

# AutoData

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### Rota on the route, for real

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# Rota on the route, for real

AutoData Newsroom | [redacao@autodata.com.br](mailto:redacao@autodata.com.br)



Photo: Disclosure/Fotos Públicas.

**S**ão Paulo - Finally it can be said that Rota 2030 is actually on its route. After almost two years in process and extensive discussions, the new Brazilian automotive regime was sanctioned by the president of Brazil and published in the form of law 13 755 on Diário Oficial da União on Tuesday, 11, one day before the legal deadline.

The president of Brazil made ten vetoes to the text, but they all refer to extra things that were added to Rota 2030 during its turbulent passage through the National Congress of Brazil. The essence of the program negotiated before this was fully maintained. But an important addition to the text made by the Chamber of Deputies, which extended the incentives and benefits deadline

for manufacturers installed in the Northeast region, remained still - there was only a veto of an item referring to the federal tax rebates.

There are two important points changed in the final text. The first refers to the IPI discount for flex-fuel hybrid vehicles, which increased from at least two percentage points in the Provisional Measure to at least three. With this, the tax discount table (which is progressive considering energy efficiency versus weight calculation) will need to be updated.

The second point is about a difference in treatment for imported products regarding benefits for research and development programs: the Congress wanted importers to be left out of it, but the text of the law makes it clear that they will have “no less favorable” treatment than the Brazilian companies.

In an interview with AutoData, Antonio Megale, president of Anfavea, said that this was a precaution of the government to avoid new questions in the WTO. “The result of the panel about Inovar-Auto has not yet been released, but the program must be condemned. Thus the government has taken measures so that there is no misunderstanding regarding Rota 2030.”

The leader, incidentally, will spend Wednesday, 12, in Brasília, DF, meeting with several government agencies to comb the text of Rota. There are some incongruities: the presidential decree signed in November, at the opening of Salão do Automóvel, says that the program comes into effect this December, but the law places a part of Rota 2030 on a reverse date, in August. “We’ll find a solution to correct this.”

There is another doubt, one that is difficult to equate: while the decree says that Rota 2030 is a 15-year program divided into three five-year cycles, the law speaks only in the next five years - and this is an unalterable issue, since it deals with of the maximum period for granting tax benefits, just as it was with Inovar-Auto. In other words: although Rota is, in theory, a program for fifteen years, it can end or be totally modified after its first five years.

Anyway, Megale celebrated the result. “The core of Rota 2030, its essence, has become a law”. By essence, it is possible to understand the programs for improving energy efficiency, vehicle labeling, mandatory vehicle safety requirements, steering assist technologies, research and development and special tax regime for auto parts not produced in Brazil.

It is less, much less than everything that was imagined, suggested and discussed during the hundreds of meetings of seven working groups in Brasilia over the past year. But it is better than the scenario which the automotive industry worked in practice during the entire 2018.

**Vetos** – Regarding the vetoes of the integral articles or part of them, the government claimed that they are “unconstitutional or they contradict the public interest” by increasing expenses. Two vetoes were regarding article 30 of the new law, which would allow automakers to use federal tax credits to offset the Social Security contribution.

Several articles were totally vetoed, such as the one intended to retake the Reintegra rate, reduced to 0.1% in May, for all sectors of the economy, in addition to granting benefits to areas of footwear, travel goods and furniture. “Amendments of the Legislative presented on the original Measure are authorized only if the thematic pertinence is kept and if they do not result in an increase of expense”, argued the government.

Another point was vetoed in article 33, which intended to validate administrative acts that benefited the production of quadricycles, tricycles and their parts produced in Zona Franca de Manaus (Manaus Free Trade Zone). The government said that “the device does not clearly dimension the amplitude of the acts that would be validated and may represent a remission of the current tax credits constituted, with a non-estimated tax impact and generating legal uncertainty”.

Articles 34 and 35 were totally denied because they granted exemption from IPI (Tax on Industrialized Products) for components, chassis, parts and auto parts and other raw materials used by the industry that were imported by third parties from factories’ orders - current legislation grants the benefit only when the companies themselves import the inputs. The government claimed that both articles were contrary to the Fiscal Responsibility Law.

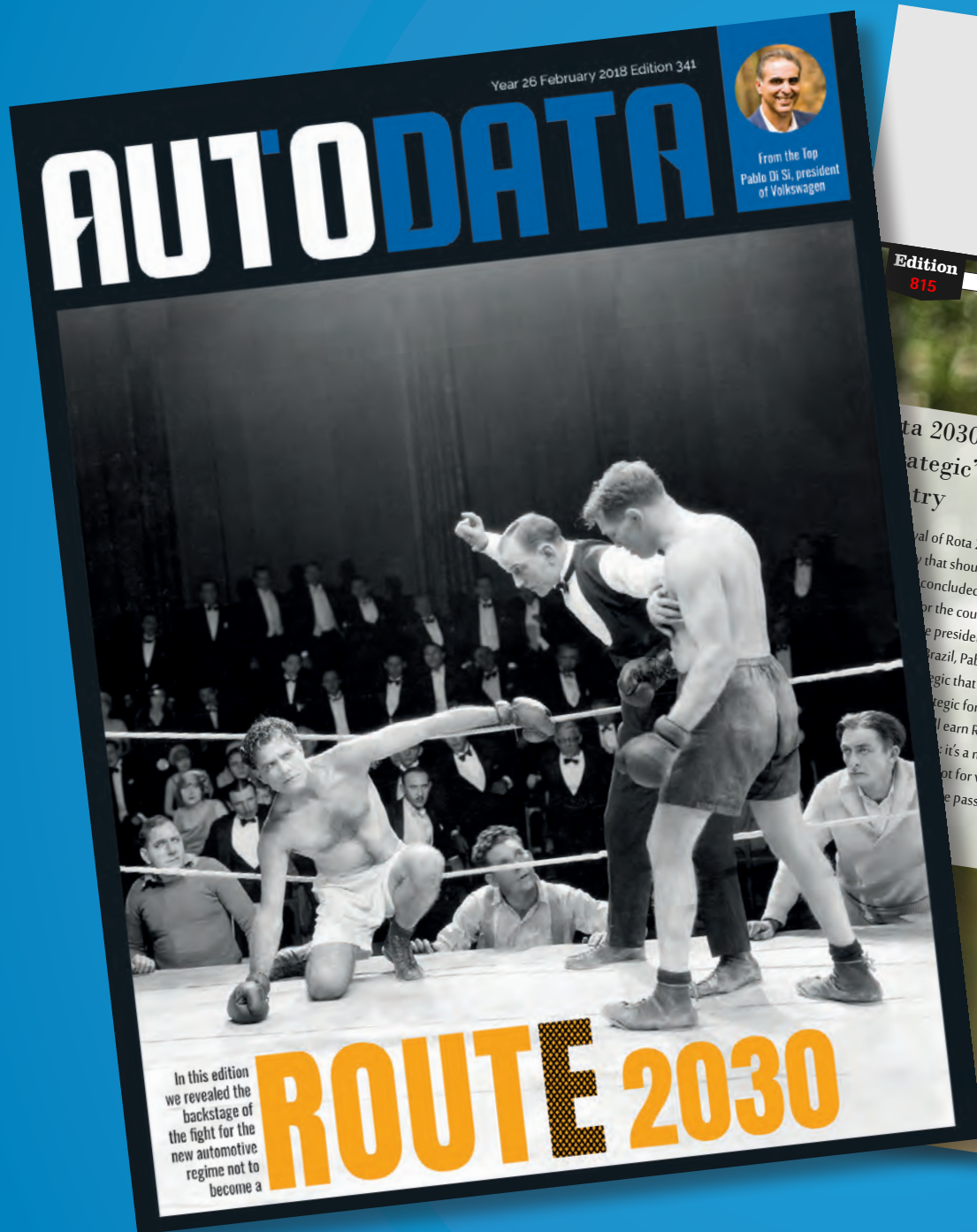
And Articles 36 and 37 offered for all electric and hybrid cars exemption from the Tax on Financial Transactions, IOF, in financing operations when purchased by taxi drivers and people with disabilities. “The approval of a law that creates or amplifies benefits of a tax nature without the fulfillment of budgetary and financial constraints is contrary to the public interest”, the government justified.

By Marcos Rozen and Caio Bednarski

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# Toyota to produce the Brazilian flex hybrid

André Barros | [andrebarros@autodata.com.br](mailto:andrebarros@autodata.com.br)

**S**ão Paulo - By the end of next year, it will be produced the first automobile equipped with an electric engine and a flex fuel model. It will come from one of Toyota's factories lines - Indaiatuba, São Bernardo do Campo and Sorocaba, in the countryside of São Paulo - as announced by the company in a ceremony organized on Thursday, 13, in Brasília, DF, with the presence of the president of Brazil, Toyota executives and other government officials.

Although tests of flex hybrid technology were conducted with a Prius, the company has not confirmed which model will be the first to receive the system. Recently the investment of R\$ 1 billion was announced for the factory in Indaiatuba, where Corolla is manufactured.

The decision of the government to grant an extra percentage point in IPI (Tax on Industrialized Products) to models powered by the combination of an electric motor and a flex was fundamental. “It’s three percentage points less in IPI for a flex hybrid model, compared to a hybrid combined with an engine powered by gasoline”, said Ricardo Bastos, Toyota’s chief of government affairs. “The support that Rota 2030 gives to the development of these technologies was important to our decision”.

Toyota’s decision directly collaborates with the nationalization of hybrid technologies in Brazil: besides being the first in the world to use flex fuel technology, the vehicle that the automaker will produce will be the pioneer of hybrid technology with Brazilian production.

According to Bastos, much of the model will have Brazilian content - seats, glasses are systems that have production in Brazil. But the systems of the hybrid set, of course, do not have production in the country, a scenario that may change with the arrival of a Made in Brazil hybrid model. “We believe that something is imported at first, but our intention is to grow that Brazilian content. We are already negotiating with suppliers and systems suppliers”.

**Tests with Prius** – Launched in March, the prototype of the hybrid flex Prius completed its tests in Brazil, traversing several roads to evaluate the engine-transmission set powered by ethanol. The announcement of the series production of the technology itself proves that the results were positive, according to Bastos.

The development was led by the Brazilian engineering team, assisted by the headquarters in Japan. Unica (the Brazilian Sugarcane Industry Union), very interested in the technology, is one of the main supporters of the project, which also has partnership with UnB, Universidade de Brasília and USP, Universidade de São Paulo.

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# Caoa Chery is ready for the big test

André Barros | [andrebarros@autodata.com.br](mailto:andrebarros@autodata.com.br)

Anápolis, GO – Caoa Chery spent 2018 doing the homework. On the one hand, it organized its distribution chain, opened new stores, worked on projects to improve the quality of services and to ensure the correct parts supply in the future – when (the company believes) volumes will grow. On the other, it prepared the factories in Jacareí, SP, and Anápolis, for the production of models that will compose the portfolio responsible for this growth.

In the coming days the distribution chain begins to receive the Tiggo 5X, an SUV that (in the executives' accounts) will have an important portion of the company's sales. This is indeed about the Tiggo 4, promised since the beginning of the vehicles attack in Brazil - and that received another name for, according to its marketing and product manager, Henrique Sampaio, "to have a more adventurous vocation".



Disclosure



Along with Tiggo 2 and Arrizo 5, the Tiggo 5X will account for most of the company's sales projected for 2019. And that goal is no modest at all: after completing its homework the company's test is to sell no less than 38 thousand units, against 10 thousand estimated for this year.

"In November, there were 1 thousand 110 units sold, 0.5% of the total market. We will grow a little more in December and our estimate is to have 0.55% of sales in the month, with good share in the retail", said Marcio Alfonso, president of Caoa Chery. "Our direct sales are low, from 10% to 15% of the volume."

It is expected to add more 9 thousand units to the volume sold by the company only with Tiggo 5X. There will be another 7 thousand units with the Arrizo 5, sedan that arrived last month. And the Tiggo 7 comes in January, larger SUV whose estimate was not revealed by Sampaio. Completing the portfolio is the compact QQ, which will gain design and equipment innovations next year, and Tiggo 2, the first of the SUVs presented by Caoa Chery in Brazil.

At the end of 2019, there will be another novelty: the Tiggo 8, with capacity to carry up to seven passengers, completing the SUVs portfolio. As it is the segment with the biggest sales growth in the Brazilian market, it is natural for Caoa Chery to bet its chips on it.

The attention to the market can be perceived when looking more closely at the portfolio: all models above R\$ 60 thousand only offer automatic transmission option. According to Sampaio, the Brazilian customer no longer wants manual cars at this price range.

The factory in Anápolis, which also produces Hyundai models, has won new equipment for the Tiggo production. Although many items are already Brazilian - and the goal is to expand that offer - stamped parts and powertrain still come from outside Brazil, even though they are assembled inside the plant that occupies 174 thousand m<sup>2</sup> of a 15 million m<sup>2</sup> land. From there, 86 thousand vehicles can be produced per year, both brands together with Brazilian production by Grupo Caoa.

Now the 1 thousand 360 workers (some removed not so long ago due to the PPE, Employment Protection Program) will win new colleagues because hirings are scheduled for 2019. Chery Caoa did its homework and studied. Now is the time to pass the test. **WE**

# Ford projects growth of up to 12% in 2019

André Barros | [andrebarros@autodata.com.br](mailto:andrebarros@autodata.com.br)

**S**ão Paulo — The Brazilian vehicle market will maintain its increasing trajectory in 2019, although at a less accentuated pace. According to projections released by Rogelio Golfarb, vice president of government relations at Ford, on Thursday, 13, the market will advance from 10% to 12% next year, from 2 million 830 thousand to 2.9 million units.

This year, the sales will reach an increase of 15% to 16%, at the range of 2.6 million units. The bad news comes from Argentina: After a retreat of 10% to 12% this year Ford believes in a decline from 20% to 25% next year, 590 thousand to 640 thousand units sold: "The retraction of the Argentine market will affect the Brazilian production. Argentina will not begin its recovery next year."

Golfarb did not reveal production estimates, but stressed that the automotive sector is the big driver of the Brazilian industrial production growth — which this year will close with an increase of 1.8% over 2017: "The automotive production advances at the

range of 15.8% in 2018. It is responsible for 70% of the industry's growth, in total".

Similarly, the Brazilian market sales regarding light vehicles are pulled by the fleet segment: while retail advanced 9.7% in the yearly accumulated compared to the same period of 2017, direct sales grew 24.3%, exceeding the number of 1 million units.

"63% of the market growth came from direct sales. The question of credit will be the predominant point for greater or lesser participation in retail sales in 2019."

During its traditional year-end meeting with journalists in São Paulo, Ford also released some of the novelties that it intends to launch in the market next year. The first, already announced at the Salão do Automóvel de São Paulo, is the Ford Edge ST version. The other was also at the company's stand at the event: the Ranger Storm pickup truck concept had its production confirmed and comes at the end of 2019, according to the president Lyle Watters.

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# To improve quality, supplier helps supplier

Caio Bednarski | [caio@autodata.com.br](mailto:caio@autodata.com.br)

São Paulo — General Motors has developed a specific work to improve the quality of suppliers that do not meet their daring PRR goals, Problem Reporting and Resolution — nomenclature used by the company for the also known PPM, Part Per Million. The idea is to gather groups of 25 to 30 suppliers over a year to (with the consultancy of those who meet the goals) improve the quality of their processes and products.

According to Manoel Rego, director of quality engineering and supplier development of GM South America, the goal is to register, at most, five PPRs in six months. Considering the entire supplier base, 90% work within this plan. The program is aimed at 10% that have not yet reached this index.

“Nothing needs to be invented: the quality we demand already exists. So we decided to show these suppliers how it is possible to reach it, using as example others that have already reached the goal. We had cases of suppliers that, after passing through the program, spread the knowledge to their factories and put to zero the number of complaints they received from our plants”.

This work, besides reducing losses due to lack of quality, helps to keep suppliers inside the list of partners for future projects. According to Rego, those who do not improve their index will stay out of the new businesses.

“To be at least considered for the future launches, they have to be inside these approval goals. And this level will get higher because to be GM’s partner today you need to focus on quality”.

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