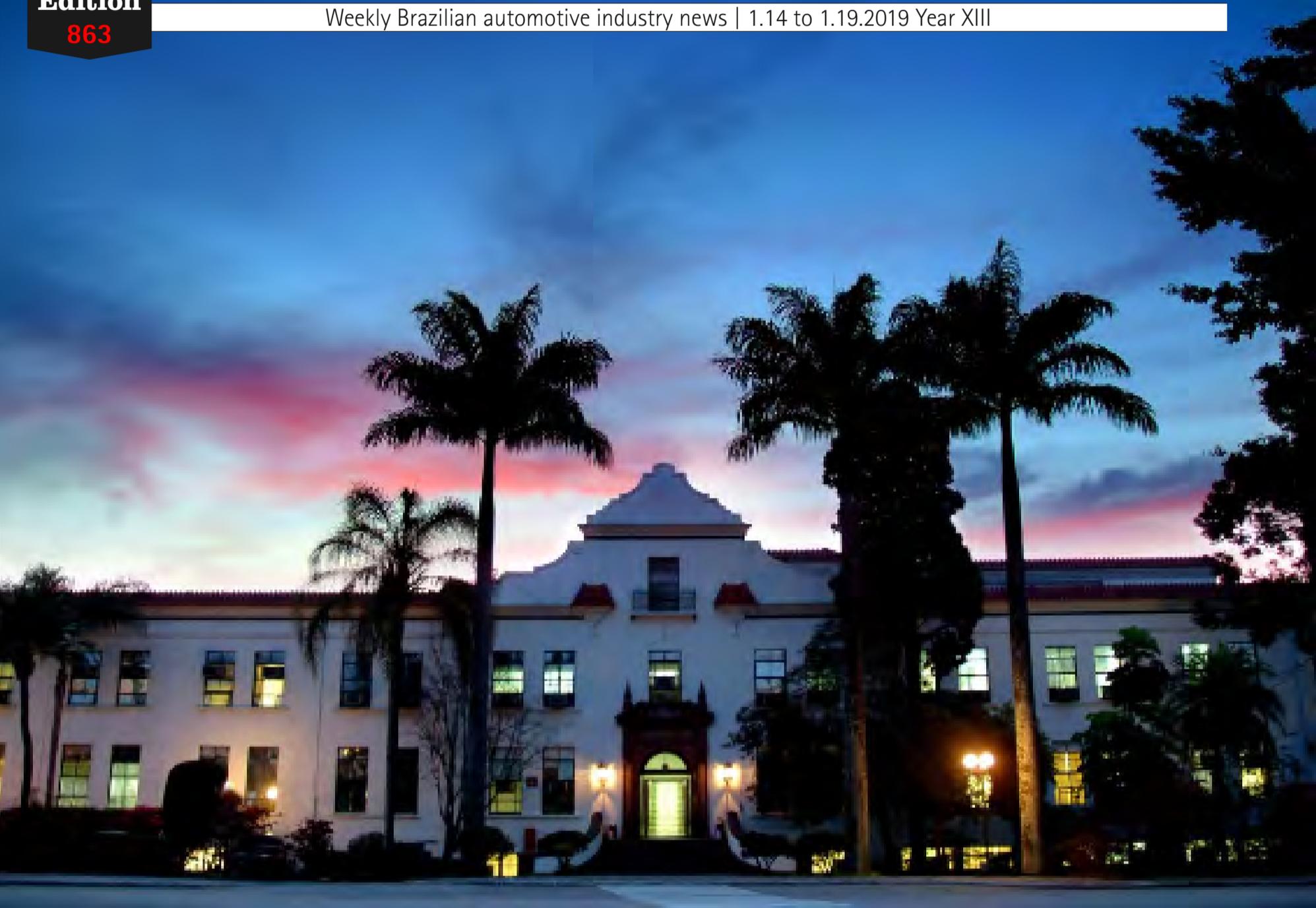


AutoData

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The Brazilian market leader in the hands of the Chinese?

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for Ford and VW**

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The Brazilian market leader in the hands of the Chinese?

Vicente Alessi, filho | vi@autodata.com.br



Disclosure

São Paulo - Mary Barra, the supreme boss of General Motors Company, will soon come to Brazil and have a meeting with the president of Brazil and other authorities. She will tell a story and say something like this: "You help or the Chinese will come". This is the synthesis that AutoData received from a former director of the company after he knew about the email distributed on Friday, 18, by Carlos Zarlenga, president of GM Mercosul, to

all employees in the South American region, saying that the company considers stop producing in Brazil.

"This email is foolishness, a barbarism. It takes away the encouragement and enthusiasm of those who are active, developing new projects, in full productive activity", said the former director. "I only understand it, and very badly, as a message given before

the visit of president Barra anticipating the quality of her conversation with the Brazilian government people”.

Portal Terra, apparently, had the primacy of releasing Zarlenga’s message, elected Personality of the Year of the last AutoData Award. In it, the president states that “2019 will be a decisive year for our history”, after the “significant aggregate loss in the period from 2016 to 2018, which CANNOT BE REPEATED [in capital letters in the original].

He tells that “the Executive Committee of Mercosur developed a viability plan which was presented to our global leadership in Detroit. That plan requires the support of the Brazilian government, dealers, employees, unions and suppliers. The GM investments and our future depend on the success of that plan”.

In Detroit, told another source to AutoData, Zarlenga would have heard, from Barra, that only one thing makes sense – the profit. And that he would return to Brazil with the mission to prepare the land for her visit to the president of Brazil.

In contact with a director of GM Brasil, now retired and living in the United States, AutoData learned of another possibility that ranges the entire production operation in Argentina and Brazil - the statement makes no

reference to Andean GM and Central GM -: the Chinese SAIC Motor Corporation Limited would assume the productive activities.

Since 2011, SAIC has been the successor of Shanghai Internal Combustion Engine Components Company, founded in 1955 and succeeded in 1995 by the Shanghai Automotive Industry Corp., which according to Wikipedia held more than 144 thousand employees in 2013. It is one of the four largest companies in China and maintain three operations associated with General Motors itself, Volkswagen and Iveco - and owns the English company MG.

In 2018, the company was the sales leader in China with a little more than 7 million units sold. In its latest balance sheet, SAIC reported revenues of US\$ 67.93 billion in the first half of 2018.

Inside GM - The report also searched people in the field to comment on president Carlos Zarlenga’s message. The e-mail fell like a bomb in several areas and, in fact, caused insecurity and some indignation with regard to the workers because even those who are still on collective vacations (the production will resume on January 28) did not understand how a company that is preparing for a new product cycle may consider the possibility of leaving South America.

The production came to a halt so that the factories are prepared for the arrival of new vehicles. Some models of a new global family of vehicles anchored in common platform will be manufactured in Brazil and in Argentina. The first of this new team will be launched later this year.

Many are working on completing these projects and product developments beyond 2030. "By the end of the year the expectation was very positive: GM was once again a sales leader and we knew that these new projects would lead the company to a higher level from the next decade", said a source who evaluates Zarlenga's e-mail as the tip of the iceberg for more cuts that will certainly come in 2019.

The creation of GM Mercosul, by Zarlenga himself in 2017, represented a significant downsizing of the structure. Duplicity positions were eliminated in both countries such as industrial directors, product managers, among others. Now only one executive is responsible for activities in Brazil and in Argentina.

However, GM has always honored payments to employees and main suppliers, which may suggest stability in finances. On January 15, the second half of the PLR (profit sharing and results) of 2018 was paid to all employees, the amount of R\$ 7 thousand.

Active collaborators with more time in the company commented that it is not usual this type of communication in the company, especially by e-mail, giving the opportunity to a leak of information, which supposedly occurred. In times of restructuring the leaders were scaled to communicate their teams, keeping the secrecy inside the gates of the factories and offices of GM in Brazil.

Inside Chevrolet – In the world of Chevrolet dealers in Brazil this type of difficulty is well known, admitted one of them, but kept in discretion. He observes, realistically, "that no one is willing to discuss these issues and try to ensure rights, even because the chain is gradually dying, with halved revenues in the last years."

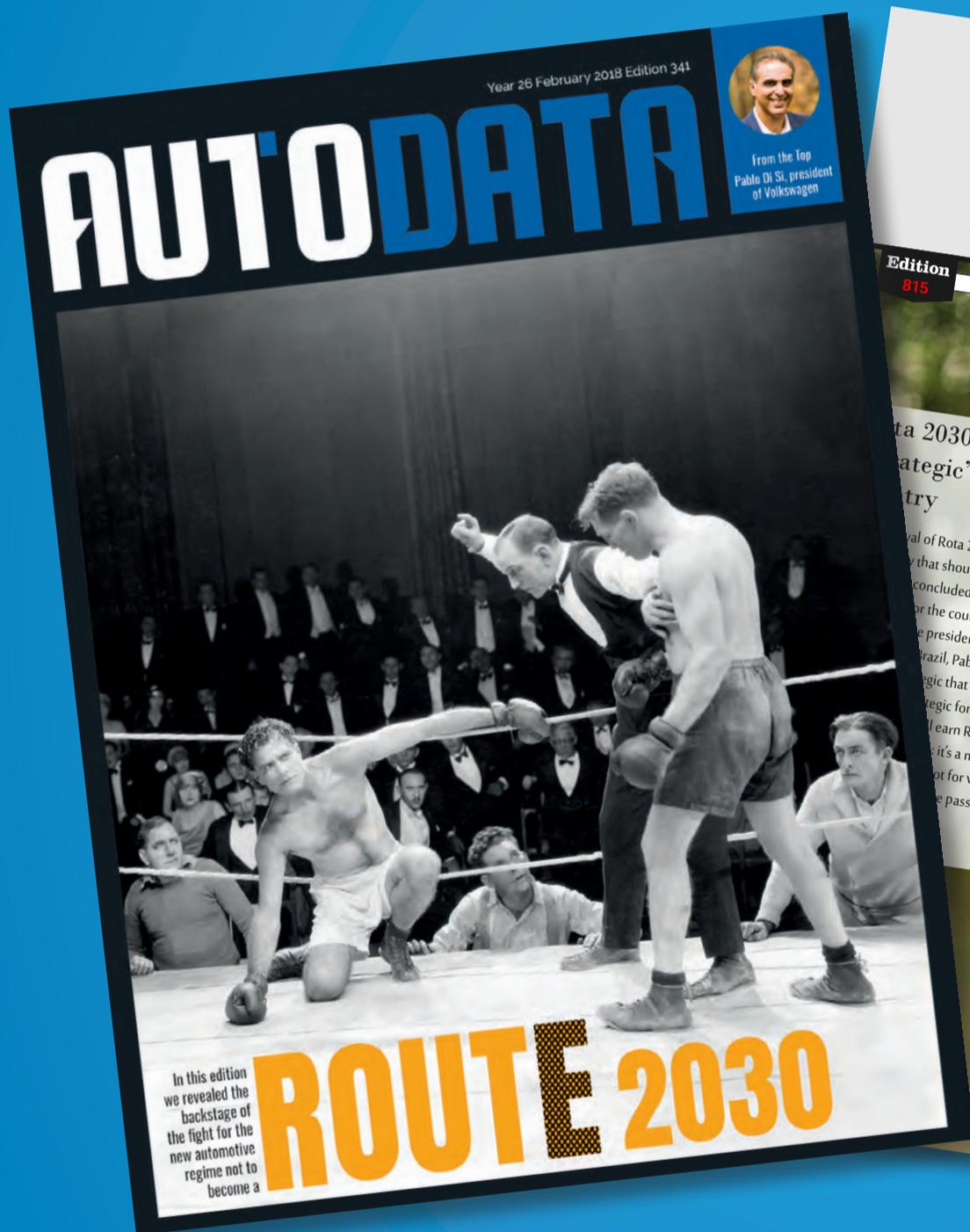
He noted: "No one had the courage to relate the 48% of direct sales realized during 2018 with the brutal decrease in chain billing".

According to him, the advent of direct sales has "a lot of responsibility in this decreasing scenario, and recently the company has taken another 1% from the dealers' delivery commission.

All that remains is to wait for the company's management statement regarding the course of the auto parts producers.

Leandro Alves and André Barros collaborated

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Ford-VW alliance will begin with a pickup truck

André Barros | andrebarros@autodata.com.br

São Paulo and Detroit - Ford and Volkswagen released on Tuesday, 15, through their CEOs Jim Hackett and Herbert Diess, novelties about the alliance announced last year. What would initially be restricted to light commercial vehicles, such as pickup trucks and vans, may also advance to electric, autonomous vehicles and mobility services - both companies have signed a memorandum of understanding to study collaboration in these areas.



Disclosure

The first vehicle of the alliance - which will not involve stock exchanges and will be run by an independent committee, led by the two CEOs and formed by executives from both companies - will be a global mid-size pickup truck expected to hit the market in 2022. Ford will be responsible for the development of the project and production.

The American company will be responsible for the big commercial vans for the European market as well, while Volkswagen will develop and produce an urban van, whose regional markets and deadline to start production were not specified.

No details were given, but the release itself shows some signs. The pickup truck would be the new generation, or the substitute, of Ford Ranger and Volkswagen Amarok. The vans will substitute Ford Transit and Volkswagen Caddy and Transporter.

Ford and Volkswagen expect that the first results of this partnership bring annual operating income before taxes from 2023. The alliance, says the statement signed by the CEOs, “will generate significant gains in efficiency and scale and will enable both companies share investments in vehicle architectures that encompasses different capabilities and technologies”.

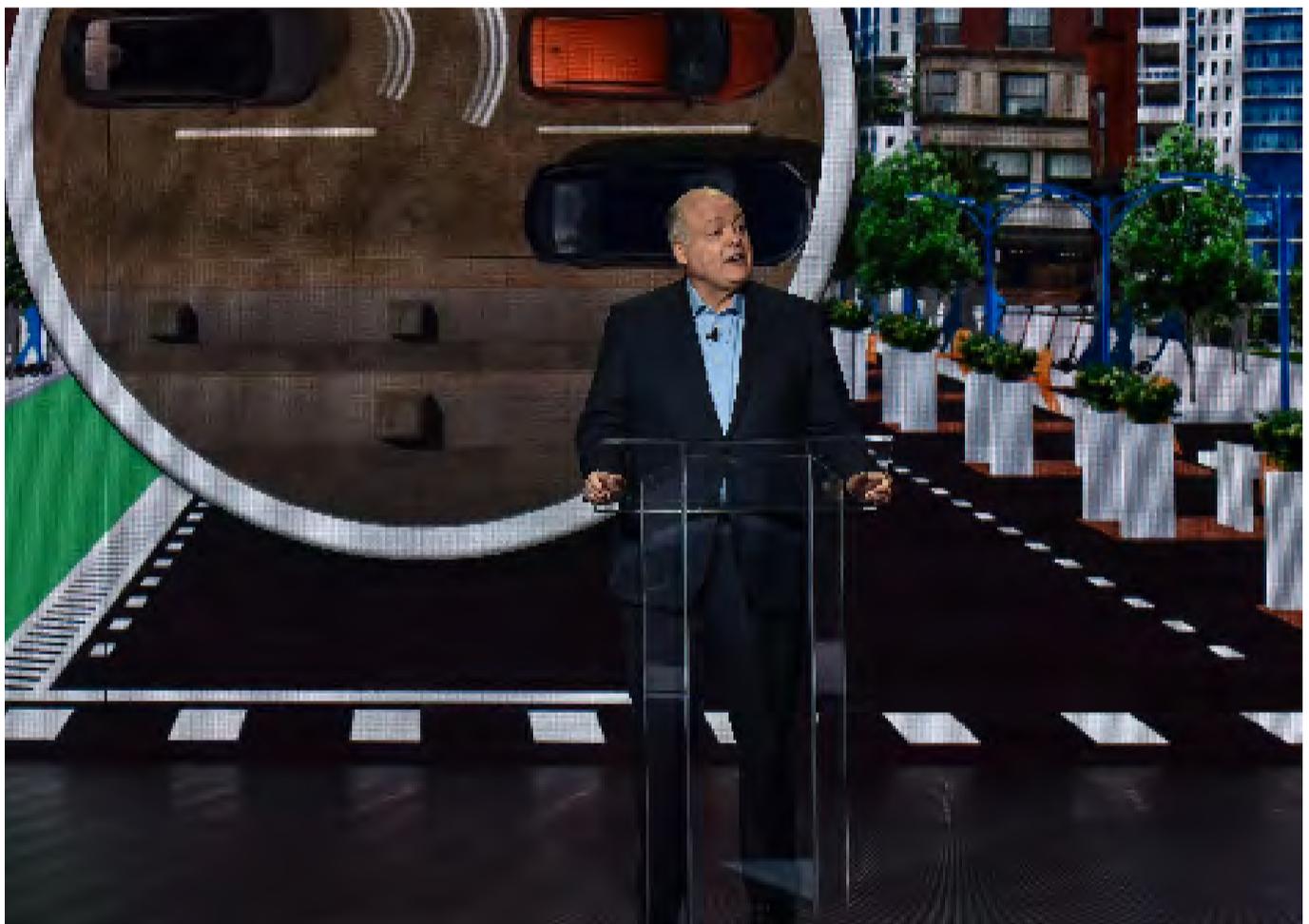
Hackett, from Ford, went further: “[The alliance] will not only bring important efficiencies and help both companies improve their performance, but it will also give us the opportunity to help form the next era of mobility”.

Vicente Alessi, filho collaborated

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There is no limit future for Ford and VW

Vicente Alessi, filho | vi@autodata.com.br



Disclosure

Detroit - The possibilities that the Ford and Volkswagen alliance (announced by CEOs Jim Hackett and Herbert Diess on Tuesday, 15) are likely to evolve over a few years into a tougher merger or incorporation commitment, sources close to the events believe. For now the joint interest declared is the development of a mid-size pickup truck that will replace Ranger and Amarok until 2022 and commercial vans in Europe.

Both companies' necessity is "to generate scale and efficiencies from 2023".

In Detroit, for the auto show, the president Lyle Watters of Ford South America and his vice

president of Communication, Strategy and Government Affairs, Rogelio Golfarb, took advantage of the presence of Brazilian and Argentine journalists to help understand the spirit of the Ford Volkswagen Alliance.

“This is about a global and not regional alliance, as it happened in the past [he referred to Autolatina]”, Watters said. “The first focus is pickup trucks, under the leadership of Ford engineering, and then commercial vans in Europe, always focusing on improvements for both companies. Over time we will have open doors to discuss our potential with regard to electrification and autonomous vehicles, to mobility services, finally.”

Of course, it is not yet clear how these goals will succeed, such as the supply of engines and parts and auto parts, if factories will survive or be transformed into allotments or shopping malls - particularly in Brazil and Argentina. Even because questions like these will be discussed from now on, insisted Watters and Golfarb.

“We will certainly share, in near future, differentiated vehicles with the DNA of each brand”, continued Watters. “But we will also focus on capital expansion.”

The location of these productions is also undetermined, the assembly of these new vehicles, but the leaders have admitted the possibility that Ranger and Amarok may eventually share the same production lines. Watters observed that “this is one of the beauties of this alliance agreement. In other words: to discover where so many possibilities are”.

Golfarb insisted that the companies are open “to all possibilities, throughout the world, to be analyzed in a careful way aiming at healthy competition, but nothing more specific still exists, besides the pickup truck action”.

That careful analysis that Golfarb mentions is based on “a lot of accumulated experience in joint work, and in 2023 we will already observe the results, the global benefits”.

A fundamental question was answered by Golfarb: “Why will this alliance work? Because people and organizations learn how to apply their knowledge better over time. In other words: we learn where to focus our energies aiming at the consumer’s interest. And also because the markets were less competitive in the past”.

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Kroschu joins the VWCO Modular Consortium

Bruno de Oliveira | bruno@autodata.com.br

São Paulo - Volkswagen Caminhões e Ônibus promoted changes in the group of suppliers installed in the industrial condominium in Resende, RJ. Continental Automotive is no longer a member of the modular consortium, which used to operate in the cabins assembly line since 1997 to make way for Kroschu, a company headquartered in Germany, which has operations in São Paulo and Minas Gerais. The transition, according to AutoData, began in the second half of last year, started to operate on January 2nd.



Disclosure.

280 people worked at Continental. Of these, fifty would have been rehired by Kroschu, with the possibility, according to the company, that the other workers will also be incorporated on the manufacturer's board of employees in the future. But VWCO informed in a statement that the change of partner in the modular consortium in Resende "didn't generate any impact on the staff. It was a careful transition of six months and since January 2nd, the employees have been part of the Kroschu team."

Continental is no longer an in-house supplier but continues to be responsible for the production of panel components for the VWCO trucks and buses via Guarulhos, SP, plant. This is the second case where the manufacturer ceases to be an in-house supplier: last year, the company was replaced by Reydel in General Motors's industrial condominium in Gravataí, RS, where it used to supply panel components and internal finish for Chevrolet cars.

Kroschu (an abbreviated form of Kromberg & Schubert) maintains production in forty countries and has a staff of 50 thousand employees. In addition to electrical systems for vehicles it also produces plastics for industrial application. The company joins the modular consortium in Resende as VWCO plans to fly higher in domestic and foreign markets - with the resumption of sales, the automaker has been gradually occupying the plant until it announced the opening of the second partial shift (in October). The extra journey led the company to hire 350 employees.

According to data released by Anfavea, the manufacturer closed last year with 20 thousand 242 units sold, a volume that represents an increase of 42,5% compared to sales realized in 2017. During the period, the company led sales in the semi-heavy, medium and light vehicle segments. Regarding the semi-light and heavy (segment that sustained the sales of trucks in recent years due to the demands of agribusiness), the company stayed behind Mercedes-Benz in sales volume. The M-B also got ahead of the company in bus sales. **WE**

Hengst Brasil assumes exports to Latin America

Caio Bednarski | caio@autodata.com.br

São Paulo - Hengst Brasil, manufacturers of modules and filtration systems, plans to increase its exports to the Latin American aftermarket by 30%. The local division assumes the client base of the headquarters in Germany this year, which previously supplied the region.

According to President Luiz Mirara, the opportunity emerged because 80% of the portfolio that supplies the region is produced in Joinville, SC. The remaining slice will continue to be imported from Germany. "After the good performance last year we were able to take over the supply in the region and that will increase the volume we sell to other countries".



Disclosure.



For the automakers, the company registered an increase of 100% in exports last year and the projection for 2019 is to maintain the volume. “We send the components to the headquarters, which distributes to the automakers in Europe”.

Along with the increase in exports, the company wants to grow at least 20% in Brazil, with the expansion being pulled by the aftermarket and the automakers that have already requested large volumes.

“Even with a growth last year, Brazil has a very large repressed demand and the expectation is that all segments of the automotive industry will have grow in 2019. Our flagship is the supply regarding heavy trucks and buses, but we also supply premium cars such as Audi, Mercedes-Benz and Porsche”.

In order to support the projected demand for the year, Hengst will begin the works of expansion at the factory in Joinville in February, with investment of R\$ 7 million - applied to increase the productive capacity by 30% and expand the inventory area. The company also evaluates the acquisition of a land or shed to use as a distribution center in São Paulo, a strategic region to serve its customers.

Thinking about the medium term, Hengst seeks to create new support pillars for its business, such as the industrial filter segment, used to filter particles generated from other operations inside the factories. To move forward in this area, Hengst has already bought three companies specialized in the production of these components - the last was from Delbag at the end of last year.

“We believe that from 2024 the global demand for automotive filters will decrease because of the new electric motorizations that will emerge but it will not cease to exist. But by strategy, we are preparing to work in other areas”.

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FCA aims at small suppliers in Pernambuco

Bruno de Oliveira | bruno@autodata.com.br

São Paulo - FCA started a training program for small and medium-sized companies interested in forming the industrial pole's group of suppliers installed in Goiana, PE, where Fiat and Jeep vehicles are produced. Fifty companies that operate in areas close to the factory signed up for the initiative, realized in partnership with the Sebrae unit of the State.

This is the second training program promoted by FCA. On the first occasion, three years ago, 56 companies signed up and, at the end of the process, ten joined the supply chain. The services provided by them are not part of what the automaker calls direct material, or components for vehicles, but in some cases are tied to the production lines.

According to Julio Alves, purchasing manager of the automotive hub, companies linked to automation and information technology applied to production were approved as suppliers in the first program: "The focus of

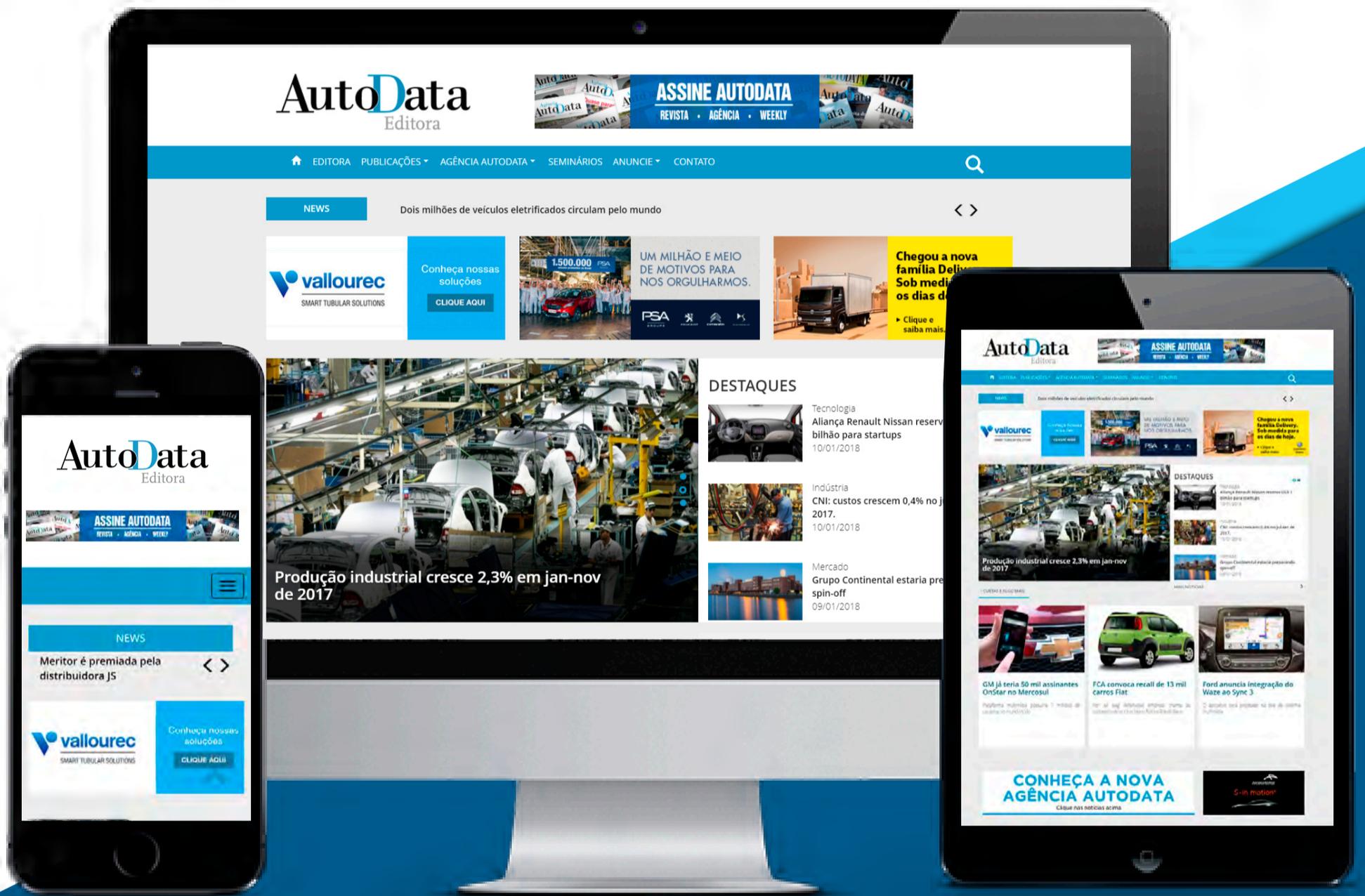
the program is to enable small companies, to help them improve the management, their processes, in order to improve the production chain in the region where we operate".

Alves affirmed it is possible that new technology companies will participate in this second round of the program. To become a partner of Jeep, for example, Alves said that companies must meet a number of requirements, depending on the area of operation, ranging from tax and financial regularization to environmental management commitments.

Small companies or those that act in the area of technology, the startups, are increasingly closer to the auto business. In Brazil, another recent example besides FCA is Renault: through its institute it promotes a development program in partnership with a university in Paraná, where it maintains production, which also opens the possibility of these starting companies to become suppliers in the future. **WE**

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