and is currently being supplied with products from Asia. We have an enormous growth potential, but, for this, we need to unlock some factors that are harming exports, such as bureaucracy and logistics issues."

Since these factors that would help the Brazilian product to become more competitive are not resolved from night to day, export projections for 2016 calls for a slight increase of 2.7%, totaling 75 thousand units. **WE**