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Rota 2030 rests on the president's desk

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Rota 2030 rests on the president's desk

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Disclosure

The final text of Rota 2030 is with the Civil House for adjustments involving the granting of incentives and other details such as the legal formatting of all the proposals contained in the program.

Spotlight: The minister's statement about the incentives for R&D, Research and Development, a point of disagreement between the Ministry of Finance and the MDIC and the interlocutors of the automotive sector were highlighted. According to the minister there will be incentives for R & D:

"The President of the Republic has defined that the limit of incentives should not exceed those granted in the previous plan. The question now is how the granting will be of up to R\$ 1.5 billion for R&D. The teams keep working on it. Both the MDIC and the Civil House staff."

He assured that all points set out in Rota 2030 treat both vehicle manufacturers and importers equally. "This is a non-negotiable prerogative throughout the negotiation process to have a non-contested program.

Another important issue that is with the Civil House - although not being part of Rota 2030 - is the return of tax credits to premium vehicle manufacturers. According to the minister something around R\$ 250 million: "They made the payment. It is the money of the premium automakers installed in the Country that are entitled to the return. But because of the commercialization of vehicles in previous years there was no time to refund these values. But there will be a return of these resources to the automakers. "

During the protocol speeches of the event, the president of GM Mercosul, Carlos Zarlenga, was emphatic in justifying the contribution to the expansion and modernization of the industrial complex in São Caetano do Sul: "We defined this investment in the certainty that a long-term automotive program would be the only alternative for the sector in Brazil."

GM declares to invest R\$ 13 billion from 2014 to 2020 in the country.

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Low profitability in the region leaves PSA vulnerable

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Following the “arduous” restructuring process, the PSA Group, under the direction of Carlos Tavares since 2014, celebrates the recovery of results worldwide - except in Brazil, where the company is still suffering: “We still have losses, but the results are getting better.”

According to company information, its operations in Latin America returned to generate profit in 2015, but the last positive result in the Brazilian operation was registered in 2011.

Outro problema enfrentado na região é a baixa rentabilidade: “Desde que comecei na PSA, há quatro, a realidade da região é de melhoria contínua no volume e no lucro, mas é uma região de fraca rentabilidade para o nosso modelo de negócio e isso nos deixa vulnerável, com risco de reorganização”.

Another problem faced in the region is the low profitability: “Since I started in PSA, there are four, the reality of the region is of continuous improvement in volume and profit, but it is a region of poor profitability for our business model and this makes us vulnerable, with risk of reorganization.”

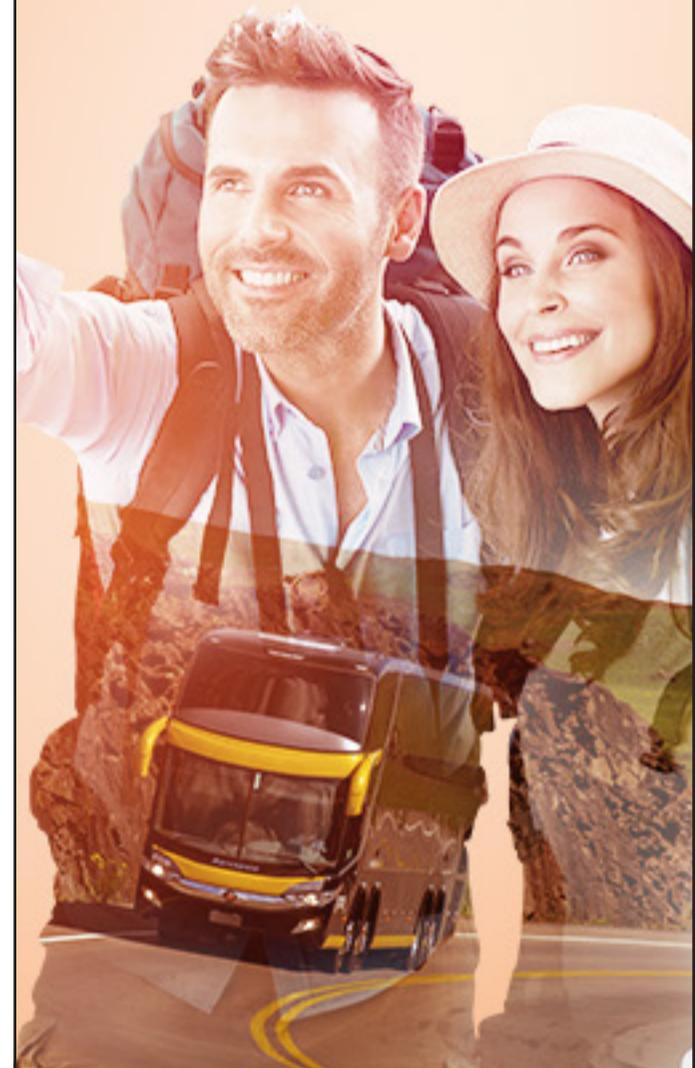
Tavares emphasized, however, that there is a clear strategic position in the company: “We are here to stay.”

According to him, his team is “committed to compensate the adverse effects that make profitability

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lower here than in other regions where the company operates.”

Tavares is in Brazil for a three-day trip to closely monitor developments in Brazilian operations and received a group of journalists on Wednesday night, 21, in São Paulo. The low share of PSA products in the Brazilian market, just over 2%, still does not worry him: “Market share will not pay employees at the end of the month. Of course I like to have more participation, so much so that I bought Opel to have 6 percentage points more than market share in Europe, but ahead of that is the profit.”

Opel, which belonged to General Motors, was bought by the PSA Group in August. With the acquisition the group became the second largest European automaker.

He said that after coming close to bankruptcy, it is now part of the culture of the company's employees to only produce and sell what does not represent loss: «Today we have a healthy business approach, we do not make sales that give us a loss. Our first point is to insure the economic viability of the business. «

MORE MODELS - Without revealing quantity Tavares guarantees that until 2023 new models will arrive from the PSA Group to the Brazilian market: “There are many models that must arrive here”.

He said that the company plans to introduce Opel in several markets and does not rule out its arrival, also, in Brazil.

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CBA is ready for an increase of the demand for aluminum

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The Resolution 717/2017 of Contran, National Traffic Council, which establishes the obligation of safety items in new vehicles after 2020, will promote changes in the structures of automobiles produced in the country and already moves the sector of high resistance metals, such as the aluminum. According to the text of the resolution, vehicles will have, among other elements, structural reinforcements to protect against various types of impact. This point should increase the demand for alloys of the input that, outside Brazil, is already applied for this type of increase of resistance.

CBA, Aluminium Brazilian Company, has the automotive sector as the main customer of

transformed aluminum and, last year, nationalized the production of high strength alloys to serve a market for which it projects growth in the coming years. The resolution points out that new launches are expected to have the new safety items by 2020 and vehicles already in national production from 2023.

According to Giuliano Michel Fernandes, CBA's market and innovation development manager, the new law will reduce the gap between national and imported vehicles in terms of safety: "Consumers, when buying newer vehicles, have also changed their profile and will require the industry to offer more vehicles that are safer."

The executive said that three national models have structural reinforcement made of aluminum alloys - the Chevrolet Cruze and the Jeep Compass and Renegade - and that the average composition of the material in the vehicles reaches 65 kilos. In the United States it is over 150.

Although the cost of production is more expensive compared to steel, aluminum has also gained space in the composition of vehicles with the arrival of three-cylinder engines and the search for energy efficiency. The expectation of the aluminum producer sector is that the amount reaches 89 kilos per unit in light vehicles by 2025.

The expectation is also that, at first, the application of the raw material increases the price of the vehicles, although there is a possibility that the value will not be so high as the use of aluminum gains scale: "The application of the material will pass through all ranges of vehicles, even in a lesser quantity on entry models."

CBA, which is a subsidiary of the Votorantim Group, operates in the supply of aluminum to systemic companies located in Brazil and abroad, in places such as the United States and Mexico. Fernandes said that since 2015 the automotive chain has built an agenda for vehicle safety, asking for the opinions of the suppliers of the material.

In terms of revenue, the automotive sector is the company's second largest customer behind the packaging sector. In the third quarter of 2017 there was an 18% increase in revenues compared to the same period in 2016, reaching US\$ 1 billion 250 million, which represented a 16% share of the Votorantim Group's revenues in the quarter.

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Banks provide more credit for vehicles

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The resumption of vehicle sales in the country and the possibility of growth in 2018 made the banks increase the volume of credit last year for the purchase of automobiles and commercial vehicles. Until December, the financial system registered an increase of 22.9% and reached the total of R\$ 101.1 billion. This was the first time since 2014 that the amount allocated to financing and leasing operations exceeded the R\$ 100 billion mark.

The expectation of a warmer market may reestablish certain conditions in terms of financing that have marked the sector before the economic crisis. According to Miguel Ribeiro de Oliveira, director of Anefac, the National Association of Finance, Administration and Accounting Executives, the return of a longer payment period is one of them:

“A trend for this year is the return of the longer terms, the financing of sixty months. The non-payment has declined in recent months, creating a favorable condition to long-term commitments. This condition will attract the consumer back.”

Data from the Central bank show that there are large numbers of consumers who honor their financial commitments. In December the non-payment rate was 3.78% in individual customers who bought vehicles, the lowest since 2014 when it was 3.91%. The interest rate in December was also the lowest in the last four years: 22.23% per year.

Another trend is that automakers' banks are able to offer more attractive financing conditions than retail banks. This is because, explains the director of Anefac, increasing the volume of vehicles produced to meet domestic demand will require a commercial effort to help accelerate sales:

“Deals are not rare at this time, and credit is usually granted faster”.

Luiz Montenegro, president of Anef, the National Association of Carriers' Financial Companies,

says banks have tried to maintain the supply of credit lines in the same way as they did before the crisis. But it recognizes that the more favorable scenario for financing in 2018 will motivate financial institutions to create products that facilitate the contracting of credit:

“In the case of the light vehicle segment, some carmaker’s banks have been able to make the entry value and parcels flexible, inserting the balloon parcel, one that is paid at the end of the financing and has a higher value. In some cases the value of the plots may be 40% lower than a traditional financing model. “

Anef’s expectation for 2018 is that the credit market for the purchase of vehicles should maintain the resumption of business. The entity estimates the volume of funds released to grow 15.1%, from R\$ 101.1 billion to R\$ 116.4 billion.

About the retail banks there is also the projection that credit volume will be higher this year due to the increase in consumer confidence, income and the consequent heating of the business in the automotive sector, according to André Novaes, director of Santander Financing:

“I see a greater demand for credit and banks’ willingness to do business, and this is already helping independent vehicle sales for longer or shorter repayment terms. There was recovery of the income of those who are working, the interest rate is lower. These are the main drivers of credit. “

January - New and used vehicle sales increased last month. There were 458 thousand 522 units acquired through the modality, according to data from B3, São Paulo Stock Exchange. This volume represents an increase of 14.3% compared to the same month of 2017 and includes light cars, motorcycles and heavy vehicles. Of the total traded by credit, 155.7 thousand were new units and 302.7 thousand were used.

In light vehicles, the financing of zero kilometer units grew 24.4% in relation to January of the previous year. This is the first time since 2013 that the month registers growth in comparison with the same period of the previous year. Regarding the light used, credit sales totaled 279.7 thousand units in January, up 11.7%. **WE**

VW seeks up to 10 new markets for Brazilian vehicles

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Volkswagen is preparing to attack new markets outside Latin America. The president of the company, Pablo Di Si, revealed on Thursday, 22, that his main goal in the position he recently took is precisely to make the cars produced by the company here reach other regions: “My first step here was to increase sales volume . But the main goal is to export to five or ten new countries.”

To grow outside the country, however, the executive signaled that the company needs to adjust its production in order to keep up with an eventual growth in demand in the lines to serve the



foreign market. The automaker has in recent months made a kind of scan to check the situation of its suppliers, both in terms of production capacity and the financial health aspect of the chain.

Di Si said that suppliers of many sizes spent 2017 adjusting their operations to increase production and repair debt: “Many of our major suppliers, including large ones, have been able to recover accumulated losses since sales in the Country began to fall. Volkswagen is concerned about the production chain and we approach BNDES suppliers so that there is a favorable atmosphere for financing.”

With that, VW fights against an evil that is already present in its factories in Brazil and that prevents an accelerated growth. Di Si projected a production growth in October of about 15% in 2018 over 2017, but saw growth expectations for the company’s supply chain were lower. So, said the executive, the company even assembled vehicles lacking parts, which entailed in patios full of cars waiting for components:

“There is the fear of not growing so much for lack of parts. There is a supplier who has difficulty in buying raw material. So we are being proactive in helping the chain to be able to keep up with our growth. In general the chain is responding well, managing to renegotiate its debts”.

The company’s recent numbers in sales and shipments showed growth in 2017 and the pace maintained in January. In exports, a volume of 163 thousand units, 53.2% more than in 2016. The main destination was Argentina, where 93 thousand units were shipped.

In the domestic market, it closed 2017 with 217 thousand 704 registered cars, 17.5% more than in the previous year, which led the company to gain three more market share points, accounting for 15.3% of the market. In January, the company recorded growth of 45% in sales compared to January last year. The expectation for February, considering the smaller number of working days compared to the same month in 2017, is up between 18% and 20%, said the president of VW.

The performance in the domestic market has allowed the company to climb a ranking in

the top-selling companies here, ranking second only to General Motors in terms of volume. VW plans to regain the top position in the market, a goal outlined even when the company's president was David Powells.

For that, the company's planning aims at growth in Brazil through sales of SUV models, a segment in which the company arrives with vehicles after the other competitors: "Our focus is not to focus on one single car model, but to focus on the SUVs, and we have products with adherence to the Brazilian market".

Of the 20 launches scheduled by the company to happen by 2020, five are SUVs. The first, the new Tiguan, produced in Mexico, hits the market in April. The second, the unpublished T-Roc, by the end of the year. The executive believes that with the expansion of the offer in the segment will leave the current 70% market coverage to 92% by 2020. The SUV segment currently accounts for 20% of the company's total sales here.

Flex - The requirement made by the Argentine government for the assemblers installed in the neighboring country to deposit guarantees for having extrapolated export accounts did not change Volkswagen's plans that relate to bilateral trade. The VW president said that the unbalance in the volumes shipped by the company was something expected:

"The Argentine government has already stipulated for us an amount to deposit as collateral and it was not a surprise, we had already talked with the headquarter about this last year. We are working to rebalance it to be the lowest value possible. We are working to export more to a market that grew 35% last year."

O executivo afirmou que é possível alcançar o equilíbrio das exportações enviando mais veículos ao Brasil feitos na Argentina: "Temos que trazer mais modelos como o Amarok e Space Fox, que são produzidos na Argentina, e também componentes como transmissões".

The executive said that it is possible to achieve the balance of exports by sending more vehicles to Brazil made in Argentina: "We have to bring more models such as Amarok and Space Fox, which are produced in Argentina, as well as components such as transmissions,"

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