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## Ford to shut down its São Bernardo plant

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[More on pg. 2](#)



**For sale –  
A car plant  
in Taboão**  
[More on pg. 4](#)

**GM to announce  
investments  
after Carnival**  
[More on pg. 6](#)

**T-Cross to be  
exported beyond  
Latin America**  
[More on pg. 8](#)

**Brazil once again  
the largest market  
for Scania**  
[More on pg. 10](#)

**Logigo moves  
onto North  
America**  
[More on pg. 12](#)

# Ford to shut down its São Bernardo plant

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São Paulo – Ford announced on Tuesday 19th. that it will cease operations in São Bernardo do Campo, SP, before yearend. In its press release, it announced the closure of production of trucks and the hatch model of Fiesta, which came out of the production line in the district of Taboão. The products will be available in the dealerships until the inventories are finished off.

According to Ford, the decision is part of a “global restructuring” the company is going through so as to make viable the cost cutting and focus on new products, such as SUVs and pick-ups. The public announcement followed a global standard. Preliminary calculations elaborated by the company demonstrate that discontinuing production in SBC will result in a US\$ 460 million out-of-pocket as “compensation for employees, dealers, suppliers and amortization of fixed assets”. This is part of the full US\$ 11 billion that Ford projects as this year’s expenses with the redesign of their global operations.

As of this moment, it is not clear how the

company will go about the shutting down of operations. Members of the local autoworkers union in SBC were called in for a meeting at Ford’s headquarters this Tuesday, when they were informed about the shutting down directly from Lyle Watters, president for South America, and Rogelio Goldfarb, vice president, who offered no specifics.

Later on, Wagner Santana, president of the local Union, declared on a video posted on social media that the union was anticipating the news ever since last January, when in a meeting organized to discuss the future in the region, Ford, as opposed to the other manufacturers operating on the ABCD region, such as General Motors, Volkswagen and Mercedes, did not announce new investments on the local operation. This did not go unnoticed by the audience.

Some of the main names on Ford’s supply chain, such as Flamma (cabins) and Cummins (engines) were also caught off-guard by the official announcement received in the last hours of Tuesday. Cummins issued a

statement, pointing out that it is evaluating the consequences of the decision, and execs for Flamma as well as other suppliers spent Tuesday's afternoon analyzing the issue. None was available for comments, according to Agência AutoData.

Members of Abrafor, the body congregating Ford trucks dealerships, also spent the afternoon discussing the issue, and did not issue any statement for this report. The distribution network comprises 110 points of sale.

The decision to quit the truck market in South America was made "after having spent several months unsuccessfully looking for alternatives to keep the plant operating. This included both the possibility of partnership and the selling off of the operation". In January, CEO Jim Hackett gave a clue during a meeting with stockholders: the company would see through significant global changes in its operation this year: "This is the time to bury 2018 in a deep grave, regret what we could have been, and really focus on what we want to be".

What the company wants to be is a manufacturer of SUVs, hatch models, and pick-ups, and to develop technologies related to electric power. So much so that, last year, it informed that production of sedan models

would be halted in the U.S. – changes in consumer demand and the resulting low profitability of the business impelled Ford to make this decision. This scenario, plus the low sales volume in China, imposed losses worldwide, for the last four years.

The SBC plant, according to data provided by the local union, currently employs 3.2 thousand workers, being 2.8 thousand on Ford's payroll and the balance working on third parties. As per the Work Collective Agreement signed in 2017, there would be a new meeting between both parties to discuss new investments by Ford in São Bernardo. This meeting did not take place.

Ford leaves São Bernardo, but not São Paulo state. The company currently operates an engine plant for light models in Taubaté, which serves, in addition to the plant currently being shut down, those cars produced by the company in Argentina and Camaçari, BA. The Bahia plant manufactures the Ford Ka and EcoSport cars and engines.

In 2018, as per Anfavea data, Ford Trucks sold in Brazil 9 thousand 314 units, which meant an increase of 19% on the volume licensed in 2017. The company stock, listed on the NYSE, closed the day upwards, worth US\$ 8,83. The company was first established in the area in 1968.

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# For sale – A car plant in Taboão

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Photo: Publicity.

**S**ão Paulo – Powerless to reverse the decision taken by Ford to stop producing cars and trucks in its São Bernardo factory, governor of São Paulo João Dória decided to step in an unusual way, to say the least. He charged his secretary of Finance, Henrique Meirelles, with the mission of finding buyers for the unit, with the blessing of the company's board of directors.

Such an objective was part of the plans of Ford's management until late last year, as stated by

the company itself to AutoData Agency. "We tried hard to sell the truck business, for months until late last year and we engaged several potential buyers", informed the company in an e-mail sent to us, refraining from naming names for a matter of confidentiality.

Dória met with president for Ford South America Lyle Watters, his vice president for government affairs, communication and strategy Rogelio Goldfarb, Meirelles, São Bernardo mayor Orlando Morando and vice

governor Rodrigo Garcia. Later on, in a press conference, he pointed out that the state of São Paulo has resources that may be instrumental in helping the company find companies that might be interested in acquiring the plant.

According to him, Ford could not find a buyer given “the political and economic moment Brazil was going through”, and that this is the main reason why no prospective buyers showed up. “If need be, we will ask for assistance from the federal government so as to identify potential buyers”.

The governor is well known in the business world and owns several companies in the events area, aimed at businesses. The network he developed during his career could help Ford to establish conversations with potential buyers. Meirelles, who has been tasked with identifying potential buyers, served as minister of Finance and is respected in business and finance circles.

Dória made the sale of the factory contingent on the maintenance of the roughly 2 thousand jobs in the production lines, which theoretically would establish equilibrium in the region, which clearly has an industrial profile. Nonetheless, he stated that the plan does not include safeguards to assure that the potential new buyer will maintain the number of employees in its entirety. In addition, there is no

Plan B to the sale of the plant.

In the meeting between the governor and Ford management, it was agreed that the company will continue its activities in the remainder of the units it has within the state. The maintenance of engine and gearbox production in Taubaté, trials in the test field in Tatui and the storage of components in the distribution center in Barueri was emphasized. Likewise, the activities in the administrative building in the plant site will be maintained. These units employ, overall, about 3 thousand employees.

Meirelles stated to AutoData Agency that a meeting will be held next week when a plan will be developed for procuring interested third parties in Ford’s São Bernardo do Campo plant.

This plant was acquired by Ford as a result of the purchase of Willys Overland in 1967. This landmark plant in Taboão produced models such as Jeep Willys and a multi-purpose utility vehicle, as well as the Corcel, Maverick, Del Rey, Pampa, Escort, Ka, Courier and Fiesta models. Nowadays it produces – or used to produce -- Cargo trucks and the F Series, as well as the New Fiesta Hatch.

Ford stock, listed in the NYSE, closed the day with a downturn of 2,35%, being traded at US\$ 8,33. At the beginning of the day, they were traded at US\$ 8,94.

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# GM to announce investments after Carnival

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São Paulo – Mary Barra, global president of GM, arrives in Brazil after Carnival, in March, to announce the new investment cycle involving a total of R\$ 10 billion up to 2024. Agência AutoData obtained the information from São Paulo’s secretary of Finance Henrique Meirelles.

To be able to maintain and expand the operation in their Brazilian factories, the automaker put together an operation involving suppliers, dealers, labor unions and public authorities, whereby these four pillars will create ways to facilitate the capital injection and GM’s presence in the market.

Dealers had already done their bit in the last weeks of 2018, in a meeting that took place in the last days of December. In this meeting, an agreement was reached, whereby lower margins were



Photo: Publicity.

agreed upon so as to give GM some breathing room. Agreements were established by the unions – in Gravataí, RS, and São Caetano do Sul, SP that will hold throughout next year and in São José dos Campos, SP, there was established an agreement that guarantees job stability for a few more years. Now it was time for the state government to chip in.

Accordingly to Meirelles, this collaboration will not include any action on the fiscal side involving factories installed in the State. Its role will be that of stimulating suppliers and the retail to support the GM predicament:

“I attended a meeting of GM with suppliers and their reaction was that engaging suppliers and retail was essential. I mentioned that the crisis is the result of losses year after year in Brazil. The parts suppliers must retain such a big client. In some of the cases, it is the supplier’s only big client.”

The secretary stated that the current situation does not allow negotiations that would involve taxes reduction or exemption. Thus, the support will be “in an institutional form”.

“The state does not print money. Suppliers and dealers have the profit margin to absorb this. Government is bound to legal rules that must be obeyed, such as fiscal responsibility. It is not acceptable that, in this country, every time companies face difficulties they try to pass the bill on for the government to foot”.

Once the issues in the four pillars established by the president of GM South America Carlos Zarlenga as fundamental to ensure the investment were sorted out, HQ released the plan for additional capital investment, which will come on top of the R\$ 13 billion that the company says it invested in the 2014 – 2019 period. In addition, he categorically ruled out the possibility that General Motors might one day leave the country.

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# T-Cross to be exported beyond Latin America

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**S**ão José dos Pinhais, PR – The T-Cross Volkswagen model, produced in São José dos Pinhais, PR, will be exported to almost fifty countries. Besides the usual countries in Latin America – 29 including Brazil as per president Pablo Di Si account – this model will cross the Atlantic Ocean towards the African, Asian and European continents, starting 2020.

Di Si mentioned markets such as Algeria, Egypt and Turkey as future destinations. The plan to export the T-Cross was made viable on account of characteristics of the plant, such as the vicinity and facilitated logistics with the Paranaguá port, and the program to use the standing credits in ICMS taxes with the State. This has been made possible by an agreement with the local government. In São Paulo, for instance, these credits have been made unavailable - Anfavea estimates that the industry as a whole has about R\$ 6 billion in such credits, and Volkswagen, being a major exporter, is entitled to a relevant share of this amount.

Volkswagen has announced that a second shift will be started in April, with the hiring of 500 workers formerly laid off.

It invested \$ 2 billion in that plant, which enabled the construction of a new area of 5.5 thousand m<sup>2</sup> dedicated to the assembly of the car body, complete with latest generation equipment, concepts of Industry 4.0, laser-welding equipment plus 239 robots. In the stamping sector, 158 new tools were installed and the painting sector received new programming so as to apply the T-Cross



Photo: Publicity.

colors. The SUV is assembled on the MQB platform, which also serves the VW Golf and the A3 Sedan and Q3 Audis.

In this first year, production has the Brazilian market as priority number one. During the celebration of the 20-year's anniversary of São José dos Pinhais and the opening of the SUV car body assembly line on Tuesday 19th, the company started the pre-sale of the T-Cross model. In less than one hour a full 131 customers paid out the R\$ 5 thousand deposit needed to secure a version of the car model.

Di Si considers the introduction a landmark for Volkswagen do Brasil. Finally, the company will compete in the fastest-growing segment of the Brazilian market with a locally produced product. Its objective is to get the T-Cross into the second largest selling compact SUV in the country – its main competitors being Honda HR-V, Hyundai Creta, Jeep Renegade and Nissan Kicks.

President Di Si gives away the desire to put Volkswagen at the very top of the podium in Brazil, with a caveat: "We do not seek leadership at any cost. We will not transform from 50% to 60% of our volume in direct sales".

Nationalization – The T-Cross model will leave the factory with a 70% level of nationalization. Di Si predicts this level to go up to 80% to 90% in the next two or three years: "There are systems, such as automatic transmission, that are imported and harder to produce locally, but some technology items, with significant added value, are encouraging opportunities".

The Paraná plant also produces other models, such as the Audi, the VW Golf and the VW Fox. According to Di Si there are no plans to discontinue them – but, for the startup of the assembly of the T-Cross, production of the Golf was interrupted: "We stocked up in the last months so as to keep the focus on the new model".

The Volkswagen-Audi plant was inaugurated in January 18th, 1999, with the Audi A3 and Golf being the first models to enter production. Since then, 2.6 million units have been produced – 2 million for the Fox. With the addition of the workers currently laid off, in April, the total number of direct employees will reach 2.6 thousand.

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# Brazil once again the largest market for Scania

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**S**ão Paulo – Brazil was the largest market for Scania in 2018 volume wise. In the last years, it had lost this spot to Germany, owing to the crisis that affected the market in Brazil for the last couple of years. Last year, the company sold 8 thousand 643 units here, meaning 50% more than in 2017, and this performance encouraged the company to project a growth of 10% to 20% in 2019 and the development of business in the added services area.

According to Roberto Barral, its sales vice president, the expansion of the agribusiness plus the renewal of the fleet are the key factors which will move sales of Scania trucks this year, even though faced with a smaller grain harvest in the period.: “It is mainly the agribusiness clients that



Photo: Publicity.

are taking steps to update the fleet. And these clients are precisely those both more interested in technology in the operation, and more demanding”.

Basis this scenario, the company has developed plans to grow in the service area, which involves planned maintenance and connectivity, and this translates into more business volume in this particular area, says the exec: “Three years ago, the supply of this kind of service was starting; it was new. Today it has grown in importance for the company”.

In the next five years, Scania’s goal is to increase the number of vehicles connected in the country, from the current 11 thousand units to 90 thousand in 2022. These days every vehicle produced in the São Bernardo de Campo, SP plant leaves the factory ready to be connected, meaning to give away data on its performance through the internet. The objective above includes vehicles connected as a result of service contracts.

The services that the company provides involving the connection is a combination of programmed maintenance and a number of versions related to the management of the fleet.

In the next five years, the plans indicate an increase from 11 thousand to 60 thousand vehicles with a formal contract for programmed maintenance. Last year, according to Barral, the sale of a full 40% of trucks involved such contracts.

New generation. The growth rate projected for the year in sales was also established taking into account the introduction of a new generation of cabins, which took place late last year. The novelty factor, according to the VP, usually fuels a spurt in sales in the first months of a product launch. In the case of the new line, 3 thousand orders were received since November, so far.

“The deliveries are being made gradually because the line is still being tested, which is normal, and also because the production planning takes into account vehicles for export”.

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# Logigo moves onto North America

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Photo: Publicity.

**S**ão Paulo – Logigo, a one-time startup producing multimedia systems for the car business, started its expansion effort into other countries, starting with North America. Its founder and CEO, Antônio Azevedo, was in the United States last week to start the process of creating a regional subsidiary.

“We are addressing the accounting issues for the new business unit and I believe that in the second half we will start prospecting clients in the United States and Mexico.

Initially, our intention is to pass on production of multimedia systems to third parties through a local manufacturer. However, Azevedo does not rule out, in the future, establishing factories in the region: “If we close deals involving large volumes we may make the products locally”.

In Brazil, the company has opened its first unit in Itatiaia, RJ, with investments of R\$ 2.5 million and production capacity of up to 9 thousand components per year. Azevedo says the unit is

still in the initial stage of production – once it is running at full capacity it will turn out up to 4.5 thousand multimedia systems per year: “This production volume is in line with the contracts we have closed in the country. As new contracts fall in place the production levels will go up accordingly”.

The Logigo plant is inside the Jaguar Land Rover plant, even though not currently a client. Components will be supplied initially to Nissan, and later on to Mitsubishi and Toyota. There is also a new project, which Azevedo will not disclose as of now, due to contractual restraints.

Logigo once imported its multimedia kits from China, but with the prospect of significant growth in the infotainment and connectivity segment in Brazil in 2019 and 2020, it has opted for local production to serve the increase demand to come.

Last year the company’s billing was R\$ 120 million, up 38% as compared to 2017. This year, the projection is to continue growing: “We want to maintain the gains recorded in the last couple of years. We are competing in several bids, all of them very large, and, should we win some of those, certainly our billings will double in 2019”.

To win the bids the company is confident that the technology in their multimedia systems - which offer internet connection – and in their capability of developing their systems from their inception up to final production.

Third parties in Brazil – Azevedo says one of the bids in which the company participates involves companies in Manaus, AM. If it wins, it will have to produce in the area in order to serve the client – but he rules out putting up a new plant.

“We will use the same solution we envision for the U. S.: a third party will be in charge of production, and we will set up a local business unit”.

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# Honda invests R\$ 500 million in Manaus

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Photo: Publicity.

**M**anaus, AM – Moto Honda announced investments of R\$ 500 million in its Manaus, AM, plant on Tuesday 19th. The funds will be used over a three-year period to improve its productive processes, and also to put up a new building and the repositioning of some production lines.

“We need to be ever more competitive and, without new investments, this would not be feasible”, said Issao Mizoguchi, president of Honda in Brazil. “Production costs go up every year and we cannot fully pass them on to the consumer. This investment will allow us to absorb part of this increase”.

According to Mizoguchi, “this investment reiterates that Honda believes in the recovery of the market, which started last year and in the economic stability of the country”.

The works in the units are already in process with the construction of the new building that will house engine production, improving logistics and reducing production time, according to vice president Julio Koga:

“Processes for engines production are far apart and this takes up a lot of time and logistics expenses. Now, with the new building, the idea is to cut this time by half, therefore improving the productive flow and logistics”.

The transfer to the new building will be gradual, for the company will not interrupt production at any time. It will start in the first half with the foundry and in the second half with the machining. The timetable calls for the implementation of all the changeover and initiate production of engines in the new building in 2020.

As to the installed production capacity and jobs generation president Mizoguchi said that, initially, there will be no changes: the investment is intended to improve processes and to increase plant efficiency: “We still are running excess capacity, and our current staff can handle the foreseeable demand”.

The unit employs 6 thousand people and, in the 2011 production peak, it moved over 7 thousand motorcycles/day.

Production is divided in 5 lines that produce about 3.7 thousand motorcycles/day. Four of these run one shift and the line that produces CG and Pop operates two shifts. For this year Moto Honda projects a production increase of 5% - in 2018 they produced 780 thousand units, a growth rate of 17% as compared to the prior year. It was the first year production increased since 2011.

“Sales must go hand in hand with production, as a full 95% of what we produce goes to the local market. We would like this number to be smaller and to export more, but the cost of producing in Brazil makes the increase in exports difficult”.

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