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“This action was the last alternative found by Volkswagen to bring its operation back to normal and mitigate the impacts throughout the entire production chain,” justified the vehicle manufacturer in a press release issued on Monday, 8, which also highlights the costs that will result and the decision, in addition to the requirement for the transfer of the tooling. “Volkswagen also entered a lawsuit to demanding the return of tools that are currently at the units of Grupo Prevent, believing in a fast solution.”

According to Volkswagen, the transfer of the tooling is essential for the company to return to its normal rhythm of production activities, as well as for the tranquility of its employees and its dealer network, although “the installation, validation, and the acceleration curve until the company returns to normal operation, should result in temporary losses of production.”

Grupo Prevent said it is surprised with the vehicle manufacturer’s decision, defining it as arbitrary and unilateral. In a press release, the group’s lawyer, César Hipólito Pereira, says that throughout the past month, senior management of both companies have met regularly in order to identify and ensure a common denominator that would meet the demands of the companies with the objective of continuing the regular supply to the vehicle manufacturer.

The company also highlights that Kaiper’s management was focused in obtaining an idea of the "situation of the commercial divergence between Keiper and Volkswagen and that what calls the attention the most is that during the most recent negotiation meetings it was evident that the agreement was almost ready to be closed."

"Volkswagen's decision clearly shows the vehicle manufacturer was already preparing itself to find an alternative supply, having already begun negotiating with the union and provided instructions to its internal leaders without ever putting this option on the bargaining table and/or directly discussed (it) with Keiper," stated the lawyer in the Grupo Prevent press release.

The lawyer also stated he is outraged with the decision because during all of the most recent negotiation meetings "it was evident that we were getting close to reaching an agreement" and that, in a meeting that took place on Thursday, August 4, Keiper had already decided to accept the vehicle manufacturers proposal, "with the objective of reaching an agreement and closing the commercial negotiation, especially given the proposed price readjustments."

In the press release, Grupo Prevent regrets what has happened, especially the results that Volkswagen's decision could cause at the workplace and the risk that the collaborators of the companies belonging to the group are now exposed to, highlighting that all of the recent production halts at the vehicle manufacturer for lack of components were previously communicated and alerted.

In virtue of its decision, Volkswagen revealed the collective vacation leave previously programmed for October should be brought forward to August. It should take between three and four weeks for the majority of its employees until the process of production of the supplies can be started at the new suppliers.

"The entire supply chain, composed by hundreds of companies, and the 18,000 workers of Volkswagen do Brasil are now focused in returning the company to its normal operation," stated the vehicle manufacturer in the press release. "Volkswagen is taking all of the possible measures to minimize the effects of supply to the dealers of the brand and to the offer of products to its customers, re-emphasizing its complete compromise with quality." WE

Image/Kia

Imported: quotas limit the business.

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The sales performance in the imported vehicles segment has been suffering a strong negative impact due to the limitation of quotas at 4800 units per year - the quota granted to the importer that is exempt from paying the extra 30 percentage points from the IPI tariff. In addition, the 35% import tax and the current exchange rate add to this scenario. According to José Luiz Gandini president of Abeiva, in addition to the lack of consumer confidence, these are major obstacles preventing the segment from experiencing a better performance.

"We are living in a phase where we do not have any alternatives for the game. We are locked down with the quotas. Even if we wanted to sell more - and there is potential for this - we would not be able because in addition to the import tax, additional percentage points that would be charged to the volume above the quota and the price of the US dollar makes business unviable," stated Gandini during the Abeifa results press conference on Monday, 8. The association represents importers vehicle manufacturers.

Gandini's arguments are especially valid with the segment's results reached in July. Sales of imported vehicles by the 18 members of Abeifa last month registered a growth of 19.7% when compared to the previous month, from 2780 units to 3337 units. However, the imported vehicles business still registered a significant decline of 37.1% when compared to the sales of 5307 vehicles in July of last year.

The negative performance is also evidenced in the YTD results. During the first 7 months of the year, 21,537 vehicles licensed, representing a drop of 43.6% when compared to the 38,183 units licensed during the same period last year.

"I am sorry to say that we have not had more positive during the past months. The truth is that as long as we have political indefinition in the horizon, the country's economy will also move sideways."

Regarding the members of the association that also produce vehicles in the country - BMW, Chery, Land Rover, Mini and Suzuki - the 1101 units sold in July represented a drop of 14.7% when compared to the previous month, and a drop of 79.2% when compared to the same month in 2015, with a total of 5303 vehicles licensed. "The brutal retraction when compared to July of last year can be explained by Jeep's departure from Abeifa, in November of 2015."

Between January and July of this year, the 5 members registered sales of 6328 units, representing a 63% drop when compared to the same period last year, which registered sales of around 17,019 vehicles. WE

Exports already account for 33% of Marcopolo's revenues

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Image/Marcopolo

The domestic bus market closed the first 7 months of 2016 with slightly more than 7.4 thousand vehicles licensed, representing a drop of 33% when compared to the same period last year, according to Anfavea. This, in itself, would provide enough reason for many complaints from vehicle and bus body manufacturers, but the scenario is even more dramatic. After all, the sales volume registered in 2015 already represented a drop of 39% when compared to 2014.

If selling in the country is difficult, companies have searched for alternatives elsewhere to maintain their assembly lines in operation. Marcopolo is a good example, among the major producers of bus bodies, of how this escape valve has been important.

The company, which is located in Caxias do Sul, closed the first 6 months of 2016 with total revenues of R$ 1.048 billion. From this total, R$ 346.5 million, that is, 33%, came from exports. The value exported from Brazil exceeded the total export revenues registered during the first 6 months of last year by 22%.

"This result consolidates the assertiveness of a strategy to focus business abroad and continue increasing competitiveness and operational productivity," stated the company, adding that domestic sales totaled R$ 366 million and the remaining revenues of R$ 315 million came from operations based in other countries.

The 2nd quarter was particularly important for achieving this export performance. Between April and June, the company registered foreign sales of R$ 248 million, an increase of 78% when compared to the same period last year.

Net profit also registered an increase of 16.7% in the same comparison: it increased from R$ 37.1 million in the first 3 months of 2016, to R$ 43.3 million. This positive increase in the margin, states Marcopolo is also "a reflection of initiatives taken by the company to increase efficiency, reduce costs, and expand the portfolio of clients."

This search for more clients was given the name of Project Conquest, which, overall, seeks to increase exports to traditional markets in Latin America and also cover new markets and customers abroad.

The growth in exports revenues from Brazil allowed the company to review its internal revenue target in US dollars from exports of bodies from 30% to 50% when compared to 2015.

Production - the company registered production of 2757 bus bodies during the first half this year, compared to 4966 units produced during the same period in 2015. However, the bus body producer, which still does not see any immediate change in the intercity segment, identified a small uptake in the urban bus segment during the 2nd quarter, much as a result of "the proximity with municipal elections, the Olympic Games in Rio de Janeiro, and the bids currently underway, as well as the ticket price increases in some cities." WE

Image/Localiza

Localiza to purchase another 30 thousand vehicles in 2016

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Localiza, the biggest vehicle rental company in Latin America, is helping vehicle manufacturers grow their direct sales, which already account for one quarter of the market. This year alone, the company plans to purchase more than 60,000 vehicles. “We have already acquired 30,000 new vehicles during the first semester, and we plan to acquire more than that by the end of the year,” stated Eugênio Mattar, Localiza’s CEO.

Localiza renews its fleet, on average, every 14 months for rental cars, and every 32 months for fleets. “This year, we will acquire more new cars because the rental and semi-new vehicles markets are experiencing a good moment,” stated Mattar.

Localiza’s semi-new segment is experiencing promising days. While the brand-new vehicles segment is experiencing a drop of around 25%, sales of used cars have dropped only 2% in the country. During the 2nd quarter, the company sold 13.8 thousand cars, 2000 units below what it managed to sell during the same period in 2015. “We didn’t sell more cars during the 2nd quarter because we simply did not have them. The rental segment has grown and there was no more fleet available for sale,” he said.

According to Mattar, despite representing a business with high revenues, currently estimated to be around R$ 1 billion/year, sale of semi-new vehicles does not offer high margins to the company. Even obtaining discounts from vehicle manufacturers, the executive alleges that depreciation and maintenance costs offset the benefits, almost breaking even in the end. “This is not our business. To think that we make money with this is a false illusion. We are talking about charging assets that need to run in the company,” he stated. Nevertheless, Localiza plans to increase the number of semi-new stores in the country. Currently, there are 78 units in 48 cities.

Rental business - According to Mattar, the economic crisis is over, all of a sudden collaborating to make the vehicle rental volume stronger. “The income of Brazilians has dropped in owning a car weighs more in the budget. As a result, the rental of vehicles can be more than just an option for travel or weekends and enter the daily lives of people,” stated the CEO of Localiza.

In order to hitch a ride in this moment of lower sales by the automotive industry, Localiza had to make its prices become more attractive. “We reduced the value of rentals between 20% and 60%, depending on the quantity of days and the combination chosen by the customer,” he stated. For example the rental of a basic car at the company’s 494 units costs on average of R$ 120/day, but, when rented for a whole week, the value drops to R$ 60/day.

According to Mattar, fleet management improved with the crisis. During the 2nd quarter, revenues in the segment increased 6.4% when compared to the same period in 2015. “Many companies had to get rid of their own fleets in order to raise capital and ended up looking for our services,” he stated. In the other direction, as a result of smaller workforces, some companies reduced the contracts with Localiza. “We need to review many contracts. In addition, we have very strong competitors in the segment,” stated Mattar. “The work cannot stop.” WE

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