

AutoData

NEWS AGENCY WEEKLY EDITION

Edition
780

Weekly Brazilian automotive industry news | 5.8 to 5.13.2017 Year XII



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Rota 2030 policy to provide government incentives to hybrid vehicles

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The new industrial policy for the automotive sector that will replace the Inovar-Auto program, known as Rota 2030, is being designed to ensure fiscal incentives to companies that will place their bets on the production of electric or hybrid engines, according to Marcos Pereira, minister of Industry, Development and Foreign Trade, MDIC. The benefits, however, may not contemplate all of the links in the automotive chain. The minister classified tax relief to the auto parts segment as being a “difficult” issue.

The government will include in the program, which has until May 31 to be presented to the sector,

measures that will benefit vehicle electrification projects. The minister said, during the launch event of the new Ford engine, on Friday, 5, in São Paulo, that incentives will contemplate the production of engines irrespective of size: “The idea is to encourage the production of electric and hybrid vehicles here. The tax cuts, especially the IPI, today are based on the power of the engine and the type of fuel that it uses. The focus now is on energy efficiency, regardless of engine size. We will make it universal.”

The autoparts segment, which is described in the presentation of the 2030 Route as one of the key sectors of the new industrial policy, should not go through the same path of incentives as vehicle manufacturers. According to the minister, the government is not considering any kind of tax incentives to autoparts producers: “Exempting from taxes nowadays is a difficult concept. It’s not impossible, but for this new policy, the chance is that there is no such measure for the autoparts sector.”

Marcos Pereira blamed previous governments for the decline in the competitiveness of autoparts, adding that reforms are necessary for the industry to reach the desirable levels of competition in the context of the new industrial policy: “Autoparts (producers) became uncompetitive over the years because of a series of bureaucracies, implemented tax measures, slightly predictable rules adopted by previous governments, especially by the government over the past 13 years, and now our idea is to modernize, renovate, and make it easier to improve the business environment.”

Inovar-Auto - The minister explained that “good things” from Inovar-Auto, which expires at the end of this year, should be maintained in the new industrial policy program. “Increase in the local content is something which, of course, will be kept in the new policy. Our biggest gain in recent years was to bring state-of-the-art technology to the country.”

About the ruling of the World Trade Organization, WTO, which considered the Inovar-Auto a protectionist tool, the minister believes that Brazil will not suffer sanctions: “Brazil was convicted, but we can appeal. The expectation, according to the Ministry of Foreign Relations, is that there will be a change on the appeal and the judges should keep the country inside the entity.” **WE**

Production increases, but output still far from the overall average

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Vehicle production remains slightly accelerated this year. In April, 191,100 vehicles were produced, when compared to 171,500 units produced in the same month last year, an increase of 11.4%. However, this upward curve is still 18% below the industry average, considering the sum of the outputs during the first four months in the last ten years. In 2017, vehicle production totaled 802,000 units, while the average production for the period was 977,000.



Antonio Megale

Simão Salomão

According to Antonio Megale, president of Anfavea believes that, although the industry still has a high idle capacity ratio that is far from ideal, the situation has improved. His optimism is based on the daily average of 10,615 vehicles, an increase of 23% in comparison to April 2016. "And it should be noted that there were less working days in the month because of the holidays."

When compared to the disaster of 2016 the result of the first four months of the year is positive: a growth of 20.9% "but it is important to note that the idle capacity is above 50%. To be exact, car plants are using 55% of their capacity. At the manufacturers of heavy vehicles, the situation is even worse, 80% idle capacity," stated Megale.

With a slightly more accelerated production, automakers closed April with 216,400 vehicles in inventory, equivalent to 41 days of sales. Megale added that this

volume is still not very suitable: "However, since companies prepared for May sales, I believe the inventory is adequate to the estimated demand."

Employment - The employment level at the manufacturers remained stable last month. In April, the workforce closed at 120.927 employees, considering manufacturers of vehicles and agricultural machinery. At the vehicle manufacturers, the total workforce was 103.129 employees.

Megale said that 10,285 of the total workforce are enrolled in some form of production flexibilization program: lay off or the Employment Safety Program, PSE: "Companies are waiting for the reforms to be approved and the return of the market to step-up the pace of production and, consequently, employment."

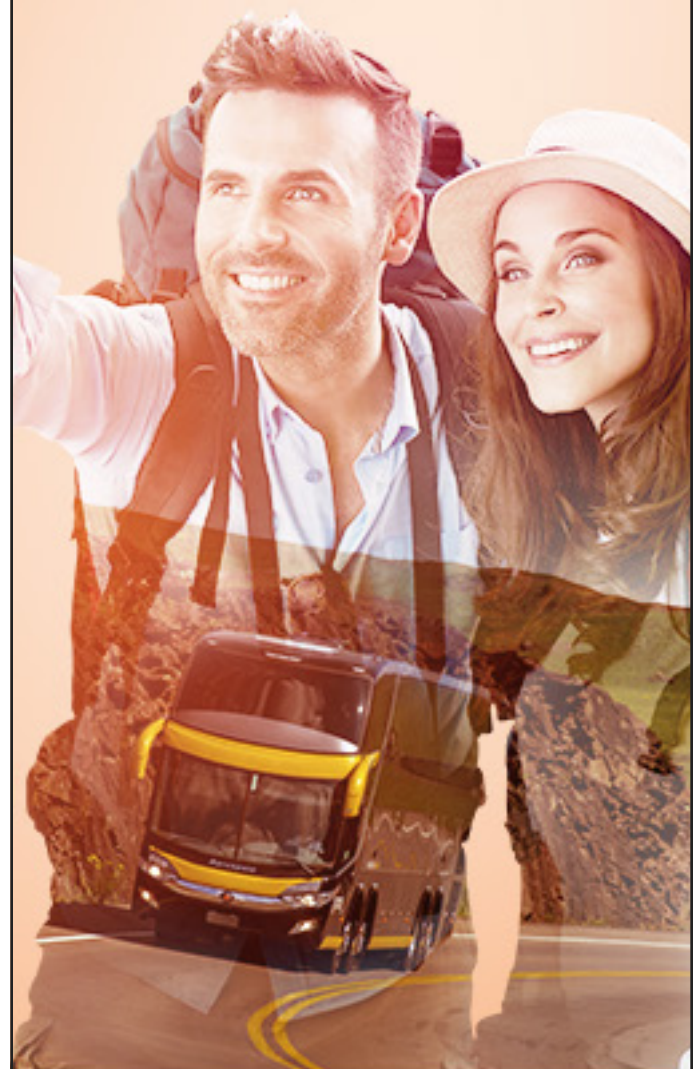
The president of Anfavea said that the association is in favor of the reforms proposed by the Brazilian government. He said the proposals for social security and labor relations can improve the credibility of the country: "It will bring back investments. Having more predictability is critical for business planning. Reforms are needed to make the country move ahead."

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Vehicle sales stability is near

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Vehicle sales have slowed down the rate of decline and, in April, daily average sales increased 7% compared to the same month last year. According to Anfavea 8.716 vehicles were sold per day. During the eighteen working days of the month, sales reached 156.900 units, a drop of 17.1% in relation to March. In comparison to the same period last year, there was a drop of 3.7%.

Taking only the daily average into account, Antonio Megale, president of Anfavea, believes the number of vehicles licensed should soon stabilize: "In May, we will be able to turn the corner, and we should start growing again. We will have more days of sales, 22, and that can contribute." According to him, April sales suffered from the amount of holidays and the general strike on the last day of the month.

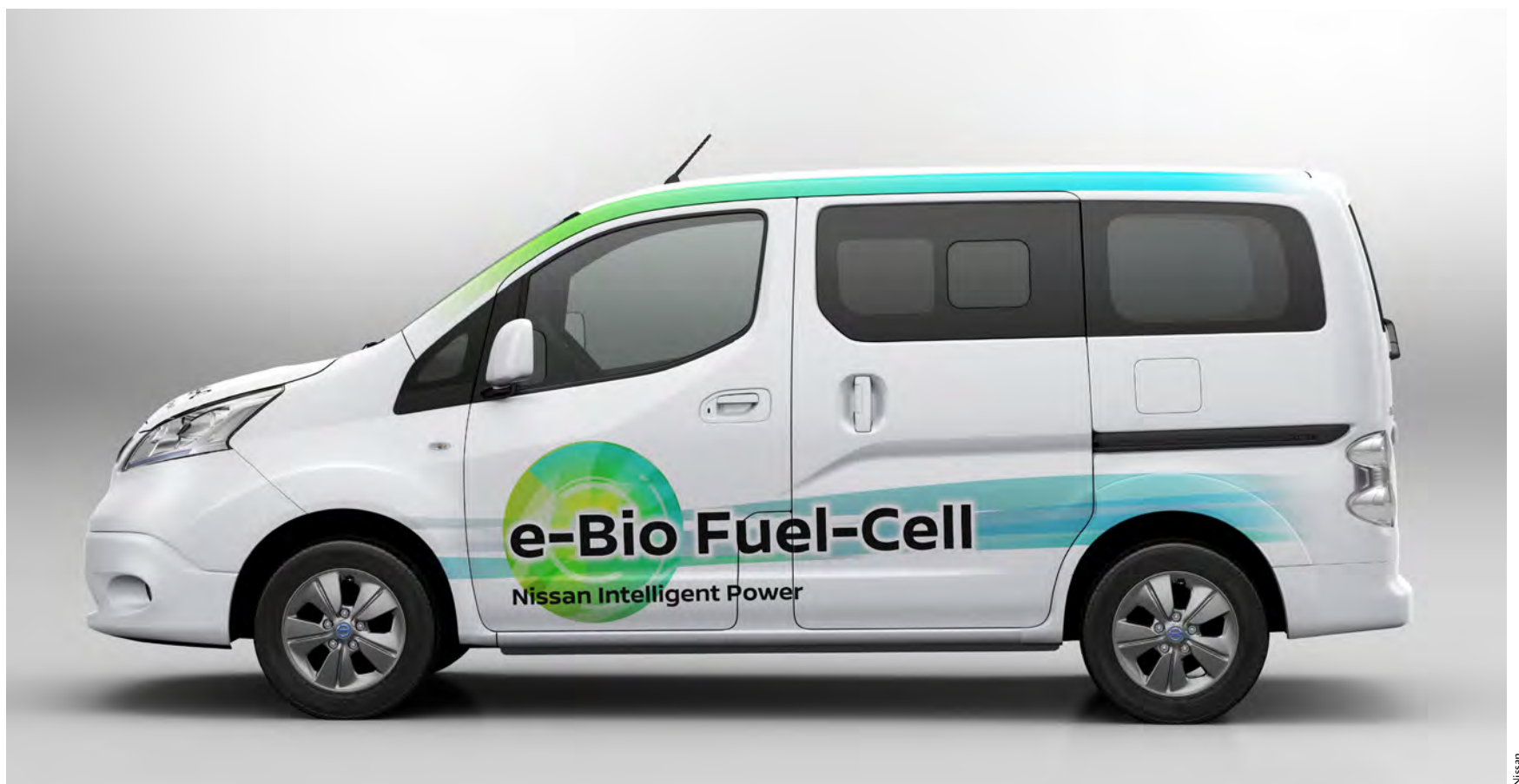
"We had 18 days of sales, as in February, and yet our daily average was better. If these events had not taken place, the number of vehicles licensed would have grown." Last month, 156,900 vehicles were licensed, down 3.7% in comparison with April 2016. When compared to March, there was a 17.1% drop.

Megale pointed out that in April the big fleet owners were shopping and accounted for a significant volume of license registrations: "This is not unusual. These customers usually pay cash or use credit lines. With this, the volume of vehicles financed continued at a level of 51%. Normally, this ratio is 60%.

According to him, the reduction of the Selic rate has contributed to an improvement in interest rate charged by financial institutions: "The first signs are coming. Now, we are hoping for greater flexibility in the granting of credit by banks."

Year to date, 628,930 vehicles have been sold, when compared to 644,250 units sold during the same period in 2016, which represented a drop of 2.4%.

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Nissan prototype uses ethanol in fuel cell

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Nissan showed on Tuesday, 9, in São Paulo, the possibility of using ethanol as a vehicle energy matrix for vehicles that will be powered by electricity, one of the most intelligent alternatives from the point of view of emissions and efficiency. This technology completed its first phase of Brazil trials by the e-NV200 SOFC - Solid Oxide Fuel Cell - prototype.

The combination of ethanol and water react to create hydrogen, which is converted into electricity for the motors, and occurs through the e-Bio a fuel cell - and may seem like a complex solution (see image below). But it is pure chemistry condensed in reformers and fuel cell batteries, technologies that have already been tested by the automotive industry. Simply put: in countries where the supply infrastructure is established, just a few more years of development are needed to solve small problems related to the size and weight of this system and, of course, affordable costs to the consumer, so that an ethanol/hydrogen/electric vehicle can take to the streets.

Not by chance, Brazil was chosen for the first field tests by Nissan in the world. According to Ricardo Abe, Nissan's Engineering Manager, "We have the infrastructure and, the best, abundant ethanol and water."

This is one of four technologies that Nissan is developing for a not-so-distant future. Starting in 2020, vehicles with these solutions may be released, in any of the four options. The issue for Nissan goes through each country's energy matrix, in each region. Abe said that the electric vehicle makes more sense in places where the infrastructure, recharging stations are already installed: "In Japan, for example, we have 80 hydrogen cell stations. Despite requiring a lot more infrastructure for the hydrogen, this solution can be used there in the future. In Brazil, however, this is not the case, since ethanol as an alternative to gasoline is already a consolidated issue."

The technology's efficiency is surprising. Driving is noiseless, without any combustion engine noise. The fuel tank with 30 liters of ethanol provides the e-NV200 with a 600-kilometer driving range, delivering 5 KW of power, according to Nissan. According to the manufacturer, the cost per kilometer is also advantageous: using gas, it costs R\$ 0.30/km and with the new technology, it would be R\$ 0.10.

When it comes to emissions of CO2 in the atmosphere, it is an unbeatable solution: "The whole process generates very little emissions, but it is offset by the productive cycle of the ethanol, with sugar cane."

The e-NV200 SOFC is now being shipped to Japan to continue its development cycle. In addition to the necessary developments to turn the prototype into production scale for sale, Nissan also expects good news that may come with Rota 2030, Brazil's new automotive industry's industrial policy that is being drafted, which should include incentive formulas for the production of electric and hybrid vehicles in the country. Abe prefers not to enter this field of discussion, at least for now: "We develop technologies thinking only in the benefits they can bring to society. But any support for the introduction of cleaner and more efficient solutions is welcome."

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