

BRASIL AND MEXICO HAVE FREE TRADE IN VEHICLES



Governments of the two countries have decided to maintain the terms of their bilateral agreement signed in 2015 and trade between the two countries becomes tax-free.

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Brasil and Mexico have free trade in vehicles

São Paulo – The trade of automobiles, light commercial vehicles and parts will be exempted of import duties as of Tuesday 19, when the free trade for vehicles agreement between the two countries kicks in. According to an industry source the two administrations decided to upkeep the terms of the agreement signed in 2015 – the Economy Ministry advanced no details until the closing of this material.

There was a modification in the rule concerning local product content, which was raised from 35% to 40%. In other words, for a vehicle to cross the border without incurring in import duties it is imperative that at least

40% of its components be manufactured in the country of origin. This demand, according to sources, could curtail a bit the import of Mexican vehicles, given that its industry is very integrated with that of the United States.

At any rate, the decision runs counter to the automakers' wishes. The president of Anfavea, Antonio Megale, said Monday 11 that the industry was favorable to the maintenance of quotas that had been in place since 2012 at the request of the Brazilian administration, which, back then, was concerned about the prospect of increase in imports from Mexico.

Governments of the two countries have decided to maintain the terms of their bilateral agreement signed in 2015 and trade between the two countries becomes tax-free.

In the last twelve months, the quota was set at US\$ 1.7 billion, for both imports and exports, and Mexico had a surplus. The Mexican manufacturers send to Brazil models with higher added value, such as the Chevrolet Tracker, Nissan Sentra and Volkswagen Jetta, whereas the models going from Brazil to Mexico are of smaller value. In addition to this, the Mexican market has recorded smaller volumes of late, as opposed to the domestic market, which is in ascent.

Megale suggested taking time this year, with newly elected governments in both countries, to discuss a new quota, a little bit more generous, as well as other terms, such as local content, which should have been put on the table last year, and decisions to improve competitiveness of local manufacturers. Execs in the sector say that one study commissioned by Anfavea shows that the Mexican automotive industry is about 20% more competitive than Brazil's.

The executives' concern is to lose leverage to negotiate new investments. The possibility of importing products from Mexico without an import duty, and without a ceiling, could lead the companies' headquarters abroad to place their money on their North America neighbors. ■

ARGENTINA MAINTAINS ITS QUOTA SYSTEM WITH MEXICO

The trade vehicles agreement between the two countries called for free trade from now on. Nevertheless, this was put off until 2022.

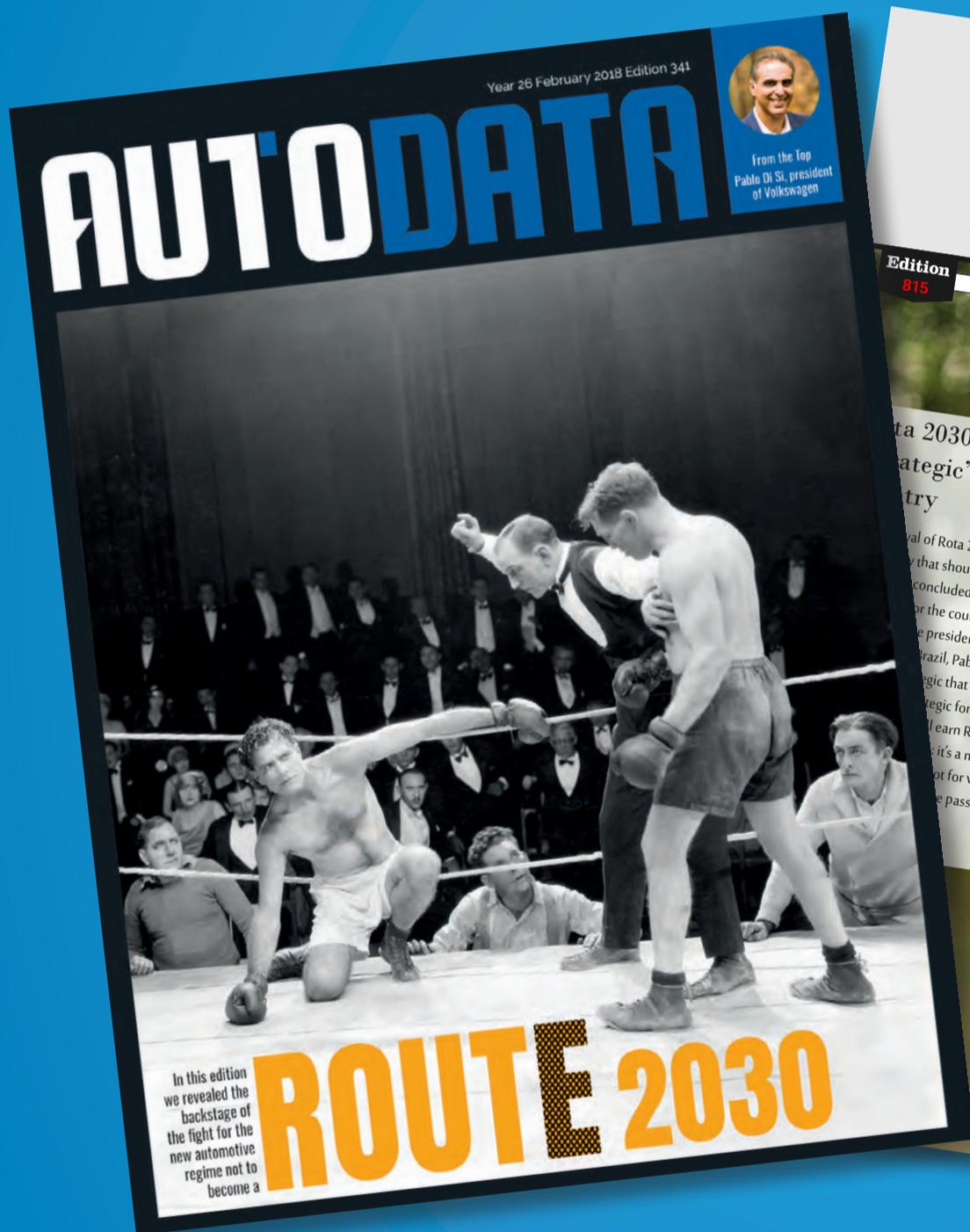
São Paulo – While originally set to start this year as well, the free trade for vehicles between Argentina and Mexico was now set for March 19, 2022. Unlike the negotiation between Mexicans and Brazilians, which chose to start free trade right now without any sort of tax barriers, the Argentinian and Mexican governments have decided to keep in place the quota system for three more years.

A note released by the Ministry for Production and Labor in Argentina makes the case that both countries believe that, before entering into the free market regime, it is necessary to improve the conditions for Argentine models to enter the Mexican market. To this end, negotiations will be held throughout the year.

As per the new agreement, the two countries will trade light vehicles up to the amount of US\$ 701 million this year, for a 10% increase over 2018. The quota will go up to US\$ 737 million in 2020 and US\$ 774 in 2021, an increase of 5% per year.

In a note, Adefa commemorated the extension of the quota agreement: “A joint effort of both public and private sectors made such new trade agreement possible starting with the last quota, thus addressing the entity’s requirements”.

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São Paulo – In a session in the Palácio dos Bandeirantes on the morning of Tuesday 19, General Motors confirmed investments of R\$ 10 billion up to 2024 aimed at the development of new products, provided with more embedded technology, which will be assembled in the São Caetano do Sul and São José do Campo plants, in São Paulo.

The outcome of the negotiation, which took the best part of three months, ended up leaving everybody pleased: GM, which won State incentives and closed deals with suppliers and dealers; the suppliers, who won long-term contracts; the dealers, with the perspective of selling high-end models; and the workers, who saw their jobs secure.

Governor Doria commemorated the positive outcome of the negotiations, and he was maybe the one who took the most advantage of the initial conundrum. His point was that he managed to transform the upcoming exit from the State of a company – fact undisputed by Carlos Zarlenga, president of GM Mercosul – into an investment of R\$

GM confirms R\$ 10 billion in plants in São Paulo

Investments in São Caetano and in São José will be directed towards technology and new products until 2024.

10 billion. Also for turning the closure of 15 thousand direct jobs into four hundred new jobs.

"I thought this day would never come. But come it has", stated Zarlenga. "With these R\$ 10 billion in investment we will strive to maintain market leadership, a spot we have occupied for three years".

The amount of funds hits the ceiling of the incentive program announced by the State administration early in the month, the IncentivAuto. Through this program, car manufacturers who will invest over R\$ 1 billion in the State and generate four hundred new jobs are entitled to a rebate ranging from 2.5% to 25% in the ICMS due on vehicles produced as a result of the investment – the amount will be analyzed on a per-case basis. According to the secretary of Treasury and Planning, the discount will be granted throughout the production of the model, no timetable attached.

The expectation is that GM will renew all of its product range; therefore, the Chevrolet models produced in São Paulo plants from 2021 or 2022 should receive a rebate of 25% on the ICMS tax due.

The São Caetano do Sul city administration also granted benefits to the company, the only automotive company established in the city: by means of the ProAuto, a program created by mayor José Auricchio Júnior, GM will be exempted from IPTU and will enjoy rebates in the ISSQN, and on utilities bills.

Credits overdue – Meirelles insisted that the São Paulo administration is actively working on a plan to pass on to the manufacturers the overdue ICMS they are entitled to, due to the exports – which are tax-exempted. The secretary indicated that one way to do it would be by deducting these credits from new ICMS taxes due, without further details.

Two hurdles though: the first one is that of lack of room in the State budget. Given that the credits stem from operations of years past, it is necessary to adjust the payments to the State budget, thus making it impossible to pay them all in one step without impairing fiscal responsibility. The other one, according to the secretary, is the lack of documentation from the carmakers themselves to demonstrate their entitlement to these credits: "Some companies are having a lot of trouble to come up with that documentation".

The governor assured that, from now on, there would be no further buildup of rebates generated by exports: " My instructions are that we are not to engage in this practice of holding up credits". ■

Fortnight has 84 thousand licenses



Photo: Manoella Melo/Detran/Publicity.

Despite having two fewer days, the daily average in March exceeds that of the first half of February.

São Paulo – Up until Friday 15, the domestic market recorded 83 thousand 930 licenses of passenger cars, light commercial vehicles, trucks and bus chassis, according to preliminary numbers from Renavam obtained by AutoData Agency. The reason for a volume well below that of the first half of February, which came in at 97.8 thousand licenses, is in the number of working days: nine in March – or eight and a half, if we take into account Ash Wednesday – and eleven in February.

The daily average indicates that the performance of the first half of March exceeded the same period of February: 9.3 thousand versus 8.9 thousand licenses.

And yet the dealers' expectations are not particularly optimistic. According to a source the reporter interviewed, it is projected that licensing will hit 190 thousand for the month, tops – or little more than 10 thousand units for each of the ten working days still left in March.

The volume would thus be a little bit below the results of January and February, which totaled close to 200 thousand units. This would result, for the quarter, in something close to 600 thousand units, or about 10% above the first quarter of last year, when 545 thousand units were sold.

The Chevrolet Onix continues to lead the market, with 5.5 thousand units sold up to Friday 15, with the Hyundai HB20 model in the second spot, at 4.5 thousand licenses. The Ford Ka model completes the podium, with 3.5 units licensed.

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BMW UPDATES THE ARAQUARI PLANT

Mogi Guaçu, SP – The R\$ 125 million that BMW invested to produce the new generation of the Série 3 and the SUV X4 in Araquari, SC, brought more automation to several areas in the factory – which is being prepared to supply the market with the sedan model from July on. The director of government relations, Gleide Souza, stated that the main focus was on the welding area.

R\$ 125 million were invested to improve automation and to produce the new Série 3 and X4.

“In spots where access is difficult we installed four robots, and they do the work now”, said the executive, adding that something similar was done in the application of glue and in the line that makes body subassemblies, now 90% automated, she estimates. “We also automated the area for door alignment. With these changes, the plant has substantially improved since opening in 2014”

The lines are already processing, albeit still in the phase of tests, some units of the Série 3 new generation. Until July, the model will be launched in the domestic market with two versions imported from Germany – already in pre-sale, and that will hit showrooms next Thursday 28.

The Série 3 received visual modifications, but the real news are in the car interior: a multimedia kit that provides artificial intelligence, with different functions for the driver, such as turning on the air conditioning and addressing queries about warning signs showing up on the dashboard by means of data stored in the cloud, among others.

Artificial intelligence now comprises 90% of the Portuguese language, and as users keep on using it, it will store the additional knowledge and increase its ability to understand the language – but, according to BMW, the system does not understand slang. Even with the model being



Photo: Publicity.

produced in Brazil, the technology will be imported from Germany and adapted by local engineering teams.

BMW does not make public its sales projection for the model, but Souza said the estimates are for the market to grow by 10% and that the company wants to grow by 10% likewise. Last year the company sold just over 11 thousand units.

Aksel Krieger, CEO for the company in Brazil, said the country is an emerging market with plenty of potential and that he will strive to place it in the same level that the other global markets.

The Série 3 has a 2.0 turbo engine with 258 CV, with automatic transmission featuring an 8-speed gearbox from ZF. It features as standard equipment items such as 3-zone air conditioning and full electric power steering, new features that add to others, such as emergency braking in case of collision, warning for involuntary track changes, adaptive autopilot, GPS with information in real time, concierge service and warning for component maintenance, Apple CarPlay and warning for rear-end collision.

The entry-level model, imported, will be priced at R\$ 219 thousand and the top of the line model at R\$ 269 thousand 950. ■

Marcopolo enters the metro-railway segment

Marcopolo Rail will supply bodies for the Aeromovel and VLT.

São Paulo – Marcopolo has created a new business unit aimed at operating in the metro-railway system. In a partnership with Aeromovel Brasil, which specializes in urban mobility, Marcopolo Rail will produce bodies for mass transportation vehicles on elevated tracks and for VLTs, light vehicles on tracks.

The new brand was presented on Tuesday 19, during the NT Expo, a trade fair dedicated to the metro-railway market. Aeromovel will supply electrical technology that will power the vehicle, which uses compressed air in tubes for movement and autonomous technology for driving, whereas Marcopolo will produce the body.



Photo: Publicity.

It took two years to develop the new body, and R\$ 10 million were invested in the Ana Rech plant, in Caxias do Sul, RS – in tooling, production line and engineering. According to Patras Santos, business head with Marcopolo, production will have a dedicated line: “We will have an area devoted to the production of these bodies so we will be in a position to serve the future market demand”.

The first Marcopolo Rail product is a body for Aeromovel, 25 meters long, designed to transport 280 passengers. It can be used in either public or private transportation systems, as well as airports.

Santos said that so far no contracts have been signed, but there are 110 negotiations under way, both domestic and international: “This is a global project and we want to make headway both in Brazil and in other markets. We have a team in New York which will be in charge for negotiations in the area, which is very promising”.

The company is also dealing with GRU airport, which operates the Cumbica International Airport, in Guarulhos, SP, aimed at the transportation of passengers from the railway station until the embarkation terminal; also with the government from Bahia, where several projects are underway.

The Aeromovel requires, besides the body and the propulsion technology, the construction of an elevated structure where the vehicle will move. Aeromovel Brasil will refer companies that build these structures to clients in negotiations. Marcus Coester, CEO, said that it could be built quickly, depending on the amount of the investment to be made: “We have examples of 2.5 km long roads that were built in 8 months in other countries”.

Coester believes that this mode of transportation will gain market in the next couple of years “given that it is a non-polluting vehicle, electric, and that does not require a driver; also, it can be shared by several people simultaneously”. The operating cost of this kind of vehicle is lower than a regular diesel-propelled bus by as much as 80%, he claims.

The first aeromovel is operating in the Salgado Filho airport, in Porto Alegre, RS. There are two vehicles, one with capacity for carrying three hundred passengers, and the other for one hundred fifty.

“In this project the vehicles follow a line of about 1 kilometer. Given that demand in this airport is growing, we are already negotiating the delivery of a new unit to transport three hundred passengers”.

Group PSA busy with business turnaround



Photo: Publicity.

Carlos Tavares, global CEO, was in Brazil to monitor the results of the Turnaround plan in Brazil.

São Paulo – Even after several years in a row with losses and problems to grow in the Brazilian market, Group PSA is resolute and confident in its local operation. Tuesday 19, its global CEO Carlos Tavares landed for his yearly visit and reviewed the business plan Turnaround Brasil, which calls for the return to profitability and a 5% share of the market for passenger cars and light commercial vehicles.

Once known only within the company, the Turnaround Brasil is the local portion of the Push to Pass, a global restructuring plan that has already yielded good results to the company. Tavares says it consists of basic steps: “They are actions that, combined, have the purpose of reducing

both fixed and variable costs, distribution costs and making marketing expenses more efficient”.

The plan also calls for the launching of sixteen models until 2021, one for each brand per year. There are still six to go – and now, the majority will be produced locally, either in Porto Real, RJ, or in El Palomar, Argentina. With this initiative in new products, the company intends to jump from its current 2% market share to 5%, combining both Peugeot and Citroën.

Tavares did not disclose the goals, neither did he elaborate on a target date for completion of the Turnaround plan. He does not seem too eager to get to the results right away: the exec believes that it is essential to prepare the ground to make money in the long term. “We have to make money in every country, for there is not such a thing as one country offsetting losses in another country. We are reaping good results, the situation is getting better, and we are confident that we will get to a positive situation very soon”.

The CEO of Group PSA deemed as favorable indications from the economics team in the federal administration. Beyond the optimism with the forecast of the local economy, the decision to open borders for Mexican cars and components was seen as appropriate by Tavares.

“With the release of importing parts from Mexico tax free, Brazilian suppliers will have to up their productivity”, said he. “There is no reason to be afraid of competing with the Mexicans. This will push Brazil to strengthen its competitiveness”