



WEEKLY Edition

ANFAVEA'S NEW MANAGEMENT WANTS TO INCLUDE BRAZIL IN THE AUTOMOTIVE REVOLUTION



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Anfavea's new management wants to include Brazil in the automotive revolution

São Paulo – Competitiveness is, once again, the focus point for the new Boards of Anfavea and Sinfavea, which took over Tuesday 23, in a ceremony at the Monte Líbano Club, in São Paulo. To president Luiz Carlos Moraes the Brazilian industry has but one alternative to growing amidst the revolution the sector is going through on a global basis: to be more competitive.

Even taking into account that the big issues guiding the discussions in the industry outside the country -- electric cars, autonomous cars, and mobility services – could take longer to become a reality in the Brazilian market, Moraes believes that Brazil cannot opt out of this new attitudes of the global consumer. Because, nowadays, markets have no borders.

“Anfavea wants to increase the trade flow of the Brazilian industry, not just its balance. We must import more and export more, and to this end, we need more trade agreements. We have agreements in place with three countries and Mexico with more than forty”, says Moraes, an economist working with Mercedes-Benz for over forty years, in his inauguration address. “We support the opening up of the market. But it will only be possible if simultaneously we could advance the issue of the cost of doing business in Brazil”.

To him, the approval of the Social Security legislation is urgent. “We are already late”. Without this piece of legislation in place, the economy will muddle through and the growth spurt will be short-lived. Moreover, he points out to the tax reform as the next, and vital, step.

However, Anfavea’s president was careful not to address the tax reduction issue. He focused instead on issues that, according to him, are easier to address, such as a reduction in red tape, inefficiencies, and tax complexity. Moraes’ perception is that the Ministries of Economy and Infrastructure have the same vision as Anfavea – which is key, as these matters are beyond the reach of Anfavea to solve.

Luiz Carlos Moraes offered the collaboration of the Anfavea's board members, as well as that of most industry's execs to help identify solutions to eliminate inefficiencies and improve competitiveness. His first point of attention is State governments: he wants to resolve the issue of the credits concerning export taxes – such as the ICMS withheld by the government of São Paulo. “We are talking about billions of reais sequestered, with no clue as to when they will be made available”.

The concern of the new president of Anfavea, as well as that of vast sectors within the industry, is that this upcoming revolution in the automotive industry will leave the mother companies undercapitalized, as they will need to redirect substantial amounts of investment to develop the new technologies. So, it will be extremely tough to ask headquarters for financial help in order to continue growing in Brazil. In other words, if they are to play the global game, Brazilian operations will have to achieve financial independence. ■

Tier 2 and 3 are far away from innovation

São Paulo – Sindipeças ordered a market survey about the level of implementation of technology in the associated companies, and findings show a universe of small and medium companies, placed between tier 2 and 3, far from industry 4.0, which is a concept increasingly present within the automakers. These are bad news because, at the end of the day, these are the companies at the foundation of the supply chain in the country and this could mean a bottleneck in the future.

The entity representing the manufacturers of auto components interviewed 61 companies, or 13% of the associates, both national and of foreign capital, and found out that the utilization of software and advanced production systems is increasingly becoming a tool in the management of PMEs (small and middle-sized outfits). However, there is still a lot of ground to be covered before they reach the standards that can be seen in the companies to which they supply parts.

The ERP system, which brings together all of the company data, from production to admin, is a reality inside of the companies interviewed by Sindipeças survey. The Lean Manufacturing system, in turn, was adopted by 66% of the companies participating in the survey. Ninety percent of the companies do not possess digital production processes and 81% do not have a budget for the digital equipment needed to reach the 4.0 level.

According to George Rugitsky, president of Freudenberg do Brasil and a member of the Counsel board of Sindipeças, the sector has been adversely affected by the crisis that acutely cut down sales of vehicles in the last couple of years and is still to come back to the point of elevating its technological capabilities to the level that systemists are at. "Whoever made it through the low volume and debt today is focused on keeping its contracts. There are few who have the resources to invest in innovation".



Photo: Publicity

To the executive, who took part in the Meeting of the Auto parts Industry, carried out Monday 22 at the São Paulo Expo, the industry as a whole needs to create means to help out the auto parts segment both financially and technologically. There is no consensus yet about the correct route to provide this help. This a controversial issue, and opinions are split: the helping hand the will save the small and medium companies will be public or private?

To David Wong, a consultant with AT Keaney, auto parts were kept out of the radar of government policies for the sector, such as former Inovar-Auto and the newborn Rota 2030, what was a mistake in his opinion and has been singled out as the main culprit for the lethargy in auto parts: "During the boom period there was a lot of public investment but in the wrong places. Today we are all paying the price for having allowed an important supply chain to be neglected".

Bosch was one of the large systemist companies that had to create ways to help its suppliers. President Besalier Botelho defined the incentives granted by the federal government, such as tax exemptions on some of the components, as fundamental in the generation and maintenance of jobs in the auto parts business, and mentioned specific examples of steps taken by Bosch:

"We took part two years ago in a program in partnership with local authorities, aimed at capacity building of 25 suppliers which needed to update themselves and so come to terms with the rhythm and quality of our production. Today we are running a second program dedicated to industry 4.0. A lot was done during the crisis so that we could achieve the fine tuning of the supply chain".

ZF invests in Limeira with an eye on exports

São Paulo – ZF will double its production capacity of electric steering systems in Limeira, SP, in a factory which was once owned by TRW – and formerly, by Freios Varga. According to the president for South America, Carlos Delich, the objective is to make Brazil the center of production of some components of the system to supply to plants that will, in turn, supply the item to car manufacturers in China, United States, and Mexico.

“ZF holds as a premise to localize production to clients. The objective is not to export to other markets, but, in the case of some specific components, we decided to centralize production in just one location. We chose Brazil to supply some components in the electric steering systems to other plants”.

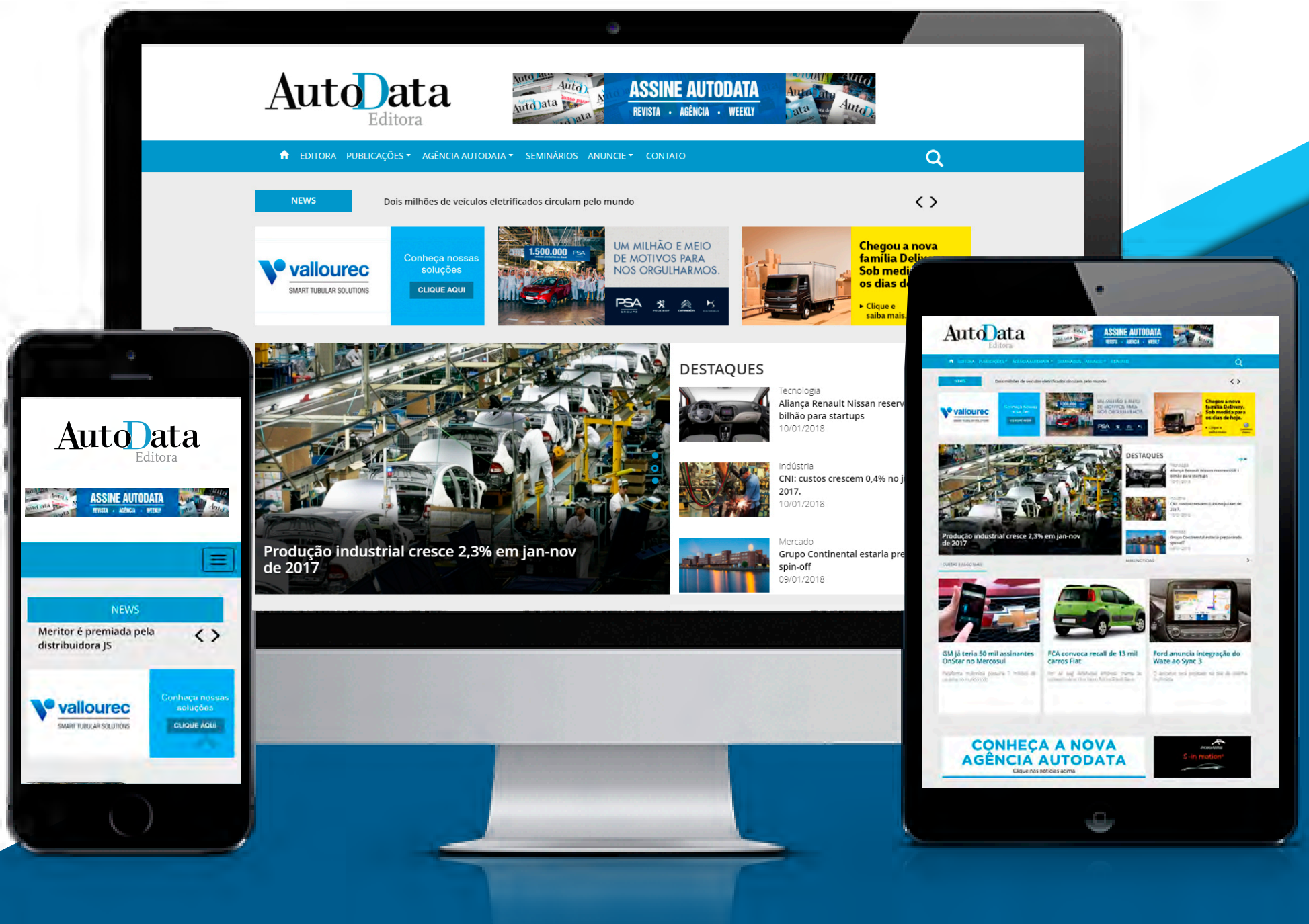
According to the exec, it is imperative that ZF's local operation be an exporter. Even though the momentum in the regional market is positive – it is one of the few experimenting growth, as opposed to the European, Chinese and American markets – to diversify the areas of operation has proved an important factor in the last couple of years, especially in the crisis.

These electric steering systems manufactured by ZF were the first ones to be produced in the country, originally by TRW. They serve passenger cars and in a few months, they will be exported too, according to Delich. He did not disclose either production volume or investment – but it is contained within the R\$ 700 million his predecessor, Wilson Brício, announced as financial injections to the region last year.

ZF will be presenting at the Automec product lines for its brands. Focus there is the expansion in replacement – which, in the words of its director of marketing and aftermarket, João Lopes, should present a double-digit growth. Indications on the first day of Automec were encouraging: “We were surprised by the substantial number of visitors on the first day. The show was crowded. I believe it will surpass, significantly so, the expectations of the organization”.

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MOURA BETS ON LITHIUM BATTERIES



Photo: Publicity

São Paulo – Group Moura is endeavoring to present to the market, in October, its first-ever lithium battery dedicated to an electric vehicle. It will not be, at least not yet, a car, nor a truck or a bus, but a forklift – a segment in which electrification, at least in Brazil, is relatively widespread.

But of course, the company keeps its eyes open to developments in other markets, foreseeing a potential trend towards the electrification of the Brazilian vehicles fleet. As per Fernando Castelão, director general of the lithium division of Baterias Moura, the company is already undergoing internal changes so as to serve this future demand.

“Our plan is to serve all of the segments: forklifts, trucks, buses, automobiles, scooters, bicycles and other applications, in telecommunications and energy storage”, said the executive in an interview during Automec. “We are gearing up for the future. The idea is to produce in Belo Jardim”.

Moura's operation is concentrated in the Pernambuco town, where it keeps a production facility whose capacity has been recently expanded. From that facility are shipped batteries for cars, motorcycles, trucks, buses, and other industrial applications. The company also owns a plant in Buenos Aires, Argentina.

Lithium batteries that will equip forklifts will roll out of one of the units in

Belo Jardim as of July: “Our idea is to launch them at Movimat (a trade show for logistics that will take place in São Paulo in October). The next step will be to supply to cell phone stations”.

In the automotive sector, things will develop at a steadier pace. There is an ongoing project, in a partnership with Eletra, to develop a 100% electric bus equipped with a Moura lithium battery – another partner will be XALT Energy, an American company that is part of the Freudenberg Group. In the second half of the year, a prototype will be ready, but Castelão foresees that it will take another two to three years for demand to justify local production.

“Demand should come from bus operators, especially in the city of São Paulo, that has defined a calendar to reduce CO2 fleet emissions. The city administration plans on getting to an exclusive fleet of hybrid and electrical models in twenty years’ time”.

Concerning automobiles, Castelão is still unsure. Despite the recently announced Toyota project for a hybrid flex model, he still believes the volume out there is insufficient to justify entering the business – but is adamant that once the demand is there, the product will be offered: “There is also the possibility to supply to vehicles recharging stations, particularly of the fast recharge kind. A bank of batteries can perform a fast recharge and the energy network will recharge these batteries gradually, without generating electrical overload”.

The battery banks, or energy stocking systems, are another wager the company sees as a possibility for the Brazilian market. They consist of several batteries, put together, that store energy – especially in wind and sun matrices, whose availability is not linear – for later use.

Recycling – Just as it does with the lead batteries, Moura is working to operate the reversal logistics of lithium batteries. These, however, have a longer life span, and also the possibility of a second use: a car battery, once they complete their regular usage, can be used in an energy storage system, for instance.

“We are the largest lead recyclers in Brazil. To every battery sold in the aftermarket, another one is recycled. Lithium will be no different, even with a longer life span”.

Mahle moves to enter new areas

São Paulo – Mahle wants to branch out into new businesses by supplying more than just engine components. To put in display this intention it introduced, at Automec 2019, the Service Solutions family, a new business unit that will sell equipment for shops, according to Santiago Malbran, who is in charge of the new division. Says he: “We already have this unit in other markets, like the ones in Europe, and we have decided to bring the concept to Brazil after we evaluated the results in other countries”.

Another movement towards this objective is the introduction of a line of temperature management products, which will come in January and will

join other components the company already sells in Brazil, such as air conditioning compressors and cabin air filters, according to Bruno Rosa, head of exports.

With the new businesses, the company is aiming for double-digit growth in billings in the country but did not go into any specifics. Last year its billings were made up of three slices, virtually

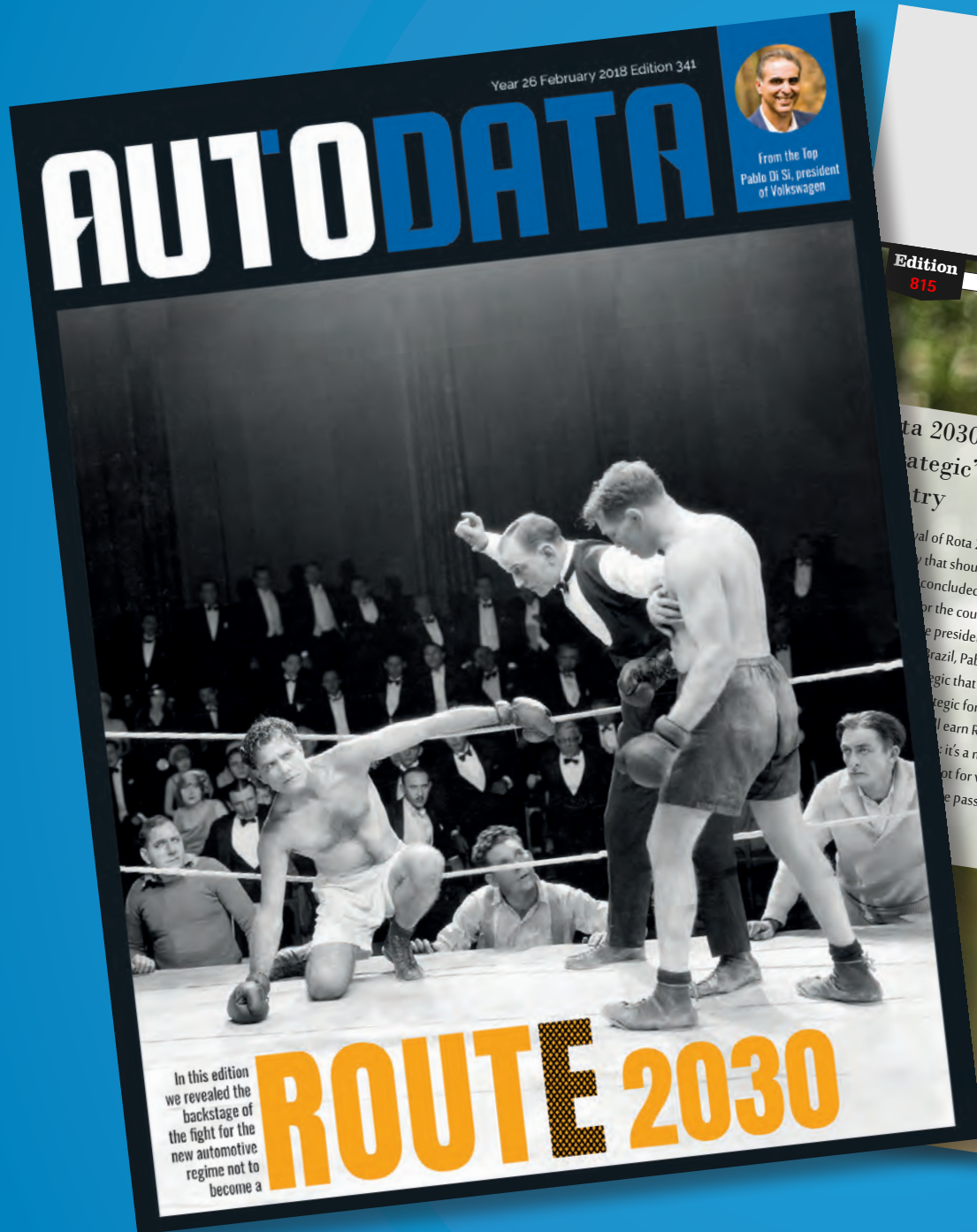
identical, or one third coming from OEM sales, one-third from the repo market and one-third from exports.

In the case of sales abroad, the main markets are Argentina, Bolivia, Chile, Colombia, and Paraguay.



Photo: Publicity

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New Peugeot 2008 starts production in Porto Real

São Paulo – The factory in Porto Real, RJ, from Group PSA started regular production on Wednesday 24 of the Peugeot 2008 SUV new generation, one of sixteen introductions the Push to Pass plan calls for. To make it possible, the unit received R\$ 30 million in direct investment – besides having taken advantage of the R\$ 580 million invested towards the production of the Citroën C4 Cactus, whose chassis both models share.

PSA trusts, as its competitors do, in the sport utility segment, one with the fastest-growing rate in the Brazilian market, to bolster its sales volume. Now in its second phase, the Push to Pass plan has as an objective to expand by 70% the company sales in the region by 2021.

“It is another important product launch for PSA Group in Latin America within our plan for a profitable growth”, said in an official note Patrice Lucas, president for Latin America. “The new Peugeot 2008 SUV will certainly be one of the factors to contribute to the attainment of that goal”.



Photo: Publicity

It took two years in development to adapt the 2008 model to the taste of Latin-American consumers, taking up close to 60 thousand hours of effort. PSA states that the model production reflects the relevance of the Porto Real plant to the company's global plans – besides the 2008 and C4 Cactus, the plant also turns out the Peugeot 208, the Citroën C3 and the Aircross.

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