

AUTODATA



From the Top
Antonio Megale,
Anfavea

Final meeting about Rota 2030

Main issues:

✓ Incentives for research and development

ok but with a limit of R\$ 1.5 bi

~~- Debt refinancing for the automotive chain~~

no

ok but it was suspended - Vehicle inspection *?

✓ New energy efficiency goals *ok*

~~- Fleet renovation~~ *forget it!*

~~- Tax structure's simplification~~ *no*

- Tax reduction for hybrids and electric vehicles

ok! Treasury agreed

all right. - Attention not to disregard WTO's regulations

- Meet luxury manufacturers' particularities

resolved

- *Ex-tariff: zeroed but 2% goes to R'nD*



HERE COMES THE MOST IMPORTANT
ECONOMIC MEETING OF THE BRAZILIAN
AUTOMOTIVE SECTOR

AUTODATA CONGRESS
PERSPECTIVES
15-16 | OCT **2019**



HOTEL TRANSAMÉRICA
SÃO PAULO



12 LECTURES
4 PANELS



3 SIMULTANEOUS
AUDITORIUMS

INFORMATION AND REGISTRATION:

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CHECK THE SCHEDULE FOR THE TWO DAYS

MONDAY • OCT/15

08h00/08h30 - Official opening

08h30/09h10 - Automotive sector, 2019 perspectives • Antonio Megale, president of Anfavea

09h10/09h50 - Mercedes-Benz lecture • Philipp Schiemer, president

09h50/10h30 - MAN lecture • Roberto Cortes, president

10h30/11h10 - Volkswagen lecture • Pablo Di Si, president

11h10/11h30 - Coffee Break

11h30/12h30 - 3 simultaneous panels

Panel 1: Trucks (Marco Borba, vice-president at Iveco, João Pimentel, general director at Ford Caminhões, Volvo and Ricardo Vitorasso, general director at Scania)

Panel 2: Agricultural and Highway Construction Machinery (Luiz Marcelo Daniel, president of Volvo CE, Roberto Marques, sales director at John Deere; Christian Gonzalez, planning director at CNHi; Alexandre Vinícius de Assis, key account director at AGCO)

Panel 3: Diesel Engines (Luiz Pasquotto, president of Cummins; José Eduardo Luzzi, president of MWM and Marco Rangel, president of FPT)

12h30/14h25 - Lunch

14h25/14h40 - Welcome • Master sponsor

14h40/15h20 - Ford lecture • Rogelio Golfarb, vice-president

15h20/16h00 - FCA lecture • Antonio Filosa, president

16h00/16h30 - Coffee Break

16h30/17h30 - Dealers Panel

Fenabrave, Assobrave, Abrac and Assobens

17h30 - Closure

TUESDAY • OCT/16

08h30/09h00 - Opening

09h00/09h40 - Auto parts sector perspectives for 2019 • Dan Ioschpe, president of Sindipeças

09h40/10h20 - General Motors lecture • Carlos Zarlenga, president

10h20/11h00 - Toyota lecture • Miguel Fonseca, vice-president*

11h00/11h15 - Coffee Break

11h15/12h30 - 3 simultaneous panels

Panel 1: Buses (Volvo Bus, Mercedes-Benz, MAN, Scania and Iveco Bus)

Panel 2: Automobiles (PSA, CAO A Montadora and Nissan)

Panel 3: System Suppliers (Besaliel Botelho, president of Bosch; Michael Diehl, vice-president of Grupo Continental; Antonio Galvão, president of Eaton and Osias Galantine, commercial director at Aethra)

12h30/14h15 - Lunch

14h15/14h30 - Welcome • Master sponsor

14h30/15h10 - Short-term perspectives for the automotive sector • Ricardo Bacellar, director of the automotive area at KPMG

15h10/16h00 - Brazil lecture, financial perspectives 2019 • Fernando Machado Gonçalves, economist at Banco Itaú*

16h00/16h15 - Coffee Break

16h15/17h00 - 2 simultaneous panels

Panel 1: Financial Entities (ANEF, ABAC and Banco Itaú)

Panel 2: Motorcycles (Abraciclo, Honda, Suzuki and Yamaha)

17h00 - Closure

*Presences not yet confirmed.

REGISTRATION'S VALUE

	2 days	1 day
From 15/08 to 31/08:	R\$ 2.338,00	R\$ 1.488,00
From 01/09 to 15/09:	R\$ 2.475,00	R\$ 1.575,00
From 15/09 to 30/09:	R\$ 2.613,00	R\$ 1.663,00
From 01/10 until the event's day:	R\$ 2.750,00	R\$ 1.750,00

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THE ABC OF ROTA 2030**

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Everything you wanted to know about Rota 2030 but you had no one to ask about it, from behind the scenes to the rules of the program



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END OF CHAT

The most relevant and irrelevant headlines of the month, handpicked by our editors

The minutia of Rota

Leandro Alves, director

This edition is particularly especial. Since the protocol that kicked-off the new Brazilian automotive industrial policy has been signed we sought to understand and translate that intricate framework that will direct the decisions of the automotive industry in the next five to fifteen years. But let's not waste time with spoilers here with the revelations of Antonio Megale, president of Anfavea, or even the enlightening cover story of this edition. We invite you to enjoy the fifteen pages dedicated to Rota 2030.

The first half of 2018 already is in the rearview mirror, but the performance of some sectors during this period may show what is about to come. A lot has happened and even facing uncertainties, especially because of the elections, the bus market, for example, remains optimistic in a recovery but apprehensive with businesses that will be dammed by the (lack of) attitude of the Executive in cities such as São Paulo, capital.

The recent and the upcoming launches – a lot of novelties are expected in an Auto Show year – also cheer the automotive paint people. In addition to the report about the trends for this segment we show the new entry-level vehicles equipped with automatic transmission presented in July. And we point why these launches also have additional values charged from the customer for solid colors like white and black.

We could not end this edition without saying something about the sudden and surprising announcement of Sergio Marchionne's decease. The automotive sector lost a leader who redesigned the destiny of big brands like Chrysler to Fiat over the last fifteen years, bringing a giant called FCA to the global game, among other important achievements.

We were personally with Marchionne in his last major public appearance, in Italy, at the end of May. There, after a day full of presentations about his plans for FCA, we received the confirmation from him that in 2019, after his retirement, he would write an article for **AutoData**. It could have been a playful moment, jokingly as it sounded. But we believe that we lost, besides a great leader, a future good reporter who would certainly know how to ask tough questions for the automotive leaders.



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Director Márcio Stéfani, publisher **Editorial Board** Márcio Stéfani, S Stéfani and Vicente Alessi, filho **Newsroom** Leandro Alves, deputy director of writing and new business, Marcos Rozen, editor **Collaborated in this edition** André Barros **Graphic Design/Art** Romeu Bassi Neto **Photos** DR and disclosure **Photo Cover** Romeu Bassi Neto/ArteAD **Social Midia** Allex Chies

Commercial and advertising tel. PABX 11 5189 8900: André Martins, Érika Coleta, Luiz Gidas **Subscriptions/customer service** tel. PABX 11 5189 8900

Administrative and financial department Isidore Nahoum, counselor, Thelma Melkunas and Hidelbrando C de Oliveira **Distribution** Correios **Prepress and print** Eskenazi Indústria Gráfica Ltda., tel. 11 3531-7900 **ISN** 1415-7756 **AutoData** is a publication from AutoData Editora Ltda., Pascal st, 1 693, 04616-005, Campo Belo, São Paulo, SP, Brasil. Reproduction without prior authorization is prohibited, but citation is permitted provided that the source is identified. Responsible **Journalist** Márcio Stéfani, MTB 16 644

MARKETING X PRESS AND PR

It's a useless confrontation, as the classic Wilbur would say, a character discovered by Luiz Augusto Michelazzo while walking around there, because they are areas of specific tasks in the companies and entities' planning. But the truth is that the marketing people and alike go further and further in the direction of taking the reins of press and public relations' area. It's noticeable the complaints that are heard from the press professionals regarding the press offices' service on their everyday routine, these already smashed by, let's say, general laws created by marketing people. A huge mistake, for example, seems to me, the non-participation of automobile manufacturers in auto... shows.

MARKETING X PRESS AND PR 2

It's still there, in the auto show halls, where people's love for cars is renewed in a general way, that's where the eyes get amazed by one shape or another and the heart beats faster in front of a motor piece of art. It's there, at the halls' space, that from time to time the major institutional union between man and machine takes place. More: it's really worthwhile that coexistence between press office staff and journalists around the king Car – a living that has joined and united these professionals, with good obvious results for many years. The idea is that the so-called king always be in people's imagination fueled by the editorial. After all, if it wasn't a good idea the events wouldn't have been held for more than one hundred years.

MARKETING X PRESS AND PR 3

More: recent work of the Accenture consultancy, The New Dealer, Projected for Me: Where Digital and Physical Experiences Meet the Future Customer's Expectations, says that 45% of the interviewed drivers "wish that services would be integrated to their daily life but don't want to go personally to a workshop or a dealer service location". Important: however "they still want to keep human contact: a place where they can physically interact with the vehicle they desire and receive advice from specialists" – what better place than an auto show? But the cost-benefit people, who are full of new ideas, should consider almost null the benefits from the costs and prefer to apply the company's money in other ways of promoting and selling. This can be another of those reinventions of the wheel and the result, as it has been experienced before, is a shot on their own foot. They are more like bargain-basement things for the exhibition – someone will be mocked because of this one day, it will be part of the despicable stories that the sector will never forget about. It's lost, in this case, a carefully built relation, of specific, measurable objectives, of reasonable changes. Rebuilding these communication networks is a job for many years, and journalists usually have a great memory.



OPALA'S CLUB

The sambodrome of São Paulo was crowded on that Tuesday night, July 17. It was the Opala's Night and party for its 50-year launch anniversary, General Motors of Brazil's cash cow during 24 years of production in São Caetano do Sul, SP. The party was organized by Matel/Auto Show Collection, a historic automobile shows promoter, with all the support of the Opala's Club. The cars, Opala and Caravan, classic and sports vehicles, were exhibited on the sambodrome's runway, coming from collections, still in use, preserved competition cars. In addition to the good public, of personalities linked to the Opala's Club and racing area, José Carlos da Silveira Pinheiro Neto and Pedro Luiz Dias were present – ex-GM, retired today. Regarding the current directors and actual representatives no one showed up. Not even the employee in charge of the memos.



Disclosure/Carol Ribeiro Fotografia

THE SO-CALLED UNPREDICTABILITY

A very likeable automobile manufacturer installed in Brazil (and it is not Ford) studies, with all the description, the risks involving the maintenance of its operation here and those resulting from the imposition of going away. Because of calculations that simply don't match, recent facts has changed its routine, the intern atmosphere is disturbed and Rota 2030, as it seems, will not be enough to help boost the activities here. And the elections in October, which could point to a calm sea in less than six months, on the contrary, are literally out of control, "they look like crazy airport people under constant windstorm".



NOVELTIES IN AUGUST

Everything indicates that August is going to be the month for the beginning of many changes in a well-known entity of the segment. The president would have been questioned by partners' representatives regarding the direction his mandate followed – a direction which many of them disagree, the direction of certain lack of commitment with their interests.



By Vicente Alessi, filho

Suggestions, criticisms, comments, offenses and the like for this column can be directed to the email vi@autodata.com.br

Der Sieg 2030



At the moment of conceding this interview to talk about the release of Rota 2030, at Anfavea's headquarters, at the end of July, in São Paulo, Antônio Megale, its president, made a point of opening his drawer and placing an AutoData February edition on the table. On the cover, bringing the title Der Rota 2030 (Defeat 2030, in English, as a pun regarding the name of the program - Rota 2030), referent to

the Brazilian's automotive sector scenario in case the Invar-Auto's successor was not released - something that, the executive admits, a lot of important people were taking it for granted.

"I understood what you meant here: you wrote the cover title in German, Der Rota 2030, or The Rota 2030", he joked. It felt as a relief for Megale, without losing the sense of humor: the approval of the automotive program, even

after almost one year late and very distant from what was initially thought, may definitely be seen as a personal achievement and the main accomplishment in his mandate, which ends next April. And that's why, we extraordinarily re-edited that cover, now with the title Der Sieg 2030 - or The Victory 2030 in German...

Check out next the main excerpts from the interview, part of our Rota 2030 special.

Is it possible to define a general reaction in the sector regarding the final paper of Rota 2030?

The sector is satisfied. It was a huge challenge, within the original concept, and we knew that. There were, for example, some proposals for a special tax regime, fleet renovation, vehicle inspection... all these topics are out of the program, but the central part, regarding the support to research and development and to the Brazilian engineering, is in the regime. The program was restricted to this theme but, in our view, it is the main part, which organizes the sector, says what we must have in the next years, where we need to improve, how the cars must be like. This is the inductor factor for the Brazilian industry development.

Will the Rota 2030 program guarantee the competitiveness of the Brazilian industry?

No, because it is not just the increase in R&D investments that will guarantee

competitiveness. We need to work in tax reform, logistic cost, the educational question... the fight does not end here, it starts now. We have some achievements ahead and one of them is the agreement between Mercosur and the European Union: from the day it is approved we will have a period of about fifteen years to increase a lot our competitiveness. Rota is a very important step, it structures the companies, but it is not enough to solve the competitiveness issue. Definitely not. Rota is a program which must assure that Brazil will keep developing technology, but competitiveness goes through other things.

What is, in your view, the main merit of Rota 2030?

It is essential from the organization point of view, it gives the example. Many other sectors have sought for us interested in creating their own Rota, they were waiting for this, it determined a logic change, to think about the long term. It



RELIEVED SMILE
The boxers hit each other until the last round and the fight was decided by points, but the MDIC won the battle against the Treasury





“Rota is a very important step, it structures the companies, but it is not enough to solve the competitiveness issue. Definitely not.”

also brings this important question of lining up all the other programs involving the automotive industry. For example: a new phase of Proconve (Air Pollution Control Program by Motor Vehicles) cannot be left out of Rota. If we have a new energy efficiency phase in 2022, with Rota, the new stage of the emission program must happen at the same time. It is not ok to invest two years to take care of one thing, and then to take care of another thing in the following year... everything will be aligned.

There was a lot of criticism in affirming that the automotive sector is always benefited...

In a country like Brazil, the government must have an inductive role. We are not an economy mature enough to let the laws of the market command, it does not work like that, we are very far from this. If there is a sector that develops the

country, that generates wealth, it needs to be helped. The automotive sector is pulling the industrial recovery, it generates good jobs, the average salary of an automotive sector worker in the highest in industry. Take Goiana as example: the workers' life level has increased a lot around there, before that the offer was only to cut sugarcane and with the arrival of a vehicles' factory the staff was even trained outside Brazil, they have a better life level... it can't be said that the automotive industry is not important and relevant to Brazil.

In practice, isn't the program more to Rota 2022 than 2030?

There are some legal limitations. It is not possible, for example, to extend benefits for more than five years. But yes, it is a fifteen-year program and this is on the text, it was excluded but it will return to paper, there is an amendment in this sense, to make this clear. There are three periods of five years with revision of targets for the next cycle at the end of the previous one. Probably there will be now an indicative for the energy efficiency targets of the second cycle, even if they need to be validated at the end of the first cycle.

Members of parliament presented eighty amendments to Rota's provisional



measure. Isn't there any risk that the program will be completely distorted?

First we need to understand which amendments those are. We will talk and discuss with the Congress. Some of the amendments have nothing to do with Rota and we still need to know who will be the rapporteur. And before that, the commission needs to be installed. Only then we are going to work to explain what Rota is. I am sure that Rota is a program to benefit Brazil and explaining what this is about there will not be one single person saying that it is bad for Brazil. It may be said that the program is not aggressive enough, that it could go further. I also agree but we understand that it can be improved so this logic of a greater predictability, of this fundamental long term view for Brazil, starts to happen.

“I am sure that Rota is a program to benefit Brazil, and explaining what this is about there will not be a single person saying that it is bad for Brazil.”

In your opinion, will Rota stimulate the production of hybrids and electric vehicles in Brazil?

Firstly, the companies needed to know which way they should go, which would be the targets and now they know. One of them was to achieve the goals that Brazil assumed in COP 21 in Paris, of reducing in 43% the greenhouse gas gases emission, referent to 2005, until 2030. We told the government that we would do it in the future. In other words, Rota will point the energy efficiency direction in 2032. Can it change? Yes, Europe is having difficulties to achieve its goals in carbon, for example. Some change of plans may happen but we are pointing the direction, no one in five, six years from now will be able to say 'oh, but I didn't know it...'. This is important so the companies can plan, analyze if they will launch hybrid and electric vehicles. For the second cycle, by the way, we are indicating a change on the greenhouse gas measurement system, so we can think on the life cycle, from fuel production to wheels, and not just from fuel tank to wheels. With this, we value our biofuel, something that is very connected to the R&D issue.

So does it mean that Rota is so much more directed to ethanol than electric vehicles?

The biofuel is an extraordinary alternative for us, it is a neutral system in emissions and theoretically we already have a competitive advantage compared to the rest of the world. But we need to go forward, study more, research, improve the engines, gain more efficiency regarding ethanol. We have to do this here, in Brazil, because our headquarters don't know how to do it and they don't want to do it. They don't believe in it. Europe has no choice, they must produce electric vehicles there. I am sure that if any European country had the possibility that we have they would privilege it. We have the solution of the biofuels here in Brazil, we must explore it, but it demands money. We need this sense of development: the companies always have their focus on obtaining profit for their production, obviously, but the center of R&D needs a source of funds for a more pure research. In the future we may have hydrogen fuel cells, which can be obtained from ethanol.

And is Rota the inductor that was missing for this?

Exactly. This is one of the good things in Rota: it brings an energy efficiency goal to achieve. Then you will take your engineers and say: how are we going to achieve this and what are the options? And in Brazil, by the price of the electric and hybrid vehicles, it is impossible to think that in five years you will have 25% of the cars with these technologies. Then calculations for the mix composition will be done, applying technology in the vehicles to improve the efficiency, and not only in 10% of the line but, let's say, in 50%.

And this, even with the reduction of the IPI (tax) for hybrids and electrics?

Yes. Another good thing about the hybrids in Rota is that the government listened to our suggestion and gave an initial discount of 2 points in the IPI percentage for the flex fuel hybrids, something that must stimulate the arrival of this technology.

“We have to do the researches on ethanol here, in Brazil, because our headquarters do not know how to do it and they do not want to do it. They do not believe in it.”

The incentives for R&D also contemplate the assembly lines' modernization. Isn't there a risk of distortion for this purpose here, in other words, to see automakers applying resources only in the factories?

No, because it is not just any kind of investment in line modernization, only the ones specifically linked to the Industry 4.0. The government had the right perception and understood that we can't have old lines. We will have to improve, it's a competitiveness issue. It goes through a process that goes beyond automation: putting the machines to talk to each other, before and after the manufacturing process, everything interconnected, and this demands a lot of money, it is not cheap. It was another important role of the government as a technologic inductor, it was a very positive point. We also need to mention the incentive for tools development in Brazil, equally contemplated.

And nothing for trucks and buses in Rota?

There is nothing about energy efficiency goals regarding heavy vehicles in the world, even with some discussions about it. There are goals for CO₂ emission, but not for efficiency. The Proconve will continue, normally. What is foreseen is that during the first Rota's cycle an implementation schedule of an energy efficiency program for heavy vehicles will be discussed, probably from the second cycle. Remembering that diesel is included in Rota, the pickup trucks are part of the energy efficiency. And

there will be a schedule of safety items for trucks too: this segment has its own particular pace but it also has to evolve.

That question about safety items, especially for light vehicles, should have already been part of Inovar-Auto...

This is one of the fundamental points of Rota: for the first time we point what we will have in safety equipment until 2030. It's 2018, the car that will be launched in 2027 is not even being imagined yet but when they think of this car we will already know which safety level that this vehicle will need to reach until then. This has an extraordinary value for those who project and plan. And there will be another schedule for assist technologies, which help the driver with involuntary lane change, emergency braking etc.

But is it required to produce in Brazil?

No, it can be imported. Although there is an interesting logic of the last tariff

list, which is part of the new automotive program: if it is not possible to produce locally the tax is lower, but if some day someone raises the hand and says 'Hey, I can do it', the tax goes up and the companies choose: pay a higher tax or develop locally. Besides, the ex-tariff helps to know what is being imported and in what volume, and with this we will be able to know the moment that may be interesting to nationalize it, if it is economically viable. The process is inductive. That's why I say Rota can't be exclusively analyzed from the amount of investments in R&D point of view. It is much wider than that, it starts to organize the sector, to regulate it, to make things right, to establish goals. Of course, with a responsibility of not increasing vehicles' price so much. We have to give to society the condition to buy the vehicles, but there was a change with Rota, it is important. The engineers celebrated. ■



ROTA'S ROUTE

The new Inovar-Auto's automotive policy substitute brings novelties but nothing is 100% certainty. We explain here everything you wanted to know about it but didn't know who to ask for.

After almost one year of delay, backwards and forwards, lights and darkness, at the beginning of July, Rota 2030 was finally announced by the federal government. But that does not mean it is everything settled - quite different from that, by the way. There is still a lot to happen, including... nothing.

AutoData prepared an exclusive special report to present to the reader absolutely everything that concerns the Rota 2030, in all its details and nuances, not only regarding the rules but the process as well. It is a real guide of the new Brazilian automotive policy. Check it out.

What it is and what it is not

The new sector policy for the automotive sector is something a little different from Inovar-Auto and quite different from what was initially proposed in the Rota 2030 studies. In a very simplified way, the program can be divided into three pillars:

Mandatory requirements

1

Those who want to sell vehicles in Brazil, national or imported, will have to commit themselves to meet the new energy efficiency goals, a schedule of safety equipment and vehicular tagging, for fuel economy and emissions and for safety items as well. And that's it. Those who do not want to assume the commitment still can still, but they will have to pay a 20% fine on the vehicle's sale value.

There will be bonus-goals within these efficiency and safety mandatory commitments, besides the minimum required. Regarding efficiency, there will be two ranges, offering an extra benefit of 1 or 2 points less in the IPI (Tax over Industrialized Products). For safety, the bonus is 1 point of IPI, but even if a manufacturer reaches all the bonus goals in both cases the accumulated benefit cannot exceed 2 points of IPI.

The ones who fail to achieve the required energy efficiency improvement rate will pay a fine according to the progress they have made: the more distant their results get to the minimum required, the higher the fine's value will be.



ROUTE

Rota 2030

2

At least formally the so-called Rota 2030 was restricted to the program of research and development, which is a voluntary membership – those who wish to be part of it, therefore, by a license annually renewed.

In this situation, the company that gets the license will have to apply part of its income, in an index that will rise year by year within each cycle of five years, from 0.5% to 1.2%, and will receive a reduction of up to 10.2% of IRPJ, Corporate Income Tax, based on real profit, and CSLL, Social Contribution on Profits, as an incentive. If the company does not earn any profit in the year which it would be entitled to the



discount, the company can keep the benefit for the following years regarding the validity of Rota 2030 – in other words, at least in theory, for the next fifteen years.

There is a list of investments considered strategic that will give the right to an additional deduction of 5.1%: Industry 4.0, connectivity, strategic systems, strategic solutions for mobility and logistics, ~~propulsion technologies or autonomous~~ propulsion technologies or autonomous vehicles and its auto parts, tooling development, molds and models, nanotechnology, exclusive researchers, big data, analytical and predictive systems, and artificial intelligence.



Regime of auto parts that are not produced in Brazil

3

The third part is an important change in the so-called ex-tarifário (ex-tariff). The auto parts that were not produced in Brazil already had this mechanism of import tax reduction, which its rate fell from 16% to 18%, depending on type of the part, to 2%.

This tax has now been zeroed, but the companies, whether automakers, system suppliers or suppliers, will continue to pay the equivalent of the reduced tax rate, or 2%. The difference is that instead of going into the government's pocket this amount will be destined exclusively to pre-approved projects for the automotive industry



technological development.

These projects will need to be presented by science and technology institutions, universities, research and development organizations etc., and will have to be pre-approved by a managing committee. The companies will support specific projects, in a process similar to the Law Rouanet (a Brazilian law created to motivate the culture). This was made to avoid what happened with Inovar-Auto, when the money applied in an R&D fund went to the general fund of the Brazilian government and ended up by being used for different means.

①



✓ *It's in force. But it's not.* ✕

The bureaucratic process so the new automotive policy turn into law is quite tortuous. The basis of everything is the Provisional Measure 843, of July 5, 2018. The text of the PM determines that it comes to be in force immediately - but then the mess shows up. The PM itself points out that the specific part of Rota 2030 starts to be valid in August 1st of 2018 and the regime for auto parts not produced in Brazil starts from January 1st, 2019. So far so good.

Just like any other PM, the one regarding Rota needs to be approved by the Congress in up to 120 days, in other words, November 14, 2018. If it is not, for any reason, the program ceases to exist. And to be approved, the PM must follow a process that goes through analysis first and approval by a mixed commission, formed by deputies and senators, and then by a vote in the plenaries of the Brazilian Chamber of Deputies and the Senate.

At the same time, the PM determined the creation, within thirty days, of a decree that regulates the program, which will be indicated, for example, the energy efficiency indexes, the schedule of safety items and other details of the automotive regime operation.

Before the decree, therefore,

no manufacturer can assume the commitments established by Rota because it is not known which they are officially and how the legal process to assume them will work.

So Rota is technically in force but, in practice, it is not.

Assuming that everything goes right, in other words, that the decree comes on time and that the PM is approved, the process does not end there. It is almost certain that there will be some kind of change in the PM's text promoted by congressmen and senators and these changes, as minimal as they can be, will demand decree text revision, since it will be originally published before the same PM Congress analysis.

And even after this theoretical revision of the decree's text the process once again will not be finalized: it will be the ordinances' turn, which will detail the items of the regulation.

The most optimistic prediction is that this process, with everything running as expected, will be complete by the end of the first quarter of 2019 - already under a new government, therefore. In the most pessimistic prediction, never: this happened with Inovar-Auto, which ended without all the necessary decree's text adjustments, even during the five years of its term.



The new energy efficiency challenge

There is still no official confirmation - it will depend on the text of the decree - but it seems that the minimum improvement required for energy efficiency will be 11%. The official measurement will be done from October 2021 to September 2022. This will be the mandatory goal for all companies, calculated from the weighted average sales per company.

As in Inovar-Auto the reference adopted in the new program will be the megajoule per calculated kilometer versus the average mass. The value, therefore, is not absolute, varying from manufacturer to manufacturer.

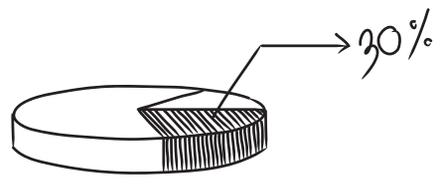
Regardless of the index that will be determined, a fact is that this will be better than the highest goal imposed by Inovar-Auto, the one that gave the right to an additional 2-point IPI discount and only two automakers managed to achieve it- Ford and General Motors. In other words

the lowest improvement required will be higher than the best index achieved today.

$$\begin{aligned} &\Delta (a+b)(a+c)^2 \\ &\Delta a(b+c)+a(b-c) \end{aligned}$$

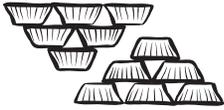
And just like in Inovar-Auto, there will be two additional goals which will give an extra IPI discount of 1 or 2 points. However, unlike the previous program, this additional analysis will be made model by model, as well as its benefit, and no longer by each manufacturer's weighted average. As the goal will be ambitious and part of the necessary evolutions to meet Inovar-Auto requirements has already been applied, such as the use of green tires and tri-cylinder engines, new developments in other areas such as body weight , with adoption of new materials, and the application of even more electronic components in powertrain are awaited. Even so, it is very likely that many manufacturers will promote launches of hybrid and electric vehicles, even if they are imported, as a way to lower their averages.

According to calculations from Anfavea, Inovar-Auto brought savings of R\$ 7 billion in fuel economy per year.





The trick of the new tax table for the hybrids and electric vehicles



A very celebrated factor regarding the new automotive policy was the reduction of IPI for electric and hybrid vehicles. But there is a trick there: the new table does not change practically anything in the short term. Its effects will only be felt at some time in the future when the new energy efficiency goals probably will force automakers to launch some of these vehicles on the Brazilian market, even if imported, to lower their averages.

What happened was that the government made a staggering for the IPI reduction—whose rate today is 13% for hybrids and 25% for electrics.

From November 1st, the noventena (period of ninety days to adapt before the tariff) finishes, the IPI for hybrids will vary from 9% to 20%, depending on the ratio of energy efficiency versus weight. The trick:

the Toyota Prius, the best-selling hybrid car in Brazil, pays 13% today and with the new table it will pay 12%, in other words, a minimum reduction.



The Ford Fusion Hybrid, the second best-selling car in the segment, won't even have that, because it will continue being taxed at 13%.



The Ford Fusion Hybrid, the second best-selling car in the segment, won't even have that because it will keep being taxed at 13%. Regarding the electric vehicles the scenario is the same: no change in the short-term because officially there are no electric cars being sold by a great automaker in Brazil nowadays. The BMW i3, which would be the one, is not considered an electric vehicle by the federal rules for having a combustion engine, although its function is only to charge the battery and not to help in the impulse of the vehicle. Because of this it pays the IPI of a hybrid car - and its tax is likely to rise on the new table. According to Inmetro (National Institute of Metrology, Quality and Technology) its energy efficiency ratio is 1.71 MJ/km and its weight is 1.3 thousand kilos, which is equivalent to 17% of the tax rate. The i8, also BMW and hybrid, jumps to 19%. Searched, BMW did not want to comment.

The real good news is that there is an additional benefit for hybrids that use flex technology in the combustion part: they will have an extra discount of 2 percentage points of the tax, regardless of the range in which they are located on the table. Again, there are no immediate earnings here, since there is no model of this type still for sale neither in Brazil nor in the world, but this incentive should guarantee its arrival.





Signature à la Hitchcock

The signing of the decrees and the PM that govern the new automotive regime, around 6:00 pm on Thursday, July 5, 2018, was surrounded by mystery and tension - almost a Hitchcock à la automotive. A group formed by representatives of Anfavea, Sindipeças and Abeifa landed in Brasília, DF, the night before with the promise of a meeting with the Presidency in the early afternoon. But a scandal in the morning, with a request by the Justice for the removal of the Minister of Labor and his subsequent resignation request, really agitated the corridors.

A postponement for the following hour, after another hour, and then no one knew what time the meeting would happen and if it would happen. The thing started to get complicated when the executives realized the possible need to re-schedule their return flights originally scheduled for the

beginning of the evening -as on Thursdays, at the end of the workday the Brasília stampede is generalized, there was no vacancy in any plane. The tension in the air won signs of panic when someone from the government suggested setting the meeting for 8:30 pm (20:30 in the 24-hour clock system), a silly joke with the name of the program, Rota 2030.

At 6:00 p.m., finally, the signature, with undeniable appearance of an event held in haste and a clearly uncomfortable aspect of the president, who in a short speech even complained about the fact saying that "if we had been warned in certain advance I am sure that

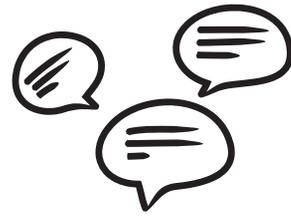
all Brazil would be here". But the rush had its justification: by legislation, that Thursday, 5, would be the last day for the federal government to announce anything that carried incentives - which, after this date, could be interpreted as an a violation to the Elections Code.

Signatures scribbled on the papers and everyone rushed to reach their planes.

The celebration was fast and discreet, on board of a glass of beer in the lobby of the Brasília airport.

The toast represented the relief of taking an Everest off everyone's back

The truth is that the Rota caused a huge crack inside the federal government: the MDIC x Treasury War was just the visible face of this battle, which was bloody behind the scenes. There was no lack of people to twist and disallow orders from ministers and secretaries. In the end the decision was really from the president, who personally took responsibility for the decree of the Rota.



The relief to the premiums



The federal government met specific request from the low volume automakers, specially the luxury brands such as Audi, BMW, Jaguar Land Rover and Mercedes-Benz, by putting into force the new Brazilian automotive policy.

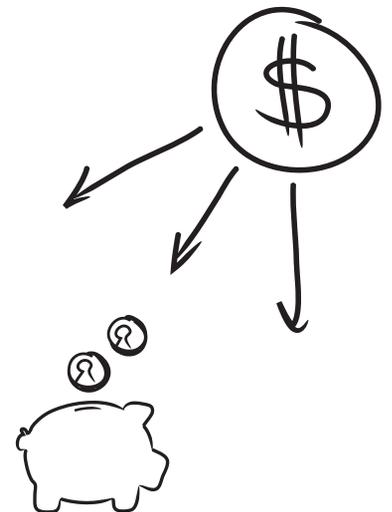
What happened was that by Inovar-Auto rules these companies had an additional benefit to start local production, in Brazil, linked to a minimum investment per produced unit: they could import half of their future productive capacity without an IPI increased in 30 points and for the other half they would collect this tax, which after this, would be reduced in the vehicles produced in Brazil.

During that time the market declined and, as a consequence, the number of vehicles produced in Brazil by them was much lower than the number of cars imported with the increased IPI collected.

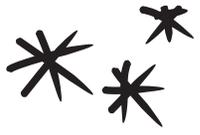
And then the Inovar-Auto was over and they got a huge credit in their hands that became useless.

What the government will do is to send a law project to the Congress authorizing these companies to use these accumulated credits now. In addition to that, these companies will have a differential treatment in the regime of auto parts that are not produced in Brazil. As an encouragement to produce new models here, they will be able to import more components inside the ex-tariff policy than larger volume factories, as long as this is part of a project for a model that has not been nationalized yet.

Anyway, just like the others, they will have to collect the 2% which would be referring to the reduced import tax attached to the fund that will finance automotive research and development projects.



It's not on the program...



After more than a hundred meetings that took place in Brasilia to develop Rota 2030, most of the proposals fell by the wayside before reaching the end of the process - but the industry leaders came to the conclusion that the scenario ahead was take it or leave it regarding the little that passed through the federal sieve.

Of the topics that got stuck along the way are special credit lines and debt refinancing programs for auto parts companies, mandatory vehicle inspection, fleet renewal, infrastructure improvements, urban mobility - which would include hybrid and electric technology for public transportation -, evolutions in the dealership chain, restructuring of the automotive tax system, more favorable Reintegra (Special regime for reintegration of tax for export companies) conditions for low volume manufacturers and a

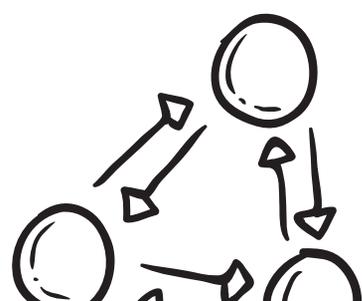


change in the way of IPI collection, which would change from cubic capacity and fuel to emissions and fuel economy.

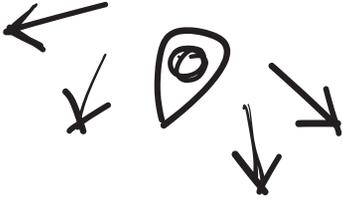
The labor reform, which was part of the discussion, ended up being approved separately but the industry still complains about its consolidation.

And not even a single word about the extension of benefits to manufacturers installed in the Northeast and Central West of Brazil, which to the surprise and general amazement was announced by the President of Brazil, in March, during an event at the FCA factory in Goiana, PE. Not to mention about the trade agreement with the European Union.

On the other hand, energy efficiency goals, investment in R&D, reduction of the IPI for hybrids and electric vehicles, and a timetable of safety equipment were approved. R&D incentives had a maximum ceiling of R\$ 1.5 billion, but this is included to a total minimum industry's investment of R\$ 5 billion - by the MDIC calculations during the five years of Inovar-Auto, the companies invested R\$ 25 billion in R&D.



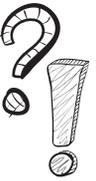
The craziness of the eighty amendments



Not enough all the hard-work for the approval process of Rota 2030 a separate chapter begins now: the Provisional Measure's approval process in the mixed commission of the National Congress, formed by 13 deputies and 13 senators. They could present amendments to the text of the PM - and they are no less than eighty.

Although entirely amenable to analysis and veto by the rapporteur, the content of several amendments is terrifying and, in most cases, changes completely the basis and logic of the automotive regime as it was designed and negotiated. For example:

two amendments simply exclude the ex-tariff benefit for the auto parts that are not produced in Brazil, claiming that this would affect the Brazilian industry.



Another one, inexplicably, restrains the R&D incentives to the hybrid and electric car sales with discounts for taxi drivers. Another excludes the part regarding the R&D incentives from the text. Three parliamentarians suggest a loophole to allow imports of up to twenty units per year without the company paying the 20% fine for not committing itself to efficiency and safety goals.

There are more bizarre amendments, such as amendments suggesting the increase of the R&D benefit from 30% to 60%, 80%, 100% and up to 160%, prohibition of the commercialization of combustion vehicles from 2025 and 2040, change in accessibility rules in buses for disabled people, alteration in the policy of the automakers' share for their dealers, inclusion of motorcycles in the automotive regime, maintenance of employment level as a mandatory condition for companies, exclusion of imported vehicles from Rota 2030, information (by the automaker) of all the parts that are used to produce the vehicle and its individual values and even exclusion of the IPI reduction for hybrids and electric vehicles.

Two amendments include (in Rota) the extension of benefits to the manufacturers installed in the Northeast and Center-West regions of Brazil. And if that were not enough, there are proposals that have absolutely nothing to do with the automotive industry, such as the payroll exemption for the furniture, footwear and travel goods industries.



Theoretically, most of the amendments should be denied, but as the National Congress reasons from an absolutely peculiar logic of its own, it is impossible to assure that Rota 2030 is immune to the application of appendices that distort the regime.

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SEOYON Intech Brasil, a company of SEOYON Group, reference in products such as door panels, head liners, electronic parts, is proud to be recognized as the best supplier of FCA LATAM in the INTERIOR category, for the last year. This award strengthens our relentless pursuit for high quality products, technology, innovation and environmental awareness aiming for our costumers satisfaction. We would like to thank FCA for the recognition, our partners for their support throughout this journey, and mainly our staff who, with talent, enthusiasm and commitment has made this outcome possible.



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André Senador

Graduated in journalism from Faculdade Cásper Líbero and master in communication from Universidade Metodista. He was Basf's social communication manager from 1987 to 1997, corporate communications director at Mercedes-Benz Brazil from 1997 to 2008 and director of corporate issues and relationships with the press of Volkswagen of Brazil from 2008 until last month. Member of the Communication Committee of AHK, Brazil-Germany Chamber of Commerce and Industry, and director of Capítulo ABCD (ABCD Chapter) of Aberje, Brazilian Association of Business Communication.

1

You have developed a career in the communication area in companies of the automotive sector, notably two automakers, over the last years. Would you say that during this period you have seen improvements in this area, on the press and companies as well or things have always worked essentially in the same way?

The way I see, there have been deep changes over the last years in the way of communicating. The explosion of the digital media, added to the evolution of technology, definitively modified the way to communicate. The emergence of social media gave the power of speech to the citizen and, from there, the companies cannot limit themselves to the traditional medias, whether establishing their own communication process or listening to the customers' voice. To be able to influence favorably the customers' opinion in this new scenario the companies need to understand the new society's behavior, more and more impacted by the use of digital technologies and by demands of a more diverse attitude, sustainable and participative.

2

Recently, it has been noticed movement of several companies of the automotive sector approaching their marketing and communication areas, a lot. How do you see this picture?

It's true. The perception of a joint work between these two areas, and that it will bring better results for an organization, has increased more and more. The new society's requirements, with growing expectations about organizations and the digitalization of the communication process, have led companies to seek new and more efficient ways to relate to society and the market. And the integrated work regarding these two areas, coordinating brand and communication actions, boosts results and allows a better alignment between the communication script and information of a company.

3

We are currently living a transformation in journalism overall, with social media and personal profiles occupying spaces that were previously exclusive of the traditional press. In your opinion, will this scenario continue? What could happen in the future of business communication?

This is a very strong trend, which should expand even more. It is a process that brings a duality within: if it is healthy to observe an increase in the personal citizen power on one side, of the customer, on the other hand, it can result into a prevalence of entertainment information in detriment of the relevant journalism, with consequent quality loss and, in the worst case, to the dissemination of fake news. Business communication must increasingly be aligned with the good journalism, serious and credible, as an antidote to this risk.

4

You wrote a book about nomophobia, a dependence on the use of communication systems by smartphones. How can this pathology affect people's professional performance?

Nomophobia is a recent phenomenon, resulting from the advance of digital communication technologies and the huge attractiveness of the social media. The disturbance, which name is originated from the expression 'no mobile', causes anxiety and discomfort when there is no access to smartphones or internet connection. The book approaches the duality of huge benefits related to using these devices and, on the other hand, the risk of its excessive use, which can lead the person to move away from their face-to-face relationships.

5

Are the companies involuntarily feeding this process? Can they somehow help avoid it?

The professional activity can stimulate the person in intensifying the use of these devices, attributable to the need of being well-informed in a very dynamic environment such as the one we live in nowadays. I believe that, even with all the benefits regarding these technologies, it is necessary to establish some disconnection windows throughout the day, so we can dedicate ourselves to face-to-face relationships and affection. Maybe the companies can contribute with their professionals by presenting more information about these risks and, at the same time, encouraging periods and activities that does not demand the use these devices.

6

Do you intend to keep working in the automotive industry's communication area or do you study to apply yourself in other business segments?

After twenty years working in the automotive segment it is undeniable that, besides a good experience, I have developed a great affection for the sector, for its professionals and for the very stimulating way that this area develops itself. But I also believe that the deep transformations we live today, and that they impact companies in many different areas, demand that a communication professional be ready to contribute in the most diverse segments, to help organizations meet the new demands from the society and customers

SUCCESSFUL PLATFORMS

Exclusive survey by AutoData shows all the platforms produced in Brazil. In terms of sales the champion is the General Motors GSV.

The strategy of producing vehicles that share the same platform is increasingly common in the world and also in Brazil. But how far does this comunization go in the Brazilian market? An exclusively survey elaborated by AutoData shows all platforms produced in Brazil and points that in this issue the country is certainly aligned with other important global markets.

The study also correlated the platforms to the sales numbers of the models that derive from them in the first half of 2018, using Fenabrave data for this. And in this calculation General Motors GSV, from Global Small Vehicle, is by far the most sold platform in Brazil - the Chevrolet Onix, Prisma, Cobalt and Spin are born from it.

The platforms, also called architecture, productive or modular base, bring the set of parts and panels that starts the final assembly process of a vehicle. They are usually identified by the side structures and floor united in only one part, a base where all the other items are added, from the body to mechanical and electronic systems.

Thanks to the platforms the manufacturers are capable of producing so diverse vehicles inside one single factory, several times on the same line. This way, it is

possible to reduce costs in function of the productive quantity, program in a more efficient way the requests to the suppliers and replace technologies. The secret for the success of an automaker is exactly in the use and rationalization of its platforms.

The GSV is the sales leader today mostly for representing a common base for a hatch, two sedans and a minivan. In a not so distant past the leader was Volkswagen PQ24, which disputed the market car by car with the Fiat 178.

At the moment, the modular architectures point the future of the automotive production: they can make the wheelbase distance vary such as length, width and height as well – originating, this way, a hatch or an SUV. The modular architectures were born thinking about adapting future technologies such as those adopted in hybrid and electric vehicles, including strategic areas that can accommodate batteries and lots of cable.

Some of these more modern architectures are already being used in Brazil. Such as the MQB Ao, from Volkswagen, base of Polo and Virtus and soon will be used in the first Brazilian SUV of the German manufacturer.

Check on the following pages the complete survey by manufacturer: ■

Platforms

**F30****Série 3****1 842****F48****X1****2 288****G01****X2****377****F26****X4****282**

Disclosure/Companies

Model(s)

Units sold

1st. semester of 2018

178**327**
FCA
 FIAT CHRYSLER AUTOMOBILES
**Strada****Weekend****Uno****Fiorino****Mobi****3 514****35 336****MP1****SW 4X4****Cronos****Argo****Renegade****Compass****Toro****39 168****75 686****B**
**Ka****Ka Sedan****EcoSport****Fiesta****75 686**

GSV 



Onix

Prisma

Cobalt

Spin

139 761

D2XX 

Delta II 



S10

Trailblazer

Cruze Sport6

Cruze Sedan

17 021

12 539

PF3

PF2 



HONDA



Civic

City

Fit

HR-V

WR-V

13 142

51 291

i20 

Elantra **Tucson**



HB20

HB20S

Creta

Tucson

65 865

20 152

2 653

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“The FCA is very well by itself. We're not for sale.” Sergio Marchionni

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THE ELECTRICAL SUPPLY DILEMMA

YOUNG PEOPLE DO NOT WANT TO HAVE A CAR. BUT THEY WANT A CAR.

TRUCKS: Market already works with projection above the Anfavea. Well above.

AutoData
NEWS AGENCY WEEKLY EDITION

Weekly Brazilian automotive industry news | 4.16 to 4.21 2018 Year XII

...es R\$ 21 million from the Argentine government

... (General Advocacy of the Union), filed five lawsuits in Argentina, demanding R\$ 21 million in compensation of exporting companies as SCE, Export Credit Insurance. In each of the actions, buying and not pay for the products received, according to information released by Agência Brasil, which also states that new measures could be taken soon.

More on pg. 4

...ce 90 units/day
... in 2019
pg. 6

VW Anchieta employees approve shared production
More on pg. 8

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D8



Discovery Sport

Evoque

2 750



W205

X156



Classe C

GLA

2 177

1 406

V



March

Versa

Kicks

41 336

PF1



208

2008

C3

Aircross

14 813



CMFA

MO



Kwid

Sandero

Logan

Duster

Duster Oroch

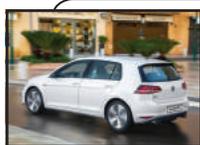
Captur

29 678

59 394

B**MC****Etios****Etios Sedã****Corolla****34 336****28 554****MQB****PQ12**

Volkswagen

**Golf****A3 sedã****Up!****2 698****9 797****Audi****PQ24****Gol****Voyage****Saveiro****Fox****88 717****MQB A0****PQ35****Polo****Virtus****Q3****51 075****1 322**

THE BRIDGE TO GROWTH



Disclosure/Volvo

After years of retraction in sales, bus numbers start to react. Still in a timid way, but consistent

The bus segment, which had its great moment in 2011 with a market of 34.5 thousand units, felt the hit of its reduction for 11 thousand units in 2016. It was at rock bottom, the executives said in the occasion, and seems like this moment is definitely being left behind.

Last year, there was an increase of 5%, for almost 12 thousand units. And better: the curve points firmly up this year, a 21% increase from January to July compared to the same period of 2017, to 7,4 thousand.

Gilberto Vardânea, commercial director of buses at Volvo, analyses: "The recovery began from the third trimester of last year. We are noticing the entre-

preneurs feel more optimistic, willing to invest".

For Jorge Carrer, MAN Latin America's executive bus sales manager, the main boost came from the highway segment until now, due to the new legislation - the accessibility law - which began to be valid in June. "The first half showed this turnaround, indicating a 2018 slightly better than last year."

Mercedez-Benz is also noticing an improvement regarding business environment. Walter Barbosa, its bus sales and marketing director celebrates, even that "we are still very far from the 27 thousand units registered in 2014".

Another factor justifies the bet on the

recovery, says Alan Frizeiro, manager of bus sales at Scania Brazil: "There was damming of fleet renewal and part of that volume emerged this year, increasing the numbers".

On the manufacturers' side Marcopolo is also feeling the resumption in sales. "There was a reaction. We have observed, for example, good performance with the vehicles destined to the Caminho da Escola (Way to School) program", explains Rodrigo Pikussa, director of Negócio Ônibus (Buses Business).»The only segment that has not yet improved was regarding the city buses. It is a sector that is going through a very difficult moment, financially speaking».

For Volare, the acceleration of the charter and tourism segment got intensified this year: «We grew something around 30% in the first half», celebrates João Paulo Pohl Ledur, its director.

IT'S NOT A BUBBLE

The next few months may confirm the good moment for most part of executives in the sector. "I believe that the second half should grow because there is a considerable volume expectation in public bidding, from 15% to 20% chance of evolution", estimates Jorge Carrer, of MAN.

The school bus program and the biddings have the potential for six thousand negotiated buses, generating a significant impact on the total sales volume. "It's not a bubble, it's something that started some time ago and could register an even bi-



Disclosure/Marcopolo

"Exports will start to have a determinant role: there are a lot of stuck businesses. The expectation is to grow even more than the 15% of the first half."

Rodrigo Pikussa, Marcopolo

São Paulo disturbs, but...

Even with the largest bidding of Brazil, the city of São Paulo, pending at the Municipal Audit Court, the city bus sector continues to evolve. This was the one that presented the Lat. Bus & Transpúblico 2018 fair, which brought the main manufacturers and bus manufacturers together during three days of exhibition and seminars at the end of July, in the city of São Paulo itself.

The president of Fabus, National Association of Bus Manufacturers, Antônio Fernandes Martins, showed optimism with the performance regarding the market this year. "We estimate something around 25% of growth for the end of the year". This index will help Refrota, a credit line with the FGTS funds to finance city buses. "With the \$ 3 billion of this program it would be possible to buy eight thousand city buses. And this has been put into practice", assured Martins.

Otávio Vieira da Cunha Filho, president of NTU, Brazilian National Association of Transport Operators, sees that the impoundment of the fleet renovation in the last years is the explanation for the drastic decrease in the demand – by its calculations, 25% lower than the last four years.

The leader also raised positive expectations regarding Refrota, "which allows purchases with more attractive taxes, amortization period of eight years and up to two years of grace period. There are buses being used that have not been paid yet, and this will give time so the companies breathe to recover themselves".



Disclosure/Mercedes-Benz

“From September on, all new coach buses must have a lift platform, and many business owners have anticipated their purchases to avoid the extra cost for the adaptation.”

Walter Barbosa, Mercedes-Benz

gger growth if, overall, we had a more favorable political and economic environment”.

There is the other side, however: the suspension of the bidding process of the city of São Paulo will bring negative effects. “The delay of São Paulo’s bidding will bring about a renewal postponement of the system”, says Alan Frizeiro of Scania. “But we noticed, even without the bidding, a renewal movement, even if it is not in the expected levels. But some companies are buying.”

Volvo also feels sorry for it: “Unfortunately the biddings, renewals and changes foreseen to 2018 will not happen, and of these, the main vector was São Paulo’s

bidding”, attests Vardânega. The executive affirms that of all projects of this type the only one that has been finalized was of Curitiba, PR, which Volvo provided all the 25 vehicles of the competitiveness, some of them already being used in the city.

But not everything is lamentation, if in the city buses in São Paulo’s bid frustrated all manufacturers there is optimism on the coach buses, especially for Scania: «We believe it should grow around 60% compared to 2017», calculates Frizeiro.

Barbosa, of Mercedes-Benz, is more careful in the total calculations: «At the end of 2017 there was a big federal bidding for school vehicles that may not be delivered this year. Maybe about eighty vehicles can be delivered from August, but the rest will be delivered in 2019”.

Carrer, of MAN, prefers to await the result of the presidential elections for those who know how to project even better numbers. «The scenario should clear up after we know the result of the lawsuit. We are optimistic about the economy, we believe it is possible to grow a little more.»

Unanimity is that the market has been affected by the revenue and passengers decrease, an aggravated scenario due to the operational cost: it is difficult to recover the margins and this will be the main challenge from now on. ■

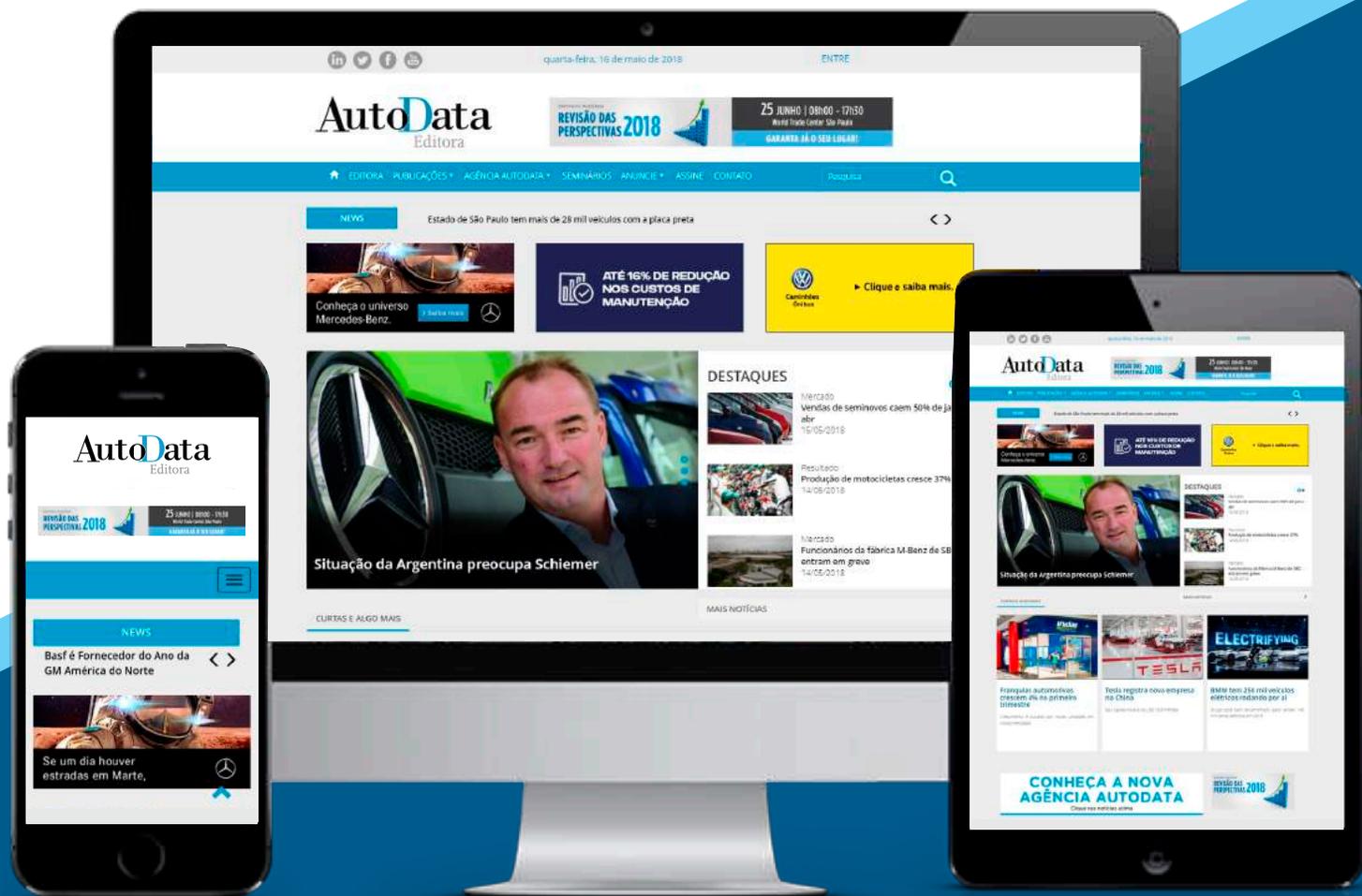
IT HAS GONE TOO FAR
Complex equation: at the same time that the operational cost has increased the number of passengers decreased, taking away the revenue of the companies as well.



Disclosure/Volvo

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AUTOMATICALLY MORE COMPLETE COMPACTS

Ford Ka and VW Gol families receive automatic transmission to combat Chevrolet Onix and Hyundai HB20. But a Brazilian transmission production is missing for both.

For the first time the compacts of Ka and Gol families are available with an automatic transmission – the Ford model has never offered a gearbox with this characteristic before and the Volkswagen car had only the automatized transmission.

For the Ka 2019 versions, formed by hatch, sedan, and the adventurous Freestyle, the novelty represents a gift for the emancipation: 21 years in the Brazilian market. In the first half it got the third position of the podium of the Brazilian market with 48,2 thousand units sold, hatch and sedan added together.

The option with automatic transmission is valid for all the range when equipped with 1.5 engine, inherited from the EcoSport, with its three cylinders.

Ford's goal is clear: although it does not talk about numbers, the company wants to attract customers who choose Chevrolet Onix and Hyundai HB20 today, the two market leaders that already offer the automatic transmission. Adriana Carradori adds: "About 70% of Ka's sales mix is hatch. By offering the automatic transmission option we expect to increase the sales percentage of the sedan version".



Disclosure/Ford



Disclosure/VW

The automatic transmissions of the Ford models are imported from Mexico. And the ones used in the Volkswagen cars come from Japan.

The transmission is imported from Mexico. Under the hood, the 1.5 liter Sigma gave way to the Ti-VCT with three cylinders, which reaches 136 hp with ethanol. Just like the transmission the engine is also used in the EcoSport, which gives the multimedia system Sync 3 and even the keyless start system to Ka as well, available in the Titanium version, the top of the line.

The entry-level model, hatch S 1.0 with manual transmission, is R\$ 700 more expensive: now it goes from R\$ 45,5 thousand. For the automatic transmission the customer will have to choose the 1.5 SE version for R\$ 56,5 thousand. The prices of the sedan go from R\$ 49,5 thousand to R\$ 71 thousand for the top version, Titanium.

AUTOMATIZED OUT, AUTOMATIC IN

The Gol and Voyage automatic versions arrive for the 2019 line, always with the engine 1.6 liter MSI, the same used in Polo and Virtus of up to 120 hp. Imported from Japan by Aisin it buries the automatized transmission: "I deleted that word (automatized) from my mind", said Pablo Di Si, president for South America, during the launch event.

For the executive, the automatized gearbox was a cost-benefit way to offer the consumer something beyond the manual transmission in the entry-level segments, but as the automatic sales volume increased, the cost fell, and by his accounts, today it represents 40% of the Brazilian market sales. "And in the coming years this rate will increase even more, to something around 60% until 2020."

The Gol 2019 goes from R\$ 45 thousand with 1.0 engine and manual transmission and the automatic model, with the 1.6 MSI, R\$ 54,6 thousand. The Voyage has an initial price of R\$ 52,6 thousand for the 1.0 manual transmission and R\$ 60 thousand for the 1.6 automatic version. ■



PAINING: INNOVATIONS TO EXPAND BUSINESS.

Paint manufacturers hope to grow with the automakers and launch new processes and products technologies

The landscape on the streets has little changed over the last years, with the predominance of white, black, silver and gray regarding the colors of the cars. Some red, blue and a few rare yellow ones. But the automotive paint industry does not stop innovating and seeking adequacy. In the face of the recent crisis, particularly in the OEM, the sector suffered more this year, in the growth pace, suppliers are more optimistic.

Basf, which does not supply (directly) only Mitsubishi and Toyota in Brazil, has done the maths again after a general market decline in South American countries at the range of 40% since 2013, highlights Marcos Fernandes, its South America automotive paints director:

"Despite the impact of the dollar's increase we tried to absorb it in our cost structures and we constantly evaluate the spreadsheets with our clients. But we



Disclosure/BASF

noticed that the path leads to a cycle of increases".

He mentions some technologies that haven't reached our cars yet, but for a matter of time – and costs, of course. One of them is iGloss, varnish resistant to scratches that prevent stains and fading.

There are also pigments that reflect light better and thus repel heat, preventing the body from heating up, which in turn leads to an economy in air conditioning and greater internal comfort.

"About the style, we have innovations in effect pigments, which bring a brighter and deeper look. They are silica or aluminum microparticles, which bring a very beautiful aspect."

According to the Basf executive part of them is not available in markets of South America: "Special pigments are sold to high-end cars in Europe and are gradually being extended to smaller cars. The varnish is already available, but it makes the final cost a little more expensive".

The recovery of the market is also on PPG's planning, which supplies paints for BMW, FCA, Hyundai, Mercedes-Benz, Nissan, Renault, Toyota and Volkswagen, as Rafael Torezan, general automotive OEM manager says: "The forecast is to grow in two digits this year".

One of the ways to walk through this path is to seek innovations in products and processes. Torezan highlights the Dura-bed coating, supplied to the VW Amarok pickup truck nowadays, which promises greater resistance to scratches inside the trunk. "It is a sophisticated aesthetic treatment, which has received good acceptance. "We have prospects of extending business to other models."

For FCA, PPG supplies the new Audio-guard acoustic coating technology, which cushions and stiffens the body panels and absorbs vibrations. For automakers, the product reduces weight, increases productivity because of its robotic application and reduces the number of parts.

Axalta, another OEM, keeps optimis-

tic, affirms its president in Brazil, Mateus Aquino: "We hope that the market heat remains still. This is essential for the healthy business development in the whole chain".

Among the trends, he observes a new and growing demand for a superior anticorrosive development on the edge of metal parts. For this, Axalta developed the AquaEC 2600EP system, "also ecologically correct, water-based and free of heavy metals".

AkzoNobel acts in the OEM with the supply of plastic parts. This market has been recovering. According to Sérgio Munhoz, the automotive repainting business manager for South America, "the repainting segment has grown at a slower pace in recent years because it follows the current circulating fleet, which has slowed down since 2015".

The company highlights two new Technologies. The first is the Primer Estrutural, through its brand Sikkens Autocoat BT, dedicated to the commercial vehicles painting market. It is a primer anticorrosive epoxy with properties of adherence and chemical resistance, indicated for bus structures painting and commercial vehicles repainting:

"It is the first product in the segment that has a lead-free and chromate-free formula and can keep excellent resistance when exposed to rigorous heavy rain tests".

Another novelty is the Primer Branco Condutivo (White Conductive Primer) for electrostatic painting of plastics, which offers the possibility of reducing the white, yellow and red basecoats layers, with appearance improvement and color stability.

The economic reality of Brazil has made vehicle manufacturers search for more economic solutions over the last years, recalls Cássia Galvão, marketing director at Sherwin-Williams Automotive Finishes: "We expect this scenario to change from next year".



Disclosure/General Motors

COLORS, NAMES
 Orange is a trend for the next years, but the insistent dominance of white, black and silver will remain unshakable

REFRESHING PROTECTION

New technologies for automotive paints include anti-scratch varnish and pigments that repel heat, sparing the vehicle's air conditioning



Disclosure/Volkswagen

Sherwin-Williams, in South America, supplies General Motors in Argentina and acts in the interior painting:

"Our Soft Swade technology has been very well accepted. It aligns colors and a very comfortable texture to the human touch".

COLOR TRENDS

Despite the lack of color in the streets, the main automotive paint brands invest in color trends and differential features. Marcos Fernandes, from BASF, sees that the company has a group of designers, spread throughout the world, who researches colors even in other segments, such as jewelry design and architecture, taking into account the demographic and social conditions of each region. He mentions the white color as an example, a trend pointed for the 2006/2007 season:

"At that time it represented only 10% and only for commercial vehicles. Today it is the color that predominates, from 30% to 40% of sales worldwide, not only in Brazil".

In an analysis for South America, more focused on Brazil, Basf's designers can see more elements of nature, optimism and joy. So, white, black and orange emerge as tendencies:

"The industry's challenge is to develop different colors even if they are white or black. So we use pigments, effects to transform those colors into something more sophisticated, modern, that creates attractiveness. Orange is a color that has a strong visual appeal and generates a connection with optimism and nature and it has no gender. It is a trend for four, five years from now and is often used for launches nowadays, mainly for small and sports cars".

According to him, "for the medium and long term we will continue to have white, black, silver and gray as predominant, but other colors will grow in the portfolio, such as blue, green and orange".

Among the global trends, a study by PPG detected that, for Brazil, white and silver keep leading customers' choices.

In the same way as other components, novelties in paints tend reach top-of-the-line models first



Disclosures/GM

And there is a surprise: the blue color has registered faster growth.

The preference of Brazilian customers for white vehicles increased 1% in 2017 - data indicated 37% in 2016. Overall the so-called *Brilhante Neutro* (Neutral Brilliant) obtained growth of almost 10% in the last five years in the region. The silver color also had a favorable peak in 2017, with the so-called *Sombra Metálico* (Metallic Shadow) increasing 2%, from 29% in 2016 to 31% in 2017.

In its latest color report, Axalta noticed a trend for pearly and shiny colors for luxury vehicles, which grew 4% in 2017. In South America, gray is the new star, going from 8% to 11%.

"For the future we realized a study and we believe that the trend color will be a pearly white that we call *StarLite*", notes Aquino, from Axalta. "It's a sophisticated color that looks good in all types of cars." ■

More expensive solid colors: blame the white color.

The time when the customer tried to save money at the moment of buying a 0 KM vehicle opting for solid colors is gone, which had no additional cost some time ago. Now a good part of them has extra costs, as well as metallic and pearly colors.

For example: Fiat, on its website, indicates a charge of R\$ 260 for the Alpine red and the white color for the Moby model, but the black has no additional cost. The same goes for Argo: R\$ 500 more for the red and white solid colors. No extra costs only for the black option.

Chevrolet also charges for the white Onix and Cruze, its website points out, as well as

for the black and white option on more sophisticated models, such as the Equinox.

Volkswagen, according to its website, does not raise Up!'s price when the customer chooses white, black and red but the company charges extra R\$ 467 for a white or red Polo.

Ford does not charge the customer for the red paint of the New Fiesta as well as the EcoSport, for example, but adds R\$ 550 and R\$ 650, respectively, if the customer chooses the white model.

For Marcos Fernandes, from BASF, this is a marketing strategy: "It's a question of demand, how to position in the market. I do not see any relation

to technology or cost, it's the manufacturer's strategy itself.

The pearlescent or metallic colors can bring some different pigment which leads to a cost increase".

According to Adriana Carradori, Ford's product manager, the high demand for the white color led the company to charge for that solid color. On the other hand, there is no additional cost for the red solid color. The same happens with Ka Freestyle, which has a Trancoso brown option for free. All the other colors regarding this model have extra cost.

Fiat, Chevrolet and VW were sought to comment on the issue, but did not respond.



We are counting on you!

FCA awards its best suppliers and gives the warning: relationship program will be the true North to accomplish a schedule of 25 launches.

A public formed by almost five hundred suppliers' representatives gathered in Belo Horizonte, MG, listened attentively to Antonio Filosa's speech, participating in the Annual Supplier Conference and Awards FCA for the first time as FCA president for Latin America.

"With the new FCA plan, already globally announced, we will have 25 new models launches, vehicles renovation and special series of Fiat, Jeep and Ram vehicles in Latin America in the

next five years. We are counting on you".

For Filosa "the market is getting more and more challenging, demanding more agility and capacity to innovate. As quality is an unnegotiable factor for FCA, the relationship program of the Group with the suppliers, presented last year, continues as the true North".

The program in question is named 4T, from Trust, Teamwork, Transparency and Transformation. According to Luis Santamaria, director of Purchase and Supply Chain for Latin America, the initiative has



Disclosure/FCA

already responded to 53 specific events for the suppliers and 566 improvement suggestions. "We noticed evolution in the technological integration process and advanced manufacturing systems. It was more than 20 thousand hours of training with the participation of 2 thousand 241 people."

And for Richard Schwarzwald, quality director for Latin America, "the suppliers are the pillars of the new FCA's integration model. The innovation is not only in the great technological achievements, being able to emerge in simple ideas to solve a problem or improve our customers' life".

This was the second time that the award adopted the global standard. According to the company the sixteen winners were chosen based on a 360 degree evaluation of development indicators last year: the system for qualification evaluates the supplier's development in areas such as quality, delivery, cost, warranty and partnership. ■

FCA Suppliers Awards 2018

Supply chain management

Elta Transportes

CAPEX

Balluff

Services

Much More

Mopar

Shell

Body

Gestamp

Raw materials

PPG

Chassis

Pirelli

Engine systems

Umicore

Interior

Seoyon

Electrical

Sumidenseo

Powertrain

Litens

Innovation

Reply

Sustainability

Basf Tintas

Value optimization

Denso

Foundational principles: *colaboração proativa*

Brose

Regional focus: *breaking through, quebrando paradigmas*

Metagal Argentina



IMMENSITY
A great executive,
a huge leader

A loss as big as FCA

The automotive world was shocked by the news of Sergio Marchionne's sudden death, one of the largest and most recognized global leaders in the industry

The end of July brought absolutely unexpected and disturbing news: the death of Sergio Marchionne, one of the greatest, best-known and most recognized leaders in the history of the global automotive industry.

The happening carried a lot of drama, in particular by the way the events unfolded. Marchionne had already announced, at the end of May, during FCA Capital Markets Day - which turned out to be his last major public event - that a succession process would happen next year.

But on Saturday, July 21, and laconically, FCA reported that health complications would make it impossible for Marchionne to return to his professional duties and for this, Mike Manley, the responsible for the Jeep brand until then, had been appointed as the new CEO.

Nothing more than this was revealed, which initiated a series of speculations.

Four days later the announcement of his death came in a statement from Exor, the financial holding company that controls the majority of FCA's capital, via John Elkann, heir to the Agnelli family. Just like the time off occasion, no details were given, followed by a request for respect regarding the family's privacy.

And in that short interval, Alfredo Altavilla, listed as one of Marchionne's possible successors at FCA, left the company abruptly.

The cause of death or the carrying out of any ceremony was not officially revealed: only a mass at the Turin Cathedral, in Italy, a week later. Another mass in his honor was scheduled for September 27 at the US FCA headquarters in Auburn Hills, Michigan.

According to the Italian press Marchionne suffered an embolism during a surgery at a hospital in Zurich, in Switzerland. The hospital confirmed a surgical procedure and later revealed that the executive was in treatment of a "serious illness" a year ago. But again, nothing more than this was revealed, which helped raise questions about the circumstances of his death - which possibly may never be definitively clarified.

The situation prompted some complaints from shareholders, and facing this scenario FCA officially declared that the company was unaware of Marchionne's health report and knew about the critical situation only on that same Saturday, July 21.

Marchionne leaves FCA at the top of his list of legacies, the union of Fiat with Chrysler that he dreamed about would aggregate also General Motors, during the crisis that seriously affected the two American automakers in 2009.

Although it failed to fully complete its strategy, the executive's action saved Chrysler from certain bankruptcy and gave new spirit to Fiat - which he had rescued just a few years before from a dramatic financial situation. The process of unification regarding the two companies was skeptically seen with countless times, but Marchionne showed that his bet was correct. As a result, he changed the global scale of the industry forces.

As a proof of his vision and capability, the executive had worked in the automotive sector only in the last fifteen years: he arrived in Fiat in 2003 without any experience in the area. He was 66 years old. ■



WHO COULD IMAGINE?
This photo of the 2014 Geneva Auto Show won a strongly historic and dramatic outlook in 2018: from left to right, Manley, Elkann, Renegade, Marchionne and Altavilla

ROUTE SOROCABA-AUSTRALIA

Fifteen Case IH grain combines produced in Sorocaba, SP, were exported to Australia. It was the first shipment of vehicles produced in that factory to Oceania.

IN THE MARKET

Partnership Makro and BYD: five wholesaler stores in São Paulo, capital, one in the Grande ABC region, one in Santos, on the coast, and one in Aracaju, Sergipe, have been served by free-to-use chargers for electric cars since last month.



Disclosure/Nissan

SÃO JOSÉ DOS PINHAIS OUT, CORDOBA IN

Nissan started the production of the Frontier pick-up truck in Cordoba, Argentina – until then, the model was produced in São José dos Pinhais, PR, a Renault unit. The official ceremony at the end of July received the local president and the governor of the province. An investment of US\$ 600 million, 1 thousand direct jobs and 2 thousand indirect jobs.



Disclosure/Ducati

DUCATI IN RIBEIRÃO

Ribeirão Preto, SP has a new Ducati dealership, Quattro, the first of the brand for Grupo Power. In addition to the Italian motorcycles the store offers clothing items such as jackets, pants and boots.

50 YEARS AND ANOTHER 3

Total and Citroën released the renewal of their global contract until 2021: alliance for R&D of new products and exclusive recommendation in vehicles' assembling and aftermarket. The partnership started in 1968. Óleo Total (Total Oil) will keep being used by the Citroën Racing team in the World Rally Championship, the WRC.

ALMOST SIXTY

NGK celebrates 59 years in Brazil. Its Brazilian factory was the first in the world out of Japan. The unit in Mogi das Cruzes, SP, produces spark plugs and ignition wires and will receive R\$ 210 million in the next three years. In the auto industry, NGK also sells ignition coils for the aftermarket and NTK's oxygen and knock sensors.



By Marcos Rozen

Suggestions of issues for this section can be directed this the email rozen@autodata.com.br



Disclosure/BYD

ELECTRIC MCG IN SJC

BYD closed a deal with the São José dos Campos's City Hall, Vale do Paraíba, SP, renting thirty 100% electric vehicles which will be used as Municipal Civil Guard cars. The contract is valid for 36 months. The initiative is part of the official incentive politics for the use of electric and hybrid vehicles in the city.



Disclosure/Land Rover

ONLY TWENTY, JUST TWENTY FIVE

Land Rover brings another twenty units of the convertible Range Rover Evoque to Brazil, at R\$ 300,4 thousand each. And it offers, for the closed body version of the special Autobiography line in only 25 units, at R\$ 306 thousand each: 20" split-spoke alloy wheels, automatic adaptive LED headlights, smart trunk system (by gesture), leather in profusion and other refinements.



Disclosure/VW

CORTEZZE

Priscilla Cortezze, the new director of corporate issues and press relations of VW South America and Brazil. Coming from Citi. Graduated in Journalism by Cásper Libero and a specialist in Marketing by FGV. She succeeds André Senador, who left the company.



Disclosure/VW

OWSIANSKI

Thomas Owsianski, vice president of sales and marketing, strategy and VW product planning for South America, was promoted to president of Audi China. Gustavo Schmidt and Markus Kleimann take his duties provisionally.



Disclosure/Jeep

SILVESTRI

Tanis Silvestri assumed the Jeep, Chrysler, Dodge and Ram commercial operations for Brazil. Previously, deputy director for Jeep brand. She succeeds Sergio Ferreira, who was responsible for the FCA commercial department and left the company.



Disclosure/Fiat

ZOLA

Herlander Zola, director of Fiat, assumed the commercial operations of the company in Brazil. Just like Silvestri's indication, the movement is the result of reformulation of the FCA's commercial area after Sergio Ferreira's departure



Disclosure/FCA

BALDINI

Erica Baldini was promoted to Human Resources director of FCA Latin America. She succeeds Mario Borio, retired. Ex-ford, 23 years of experience in the area, postgraduate degree in Business Administration and Production Management.



TRUCK ART

The institutional Mercedes-Benz's campaign uses Marcos Sachs's works of art built with scrap, canvas and tires to show the truck drivers' daily routine. The creation of Today agency, the movie named Os Mandamentos do Caminhoneiro [The Truck Driver's Commandments] can be watched on the brand's YouTube channel.

Disclosures/Video



ZF IS THE BEST

ZF is the best auto parts company to work in Brazil, according to the ranking prepared by the Indeed job platform and published by Forbes Brazil. In the overall ranking, which named 25 companies, ZF was in ninth place. The research had more than 1.5 million evaluations and ratings of employees and former employees of companies across Brazil, distributed in several segments. The evaluated questions were personal life and working hours balance, safety/progression in the job, management, career development and company's reputation.

MORE TRANSPARENT

Pilkington starts new website with the quote The Brand is Pilkington: the idea is to present vast variety of information about its glass automotive universe to suppliers, shopkeepers and customers in one single virtual environment. Direct access by the website www.amarcaepilkington.com.br.

ITAÚ AND JLR

Itaú closed a deal with Jaguar Land Rover and will be responsible for the financing of the manufacturer's 0 KM vehicles, assuming the full management of Jaguar Financial Services and Land Rover Financial Services with an exclusive structure.

J.D. POWER SURVEY 1

J.D. Power of Brazil presented the results of the fourth annual CSI survey, Customer Service Index, which measures customers' satisfaction regarding manufacturers' after sales. From 1 thousand possible points Toyota leads the list of general brands, with 841 points, followed by Honda, 836, and Hyundai-Caoa, 829.

J.D. POWER SURVEY 2

The consultancy also presented specific ranking for luxury brands this year. It was ahead of Mercedes-Benz, owner of 849 points, followed by Audi, with 844, and BMW, 828. Altogether, the survey heard 4 thousand 887 new vehicle owners in Brazil, registered from February 2017 to March 2018.



Disclosure/Nissan

BAD MARCH

The latest Latin Ncap tests evaluated the Nissan March and awarded it with only one star in adult passenger protection and two stars for child protection. According to entity high chest compression in frontal impact associated with unstable structure contributed to the poor result.



Disclosure/FCA

ZUPPI

Martin Zuppi assumed the position of general director of FCA Argentina: its former commercial director. He succeeds Antonio Filosa, president of FCA for Latin America. In FCA since 1996 as commercial logistics manager, has worked at the headquarters, in Italy.



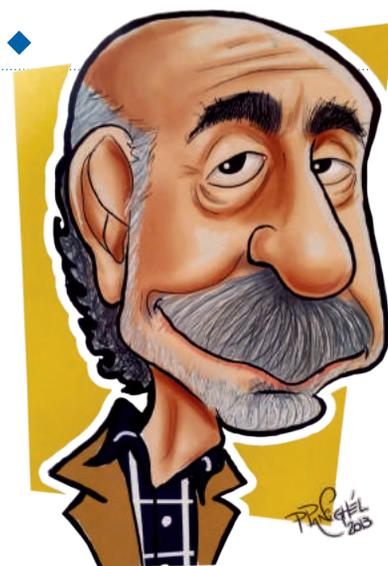
Disclosure/Librelato

MARTINS

Simone Lucas Martins is the new administrative/ financial director of Librelato. Graduated in Accounting and specialization in Strategic Business Management. She has worked at DHB, Artecola and others.

SD AND THE MUSTANG ROOM

Sergio Duarte, more than 40 years dedicated to the automotive journalism, has passed away on Sunday, July 29, in São Paulo, victim of cancer. A well-known character in the sector, much likable and solicitous, he did a little bit of everything: went through historic editorial newsrooms of our automotive press, such as Quatro Rodas, Auto Esporte, Quatro por Quatro & Pick up - which he himself appears on the front cover of edition number 1 behind the wheel of a Jeep Willys -, Grand Prix and others, as well as co-founder of this AutoData. In the area of corporate communications he worked at Anfavea and Hill & Knowlton and since the 1990s was running his own agency, the SD & Press. He owned a Yamaha dealership and cars, many cars, which he drove with pleasure, like that unforgettable Opala Envemo. He collected a special taste for preserving items linked to the history of the automotive industry, from press kits to owner's manuals, from Pirelli calendars to gifts from auto shows. In recent times, he had dedicated himself to the meticulous miniature assembly of the 1967 Ford Mustang Shelby GT 500 on a 1:8 scale, sold part by part (in fascicles) patiently acquired for hundreds of weeks. He used to lock himself in the office - nicknamed the Mustang Room, a restricted area - and couldn't be interrupted during the process. When the model was finally ready he invented any excuses to justify a minimum detail to impede the total finalization process, trickery to stay completely comfortable in the Mustang Room away from any disturbance. He used to say that he didn't like to work, but he did a lot for many. He saved his own funeral and burial by donating his own body to Faculdade de Medicina da USP (University of São Paulo Medical School).



collection SD&Press



Disclosure/De Agostini

“Marchionne taught us how to think in a different way, not so orthodoxy, and gave us courage to change, but always keeping a sense of responsibility regarding the company and its staff.”

John Elkann, Chairman at Exor and heir of Agnelli family

15%

was the increase of customers' movement in vehicles, motorcycles and parts stores all over Brazil in July compared to the same month of 2017, pointed a survey by Serasa Experian. In the overall average of several retail segments the index was 7.8%, the best result for the month in the last six years.

“The active mobility modes have not received the necessary support and investment. The situation of unsafety to which we are submitted in is unacceptable from the civility point of view.”

André Soares, president of União de Ciclistas do Brasil (Brazilian Cyclists' Union).

70%

of the denunciations registered in companies' internal channels are anonymous, according to an ICTS Outsourcing survey which evaluated data from three hundred companies from 2008 to 2017.

43%

of Brazilians use credit cards to pay for purchases above R\$ 500, according to the survey O Brasileiro e Sua Relação com o Dinheiro 2018 (The Brazilians and Their Relationship with the Money 2018), by the Brazilian Central Bank.

44%

of the denunciations referred to interpersonal relationships, which include moral and sexual harassment, aggressions and other behavior deviations. It was the highest index of the survey.

18%

use debit card to make the payment in the same analysis.

31%

pay cash.

“I am considering taking Tesla private at US\$420 per share. Funding secured.”

Elon Musk, president of Tesla, via Twitter.