

AutoData

NEWS AGENCY WEEKLY EDITION

Edition
748

Weekly Brazilian automotive industry news | 09.12 to 09.16.2016 Year XII

**Comil files for
bankruptcy protection**
More on pg. 2

Questions remain
More on pg. 4

**Volkswagen will
implement overtime to
recover production**
More on pg. 7

**DAF increases production
Ponta Grossa**
More on pg. 12



Uno 2017 inaugurates new global generation of engines

FCA presented on Thursday, 12, the 2017 line of the Fiat Uno. The compact suffered a slight aesthetic change in the front, especially the front grid and the bumper. The major change in the hatchback, however, which, after three decades relinquished the condition of the brand's entry-level car to the Mobi, is under the hood: a rigorously brand-new generation of engines...

More on pg. 9



Comil files for bankruptcy protection

AutoData Newsdesk | redacaoad@autodata.com.br

Only eight months after having closed its plant doors in Lorena, in the state of São Paulo, for an undetermined period, Comil filed for bankruptcy protection in the state of Rio Grande do Sul on Monday, 12. The bus body builder had already let go 850 workers earlier this month and implemented a half work shift at its headquarters in Erechim, in the state of Rio Grande do Sul.

In a press release, the company stated the measure was due to the “economic and financial crisis that assails industrial companies, especially the automotive industrial sector, bringing unprecedented difficulties in our industry.”

Bus body production in Brazil dropped from 32.6 thousand units in 2013 to 17.1 thousand units last year. This year, between January and August, 8.6 thousand units were assembled,

with Comil accounting for only 975 units. In 2015, the company registered production of 2.1 thousand units, against 3.1 thousand units in 2014.

“During the past three years, the bus market dropped more than 60%, reaching levels registered more than a decade ago. In addition, low prices and volumes became insufficient to cover production costs, further impacted by financial charges that drastically restricted the working capital necessary to support the operation,” stated the company in the press release.

“This critical situation compelled us to take hard and traumatic measures, such as the closing down of industrial activities at the unit in Lorena (SP), and letting go of significant numbers of workers at the plant in Erechim, which we did with enormous sadness,” added Comil.

After the dismissals earlier this month, the plant in the state of Rio Grande do Sul still has close to 1000 workers - it once had 4000 employees. Comil will have 2 months to present the plan to handle R\$ 430 million of debt, which includes a large portion of financial fees to banking institutions.

On Tuesday, 13, Darsio Vieira Marques, the company’s lawyer, revealed that Comil had been looking for alternatives for its crisis for the past two years. “The most viable (alternative) was bankruptcy protection,” he stated, adding that the agreement with the workers will be among the priorities of the plan.

The plant in the state of São Paulo suspended its activities in January, only two years after its inauguration. The unit produced urban models and the line has been transferred to Erechim. The argument to close the plant and letting go 220 workers was based on the domestic market crisis.

The unit was inaugurated in December 2013, after a year and a half of construction activities, and was the result of an investment valued at R\$ 110 million. At the time, the bus body builder expected to generate 500 direct jobs and 1000 indirect jobs, with a production capacity of 12 buses per shift, doubling its production capacity for this type of vehicle.

WE



Questions remain

S. Stéfani | stefani@autodata.com.br

With the consolidation of the idea that the automotive sector has finally, and, in fact, arrived at the bottom of the well, two new issues become the main focus: after all, what is the real size of the Brazilian market for passenger and light commercial vehicles, trucks, and buses? And, after this profound phase of decline, how much time will be needed to reach it?

As a starting point, there is the certainty that the number this year - around 2.1 million units, including all three segments, according to Anfavea and Fenabrave projections - should not be taken as a parameter.

However, at the other end, there is a belief that the truth is not reflected on the 3.8 million units registered in 2012, a record sales year for Brazil.

These are two atypical years that, decidedly, do not serve as a basis, especially due to the abnormal factors driving the results. On one case, upward, on the other, downward.

The meager result that should be evidenced in 2016 is being negatively impacted by the combination of difficult and expensive credit and high inflation, declining GDP, unbalanced fiscal scenario, millions of unemployed and complete lack of definition in the political scenario.

All of this ends up leading to the complete lack of safety of consumers regarding the future of the economy and employment, which usually is fatal for a sector, such as automotive, in which sales are driven by financing of at least 24 months.

In the case of the record in 2012, the result was driven by the abusive use of anti-cyclical measures based on abundant and cheap credit, at times even negative, full employment, real purchase power increase through annual wage adjustments always well above the inflation rate and large

governmental purchases, mainly trucks, buses, and agricultural machinery.

Everything was inflated by the excessive confidence in the future generated by continuous years of positive GDP, always with sales of the sector growing well above the GDP.

It is quite possible, and even probable, that this year's scenario will represent nothing more than the natural consequence of what happened in 2012. In this case, sales that are not taking place this year would represent nothing more than a type of return of the final portion of purchases made in anticipation during the record year.

The new reality of the Brazilian automotive market should be, therefore, somewhere between these two extremes. But, where exactly? In addition, starting from such a low base that is now being registered, how many years will be necessary for this recovery cycle to become complete?

With the majority of the vehicle manufacturers operating today with an excess of workers at approximately 30-40% idle capacity, these are two issues that should be tormenting the life of those who are responsible for preparing new budgets with consistent numbers to deliver to headquarters.

This time, there is no room for errors again, something that happened during the 2nd semester of last year, when projections generally indicated a relative balance this year.

As a matter of fact, there were two consecutive years of mistakes. Big mistakes. After periods of high volatility, but with drops that were relatively manageable - of 2.64% and 5.67% in 2013 and 2014, respectively - the budgets for 2015 and 2016 reached headquarters projecting stability when compared to the previous years. Perhaps even a recovery, albeit small, of the losses experienced during preceding periods.

The opposite, therefore, of the harsh reality that, in quite concrete terms, registered a drop of 26.07% last year, and almost 20% this year. Two consecutive drops that, due to their significant size, cut sector sales almost by half when compared to the record of 2012.

It is understandable, therefore, that when faced with two questions for which they still need to find answers, businesspeople and executives linked to the sector place a number of conditioning factors.

It is true that the majority of the uncertainties, the one that involved impeachment and consequent exchange of president, have already been defined. However, there are still uncertainties related to the size and time necessary to make the needed adjustments in the fiscal, labor, and political areas.

Nevertheless, with the experience of someone who belongs to a family that has been in the business for the past three generations, Alarico Assumpção Jr., president of Fenabrave, places his bet on 3.0 million passenger and light commercial vehicles, and, at least, 100,000 trucks, numbers that should be reached between 2019 and 2020.

In addition, he says that after reaching the bottom of the well this year, the sector should register growth of 5% in 2017, and positive performances of 10-15% during the next three years.

In the truck area, projection indicates two-digit growth starting in 2017. In the case of commercial vehicles, according to Philipp Schiemer, president of Mercedes-Benz Brazil, the drop in sales during the past years of almost 70% has been more significant, which justifies the difference.

Letícia Costa, from Prada Consultoria, is more conservative. According to her, there are chances that 2017 will be year of inflection, opening a new period of recovery for the sector as a whole, which should remain until after 2018 in the one-digit level. "Perhaps a high one-digit, almost reaching 10%, but without reaching two digits," she believes.

It is important to note that despite all of the current conditioning factors, nobody is projecting a new drop ahead. On the contrary, now, one should cross the fingers and hope that Brasília will not get in the way and Brazil will allow the projections to become a reality.

WE



Volkswagen will implement overtime to recover production

Alzira Rodrigues | alzira@autodata.com.br

Without inventory at the plant, and a lower than adequate volume at the dealers to meet demand from the market, Volkswagen Brazil will step up its production during the last months of the year, including the use of overtime in order to try to recover the lost market share due to problems with parts supply. The idea is to produce at least 50,000 units/month in November and December, when compared to the previous average of 35,000 units, stated the company's president, David Powels, on Tuesday, 13.

The company went into collective vacation leave in mid August after ending a contract with a group of suppliers with which it was having problems since last year. The workers at plants in São José dos Pinhais, in the state of Paraná, and Taubaté, in the state of São Paulo, returned to work on Thursday, 15. In São Bernardo do Campo, in the ABC region of the state of São Paulo, workers should return to work on Tuesday, 20. The company believes it will take another two to three

weeks until its production lines reach regular rhythm, now dependent on new suppliers.

In addition to having lost domestic market share for lack of production - year-to-date, it dropped to only 12.8% - Volkswagen will not be able to reach this year's export volume target of 125,000 vehicles. Instead, foreign sales should be around 120,000 units, 3.4% below last year. "In our major markets, Argentina and Mexico, we normally work with a higher inventory. However, we lost sales abroad for lack of supply," stated Powels.

Today, the dealer network has an inventory of approximately 20,000 units, with the regular level being around 35,000 units. According to sources from the distribution sector, inventory of models with lower turnover is higher, which has made the brand lose sales. As the president of Volkswagen Brazil usually says, "the customer of August will not wait for November to purchase."

With the acceleration of production during the last two months, the vehicle manufacturer wants to, at least, return to a level of a 14% domestic market share, reconquering part of the space lost throughout the year. Since early 2015, Volkswagen lost production volume of 150,000 vehicles due to lack of components.

Regarding the Brazilian market, Powels believes "the bottom of the well has already arrived." He believes next year will be a year of recovery, with slightly more than the 2.0 million passenger and light commercial vehicles projected for 2016. Volkswagen will produce four models in a new platform in Brazil starting in 2018, with new imported models also being promised. The vehicle manufacturer is investing R\$ 6 billion in Brazil between 2015 and 2020.

WE



AWARD WINNING PERFORMANCE

**GKN do Brasil
are proud to be
recognised by
Toyota for their
award-winning
"Quality Excellence
Performance",
for the third
consecutive year.**

To find out more, visit:
www.gkndriveline.com





Uno 2017 inaugurates new global generation of engines

Georg Guimarães | gguimaraes@autodata.com.br

FCA presented on Thursday, 12, the 2017 line of the Fiat Uno. The compact suffered a slight aesthetic change in the front, especially the front grid and the bumper. The major change in the hatchback, however, which, after three decades relinquished the condition of the brand's entry-level car to the Mobi, is under the hood: a rigorously brand-new generation of engines.

The Uno 2017 will be sold in six versions: two equipped with the 1.0-liter three-cylinder engine, and four with the 1.3-liter four-cylinder engine. Both bi-fuel engines belong to the family known as Firefly, and have aluminum blocks and are making their global debut in Brazil. They will later equip cars at the conglomerate's assembly lines in Europe.

For the meantime, however, they will continue being produced only at the plant in Betim, in the state of Minas Gerais, a complex that has just celebrated its 40th anniversary. In order for this to occur, the plant gained a completely new engine production line. Similar to the plant in the state of Pernambuco, the level of automation at the line enables production of 400,000 engines per year, which is high: 186 robots were installed in an area of 22,000 m².

The plant in the state of Minas Gerais has more than 500 robots and another 160 are being installed. Soon, it will have reason for an additional party: the new painting area is practically ready, allocated in a gigantic building that is 500 m long by 50 m in width.

The new car and the new engine production line consumed investments valued at R\$ 1 billion, stated Stefan Ketter, president of FCA Latin America. "I can say that it is the most modern and sophisticated engine plant in the group, with production of global quality," stated the executive, who, at the end of the month, will participate in the launch of the Compass, the second Jeep model produced at the plant in Goiana, state of Pernambuco.

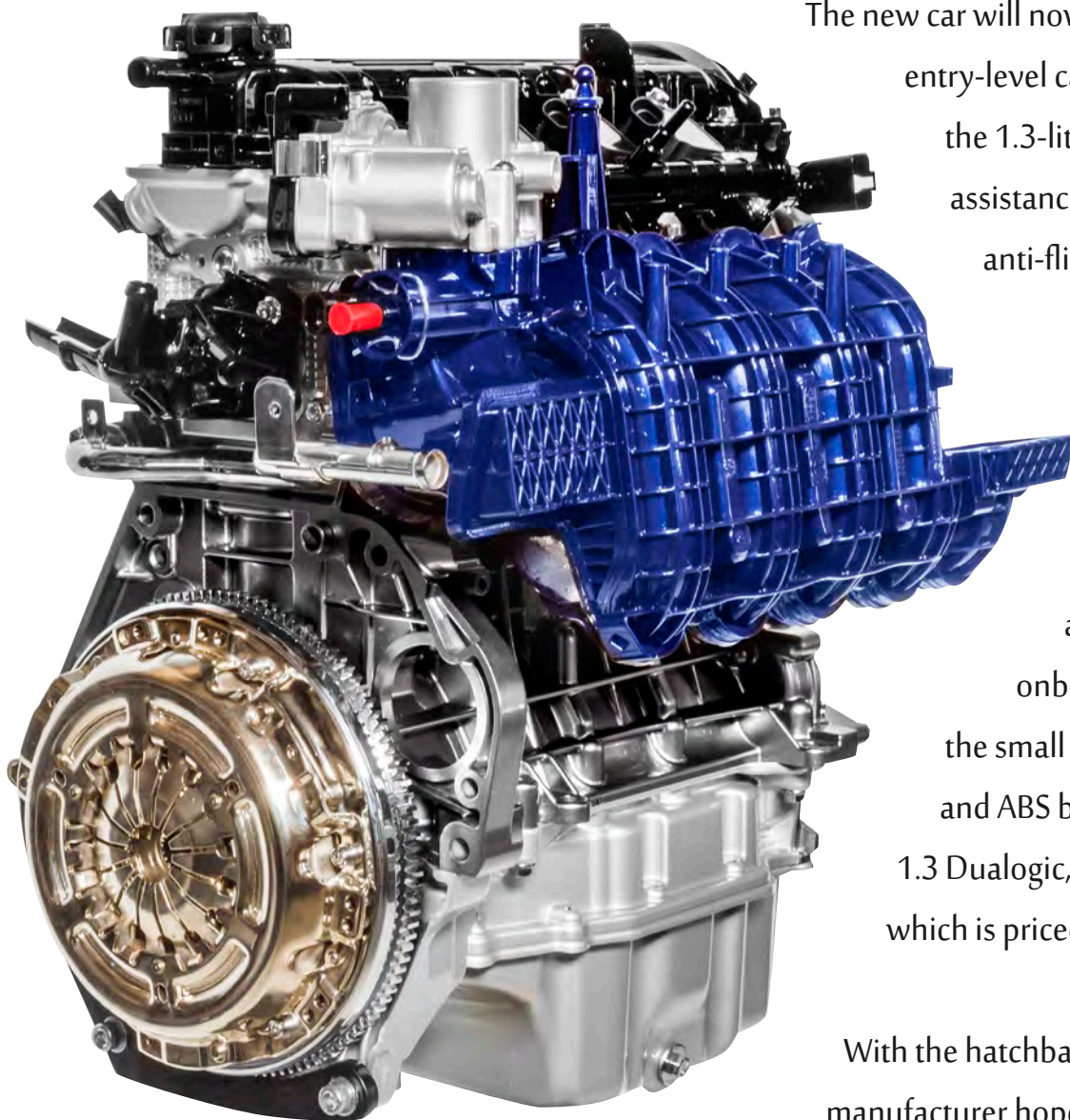
The new engines have the overall objective of increasing energy efficiency of the brand's locally produced models, essential to enable FCA to achieve the levels proposed by the Inovar-Auto program and lower taxes. Not for any other reason, they are arriving now at the market, simultaneous to the evaluations that are beginning and should last for a period of one year to determine the IPI tariff ratios up to 2020.

FCA says that the Uno 2017 1.0-liter is 14.4% more fuel efficient than its 2016 equivalent. In the case of the 1.3-liter version, fuel efficiency should be even higher: 16.7% when compared to the current version, equipped with a 1.4-liter engine. Both engines achieved Grade A in the Brazilian Labeling Program. The vehicle manufacturer guarantees that, even with two valves per cylinder, the performances of the new engines are comparable to those of the majority of four-valve engines. The 1.0-liter three-cylinder engine develops 77 hp, while the 1.3-liter four-cylinder engine develops 109 hp - "the biggest value ever achieved by a 1.3-liter engine produced in Brazil," emphasizes the company.

Carlos Eugênio Dutra, product director at FCA, believes that the aesthetic changes, when added

to the new engines and comfort and safety devices that also equip the model, such as electric steering or stability control, now as factory items in the 1.3-liter configuration with automated transmission and options for other versions, are strong enough arguments for the model to maintain, at least, the current sales volume level of around 3000 units per month.

Fenabreve numbers show that between January and August of this year, 24.1 thousand units of the Uno were licensed. The model is only the brand's fourth best-selling car, behind the Palio, and the Strada and Toro pickups, and 6th in the ranking of compact cars, with a market share of 10.3%.



The new car will now definitely take the Uno away from the brand's entry-level car condition. The more complete packages of the 1.3-liter even come equipped with ramp ignition assistance and start-stop, in addition to anti-skating and anti-flipping over electronic systems.

The less expensive version, Attractive 1.0, is priced beginning at R\$ 41,840, and comes equipped from factory with major items such as electronic steering, air-conditioning, electric windows and locks, onboard computer, cold start system - the end of the small gasoline tank - and the obligatory double airbag and ABS brakes. There are also the Way 1.0, Way 1.3, Way 1.3 Dualogic, Sporting 1.3, and the Sporting 1.3 Dualogic, which is priced at R\$ 53,690.

With the hatchback positioned in this range of prices, the vehicle manufacturer hopes to establish a greater level of distinction when compared to the Mobi compact. The model that was launched at the end of the first quarter is still showing a low performance in the market. Only slightly more than 13.8 thousand units were sold, far from the company's initial projection of 50 thousand units in sales for this year.

DAF increases production Ponta Grossa

André Barros | andreb@autodata.com.br



The production line at the DAF plant in Ponta Grossa, in the state of Paraná, will begin assembling four trucks per day, representing an increase of 25% when compared to the current rhythm of three units per day. The decision has already been approved by headquarters and should be implemented in the coming weeks, although the president of the company, Michael Kuester, is unable to stipulate a date - he projects somewhere between the end of October and beginning of November:

“Before the approval from headquarters, we imagined it would be a lot easier to negotiate with our suppliers. But we should start perhaps a little later than what we would like.”

The executive added that the entire supply chain for heavy vehicles is weary, which he believes

is natural, since the market has registered a drop of more than 20% during the first eight months of August, the second one in a row. The task of convincing them to increase production in this scenario of retraction is quite complicated.

DAF is moving in the opposite direction of the majority of the industry. The company's truck sales totaled 436 units between January and August of this year, representing an increase of 69%. "In September, we already surpassed the sales volume of 440 trucks registered throughout all of last year. This year, we should close with sales of 750 units."

Kuester uses these arguments in talks with the supply chain, adding that there is a good relationship with them - reason why he believes in the quick advance of the production increase plan. The executive said he has a feeling the market is starting to recover, based on the increase in the number of consultations and deals with potential customers.

"Sales of heavy truck, which is the segment where we are active, should increase between 15% and 20% next year. Negotiations increased a lot, and I don't believe this is happening only with us, and everything will be translated into market share."

The recent operation - the plant in Ponta Grossa will celebrate three years next month - is growing at a lower rate than initially programmed, which is not of concern to headquarters. This year, the company has an objective of reaching a 5% share in the segment above 15 tons, which, according to the president, should be achieved. "It should be below the expected volume: last year, we were talking about something around 1000 trucks."

Equally, the dealer network has been moving at a slower rate. Three additional dealers should open this year, adding to the 22 already in operation. Later on, the market's rhythm will determine the pace.

WE