

AutoData

NEWS AGENCY WEEKLY EDITION

Edition
869

Weekly Brazilian automotive industry news | 2.25 to 3.9.2019 Year XIII



Schiemer: Brazil needs to care for those who invest.

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Photo: Publicity.

Schiemer: Brazil needs to care for those who invest.

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São Bernardo do Campo, SP – The president of Mercedes-Benz do Brasil, Phillip Schiemer, disclosed to have fully discharged his responsibility in making the local truck operation more competitive and ready to fight, on an equal footing or even with a competitive hedge, for export contracts for other markets. According to him, all factory issues have been addressed, and the problems to face are all in the marketplace.

Schiemer expects government actions that will not include fiscal incentives to stimulate the market, as opposed to what was usual in past times. To him, the Social Security makeover -- which

has still to go through Congress -- is part of a much larger effort, involving the simplification of tax processing, reduction in red tape and infrastructure improvements.

“We have to do a tax structure revamp and make processes more straightforward, in order to reduce costs, thus making us competitive in the international markets. Now is the time to make key decisions, so as to improve our competitive hedge and attract new investments. We cannot put up with delays. Brazil needs to care for those who invest here.

The exec stated that the 1.1% GNP growth in 2018, announced by IBGE on Thursday 28, “is close to nothing” and that the so-called reforms must go forward if the country is to grow again. According to him, there is a study prepared by Anfavea that points to a competitive disadvantage of 20% vis-à-vis Mexico: “This we cannot recoup. Infrastructure, taxes, social charges, all of these count. Without these, we could doubtless offer our products to many more markets around the world”.

Schiemer opened on Thursday 28 the new Mercedes-Benz truck cab assembly line with concepts of Industry 4.0 in São Bernardo do Campo, SP, reproducing what had been done last year with the truck assembly line in another building within the same plant site. Since January the plates welded in Juiz de Fora, MG, are assembled with a new productive concept, which, the president reckons, will bring savings of 15% in efficiency and 20% in logistics.

The company invested R\$ 100 million in this line, which is part of the R\$ 2.4 billion being invested in Brazil from 2018 through 2022. According to Schiemer, the technology will reach the production lines of aggregates and bus chassis as well.

Schiemer elaborated on his efforts to convince Headquarters to invest in the unit, which reopened a second shift in January only -- and even so, he says, it operates with 50% idle capacity. At any rate, the funds were approved and the factory updated, with concepts not present in any other Daimler plant in the world.

“Our plant is ready, we did our share. Now we expect Brazil to do its”.

WE

Sales for the two-month period approach the 400 thousand units mark.

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São Paulo – Car sales of passenger cars, light commercial vehicles, trucks and bus chassis in February chalked up a growth of 26% as compared to the same period in 2018, reaching 198 thousand 653 units. With this performance, announced by Fenabrave this Friday 1st. total automotive market shows 398 thousand 441 units licensed for the first 2 months, which is a good start for the year: licensed vehicles in the January-February period are 17% up as compared to the same period last year.



Photo: Publicity.

With 20 working days in the month, sales daily average was 9.9 thousand vehicles in February. To president Alarico Assumpção Junior the performance of dealerships in the two-month period confirmed the association's forecast: "At the beginning of 2019 we projected an upswing in sales for all automotive segments, based on the resurgence of the economy. There is a continuing reduction in default rates, and a growth, albeit modest, in the generation of new jobs, inflation and interest rates are under control, and both consumer and business confidence is up".

Sales of passenger cars and light vehicles reached 189 thousand 850 units, an increase of 25% over the February 2018 numbers. In the two-month period, there were 380.5 thousand units, a volume 16.3% higher than the relevant period in 2018.

Licensing of trucks was also up in February, as the Renavam numbers published by Fenabrave indicate. For the month 6 thousand 816 vehicles in the segment were sold in the country, an upswing of 65% over the number of licenses of last February. The volume of buses sold reached 1 thousand 987 units in February for a 75% growth over same month in 2018.

Share. Sales performance in the passenger car and light commercial vehicles segment shows General Motors as market leader in February, despite the peculiar times it went through during the month, with a market share of 17.8%. Fiat, from FCA, maintained the second spot, with a 15.13% share. Volkswagen, Renault and Ford complete the group of the top five manufacturers.

In February, direct sales accounted for 43% of total sales in the country. Fiat was the top performer in this sales channel, with a 21% share. Out of the total volume moved by GM, 19% went through direct sale. In VW, the corresponding number was 13%. Renault and Ford complete the top five. **WE**

Heavy vehicles still the growth leaders in truck sales.

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Photo: Publicity

São Bernardo do Campo and São Paulo - the first two-month period closed with sales of 13 thousand 748 trucks sold, a spurt of 58% over the first two months of 2018, according to the data released by Fenabrave. In February 6 thousand 816 units were licensed, or 66% over the same month of last year, with a slight decline of 1.7% as compared to January.

Almost half of the sales were of models from the heavy segment: 6 thousand 595 units for the two-month period, or an 83.5% increase over the same period in the previous year. The semi heavy models progressed 70% in this period, to 3 thousand 496 units, whereas the semi light ones grew by 15% to 812 units, and the light models totaled 1 thousand 705 units licensed, a decline of 6% in the relevant comparison.

The medium segment registered the highest increase for the two-month period: 120% with 1 thousand 135 units sold.

“Sales of light and medium models are improving, but the real performers continue to be in the extra heavy models”, says Philipp Schiemer, president of Mercedes-Benz do Brasil. “Confidence is not really back. Those who are investing are the professional carriers, while the autonomous or small fleet owners are still waiting. And we need that particular buyer if we are to show a better performance”.

To Ricardo Barion, sales and marketing director with Iveco, the trend points to maintaining the warming up of the market, with the heavy vehicles playing a key role in total sales performance. “But I believe that growth will be somewhat softer this year, with the other segments presenting higher sales volumes. Like the medium segment which could benefit from the rebound of the economy and retail performance”.

Iveco projects a growth of 20% for the sector in 2019. To Paulo Razori, marketing product engineer with Volkswagen Trucks and Buses, the demand from the agribusiness for heavy models ensured this year’s good start for the company and for the industry.

“Should the next couple of months present numbers such as the ones we saw in January and February, the year will be interesting”.

André Barros cooperated.

WE

São Paulo announces incentives for the car market.

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São Paulo – The São Paulo state governor, João Dória, announced this Friday 8 the setting up of an incentive program called IncentivAuto, aimed at stimulating the car manufacturing industry through a rebate in the ICMS. The manufacturers who commit themselves to new investments in excess to R\$ 1 billion and come forward with at least 400 new job openings will be entitled to a rebate of as much as 25% of the total tax value of products sold in the State.

The governor said that the decree with the full details of the program will be published Saturday 9, in the State official newspaper. Caoa Chery, Ford, General Motors, Honda, Hyundai, Mercedes-Benz, Scania, Toyota and Volkswagen keep plants in São Paulo and should be entitled to the announced incentives.

According to the Treasury secretary, Henrique Meirelles, this value comes on top of the ICMS credits that the car companies are entitled to on account of tax substitution regime, or those generated by exports. In other words: in addition to these rebates they are already

entitled to – which, according to Treasury estimations, add up to R\$ 4 billion in São Paulo alone – the companies will enjoy this incentive should they invest in the state.

Government wants to deal with these issues separately, indicated Meirelles, pointing out that currently the State wants to assure future investments in the region: “The State tax regime is not related to the credits accumulated in the ICMS in the past. It wants to make sure that the companies be competitive enough to maintain their operations in the State. The rebates that will be granted will not be deducted from the debt balance between the State and the car companies.

Despite the announcement, not everyone in government and industry had access to the wording of the decree that will bring IncentivAuto to life, which leaves questions open.

What is known so far is that the ICMS rebate will be granted to these projects that call for capital injections equal or in excess of R\$ 1 billion plus the offer of 400 new job openings,

minimum. The state will grant 25% to the car manufacturers, to be split in proportion to the amount of investment. According to the Treasury secretary, to get to the 25% total capital injections R\$ 10 billion in São Paulo state alone must be reached.

So as to qualify for the regional program the resources from the carmakers should be directed towards the construction of new buildings, production lines, new products and industrial units' expansion. All this because, according to Meirelles, the tax rebates will benefit those vehicles produced on the production facilities affected by the deal.

Industry. The fiscal benefit was perceived by the automakers as yet another way of improving business predictability. Ricardo Bastos, vice president of Anfavea, perceived the state program as positive in the face of the challenges the industry will have to face. "In broad lines, it is something that will greatly help the companies to increase the level of technology insofar as both production and product are concerned, but it doesn't address questions of past times".

The questions, in this case, are the cumulative value of rebates in ICMS the carmakers are entitled to and that are being released by the State. To have access to the R\$ 4 billion is an

age-long call from the manufacturers, which during the last few years have repeatedly stated that these funds would be important to help companies struggling to regain a solid footing. To Bastos, who is also director for government affairs with Toyota, the ideal solution would be that the rebates from the new regime could be deducted from the credit balance of State's ICMS with the car manufacturers.

Another point considered important by the industry, Bastos went on, is the insertion of the supply chain into the regime, which if not spelled out in the decree wording, should be included later on by means of an ordinance: "There are certain kind of products that require investments from the systemist, from the component supplier. It would be important that they be considered as part of the program so that the benefit trickles down throughout the chain".

An answer. Government denied the State regime is some kind of response to General Motors, which is negotiating with the State the preservation of production in the State, and to Ford, which has put the Taboão plant up for sale. Dória considered the incentive plan as one way to support local industry and, according to him, the issues pertaining to both GM and Ford are being discussed in an "upbeat environment". **WE**

C4 Cactus will be exported to Africa.

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Photo: Publicity.

São Paulo - Citroën C4 Cactus models manufactured by PSA Group in Porto Real, RJ, will be found in the streets and roads of the African continent. The plan to export to the other side of the Atlantic Ocean, in volumes yet to be defined, will start this year, as stated by Patrice Lucas, president for Latin America.

“All the efforts we put in to reduce costs and increase competitiveness in the plant opened this possibility to export to Africa, at a profit.

Colombia is yet another destination: we will ship 2 thousand units”.

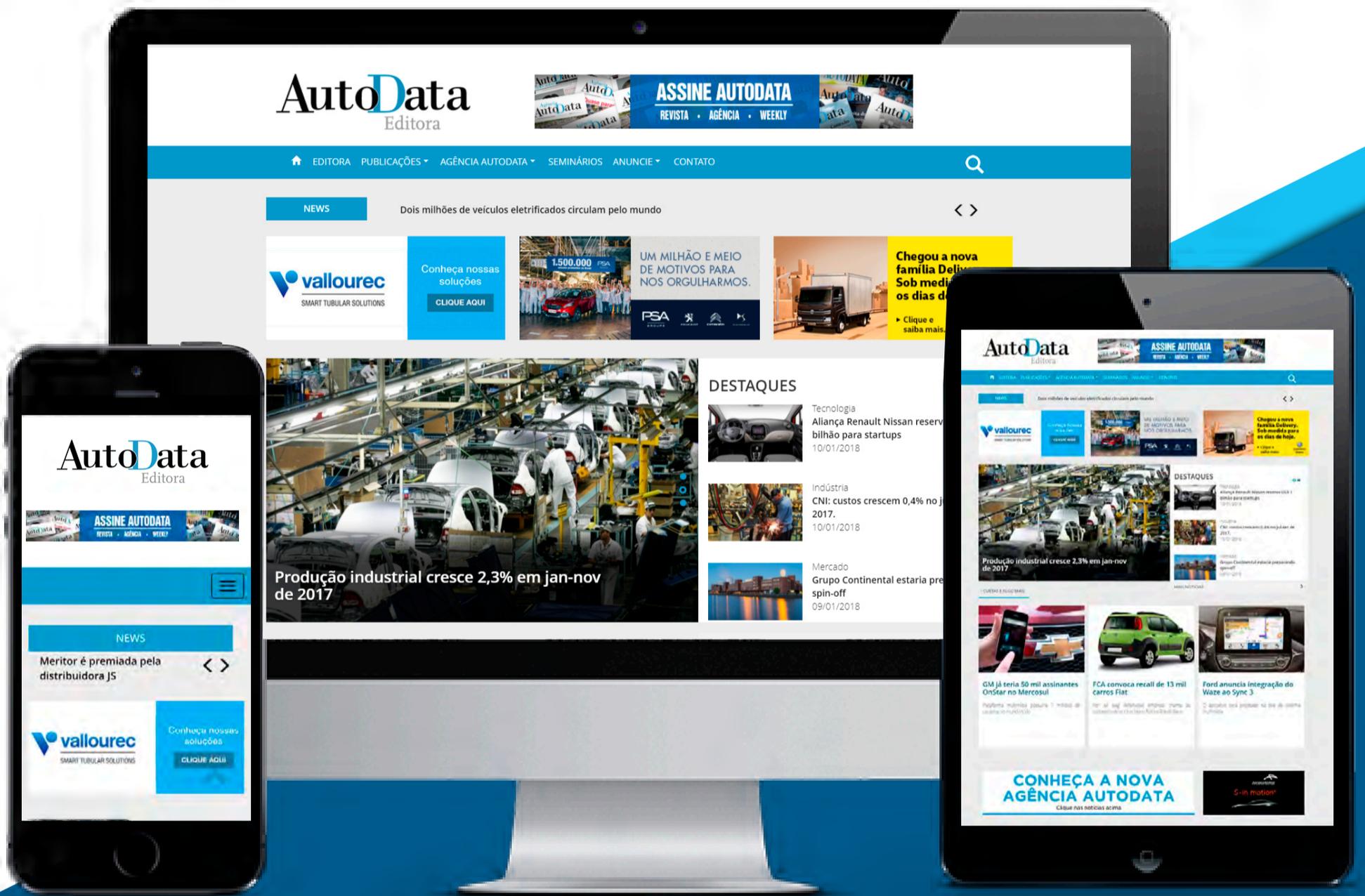
Truth be told, these volumes will not be sufficient to offset losses in the Argentine market. In 2018, Porto Real produced 77 thousand units, below the 95.7 thousand in 2017. It is the company’s intention to keep the pace this year, despite Argentina’s expected market decline.

That is why the PSA Group has its eyes on new markets. The task is not simple, though: president Lucas stated that for the company is more profitable to sell in Chile cars imported from Europe than those produced in Porto Real.

A breath of fresh air stems from the performance of the C4 Cactus in the Brazilian marketplace, which could be instrumental in boosting the Rio de Janeiro plant. The president believes that in February the models will record an all-time high sales volume – and Brazil is already the second largest SUV market in the world, right after France. **WE**

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Arteb seeks a growth rate of 20% through exports.

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Photo: Publicity

São Bernardo do Campo – after spending a great deal of time focusing on the approval of its so-called judicial recovery, Brazilian equivalent of Chapter 11 in the U. S. , which was obtained last year, Arteb now has the time and stamina to go after markets abroad. According to its vice president, Edson Brasil, there is idle capacity in its São Bernardo do Campo plant, which can be used up with exports.

“Last year, for us, was a period of learning from our past mistakes. We made our operation slimmer, thus making it more efficient. I would say that we were also working hard to honor our agreement with creditors and keep the factory, as it should be. Now the time has come for us to go to the next level, for we have the conditions for that both in terms of production and management”.

Last year billings grew by about 10% as compared to the previous year because of new contracts on the OEM segments – it supplies to Ford, General Motors, Hyundai and Volkswagen. This year, the goal is to get to an increase of 20% over 2018 by means of new contracts in foreign markets.

Brasil stated that conversations with several South America clients are being held. Seeking to expand business in the region, he says that bilateral agreements put together by the country could be door openers for one reason, one that he considers peculiar: “Not too many people are aware of the fact that in this country there is a company that operates in the automotive lighting segment, with local production. Those who know it bet on us, because cost of production, under these circumstances, is more competitive”.

In Arteb’s business segment, in which companies such as Valeo operate, electronics have fueled the development of new products, so that the market these days is mainly supplied by components manufactured in China. The executive pointed out to processes that must be put in place for these elements, which make imports still more expensive. Arteb has managed to nationalize these processes so that its products can be priced more competitively than if the car manufacturers had to import them from Asia.

Through commercial agreements Edson Brasil, who has been running the company for the last four years, believes that the regional market could have access to cutting-edge technology. This in itself is also a way to make new technologies commonplace in locally produced cars: “A possible agreement with Mexico, for instance, would give us gains of scale. With that, we could add more advanced products to our portfolio”.

Arteb, which once boasted 2 thousand employees, currently employs 1.3 thousand, and has installed capacity to supply 4 million vehicles per year. Given the growth recorded last year it hired 80 new employees for its Camaçari, BA plant, which is dedicated to Ford.

WE

Marcopolo tops R\$ 4 billion in revenues.

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Caxias do Sul - The strong upturn of the internal market in 2018 was decisive to Marcopolo's positive performance, which achieved consolidated net sales of almost R\$ 4.2 billion, for an increase of 46% over 2017. Internal sales of buses increased 76.5%, meaning net sales of R\$ 1.9 billion, whereas exports out of Brazil registered an increase of 36%, to R\$ 1 billion 360 million. The company also recorded sales of R\$ 921 million in exports, for an increase of 16.5%.

To achieve these numbers the company, based in Caxias do Sul, RS, sold 15 thousand

596 units, for an increase of 48%. Out of these, 10 thousand 239 were sold in Brazil, an increase of 83%. Exports were 3 thousand 794 buses, an increase of 14.6%. Sales abroad were 2 thousand 72 units, a reduction of 6%. This was a result of a 20% reduction in volume in Mexico, to 1 thousand 20 buses, and in South Africa, of 19%, to 287 units. An uptick of 34.5%, for 542 units, was recorded in Australia. Variation was also positive at 27.5% in the performance of the Chinese operation, with 223 buses.

Marcopolo produced, considering both



Photo: Gelson Mello da Costa/Divulgação.

the Brazilian plants and those abroad, 16 thousand 103 units, for an increase of 48.3%. In Brazil 14 thousand 212 units were sold, a gain of 60%. The company maintained the leadership in the country in terms of total production, with a share of 56%, an increase of 8 points compared to 2017. The best results were in the urban vehicles segment, which grew to 49% of national production, a 19 points gain. In road vehicles, the share is 68%, comparable to 2017, and 55% in micro vehicles, a fall of 3 points. The Volare business unit grew by 52%, with a production of 2 thousand 676 units, out of which 522 were exported, an increase of 44%. The Volare units are not counted within production numbers.

The company achieved an EBITDA of R\$ 362 million, an increase above 200%, and a margin of 8.6%, more than twice that of 2017. Net profit reached in the fiscal year was R\$ 190.9 million, an increase of 132.5%. Marcopolo closed the year with a net debt of 966 million, above the 783 million of 2017. A total of R\$ 550.4 were generated in the industrial sector. The balance of R\$ 415 million comes from Banco Moneo activities.

In 2018, the company invested R\$ 167 million, highlighting purchase of machinery and buildings upgrade. At year-end, it had a grand total of 19 thousand 743 employees, both in Brazil and abroad, which represents

a surge of 31% over the previous year. In Brazil, total payroll comprises 10 thousand 236 jobs, and the controlling arm, in itself, employs 7 thousand 410 people – in 2017 the corresponding numbers were 8 thousand 312, and 6 thousand 255.

Focus on profitability – One of management's objectives for 2019 is to increase profitability. To this effect, management has confirmed the start of a project called Second Management Wave. These are short-term actions focused on objectives such as broadening sales scope, cost reduction in material and increase in efficiency in logistics and industrial performance. The goal is to reach profitability indices similar to the ones it enjoyed in pre-crisis times.

Management expects that the trend in the internal economy upswing be maintained, as well as the approval of reforms by the Government of key pieces of legislation, keeping demand high in the bus business in all its segments this year. In the external market, shipments are strong, with an order backup from countries in Latin America, due primarily to projects of fleet renewal in the main markets. In the external scenario, emphasis will be on Mexico, which presents a trend of better volumes, and operation Superpolo in Colombia, as part of the process of fleet renewal in the capital, Bogotá. **WE**

ZF will have a new president for South America

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Photo: Publicity.

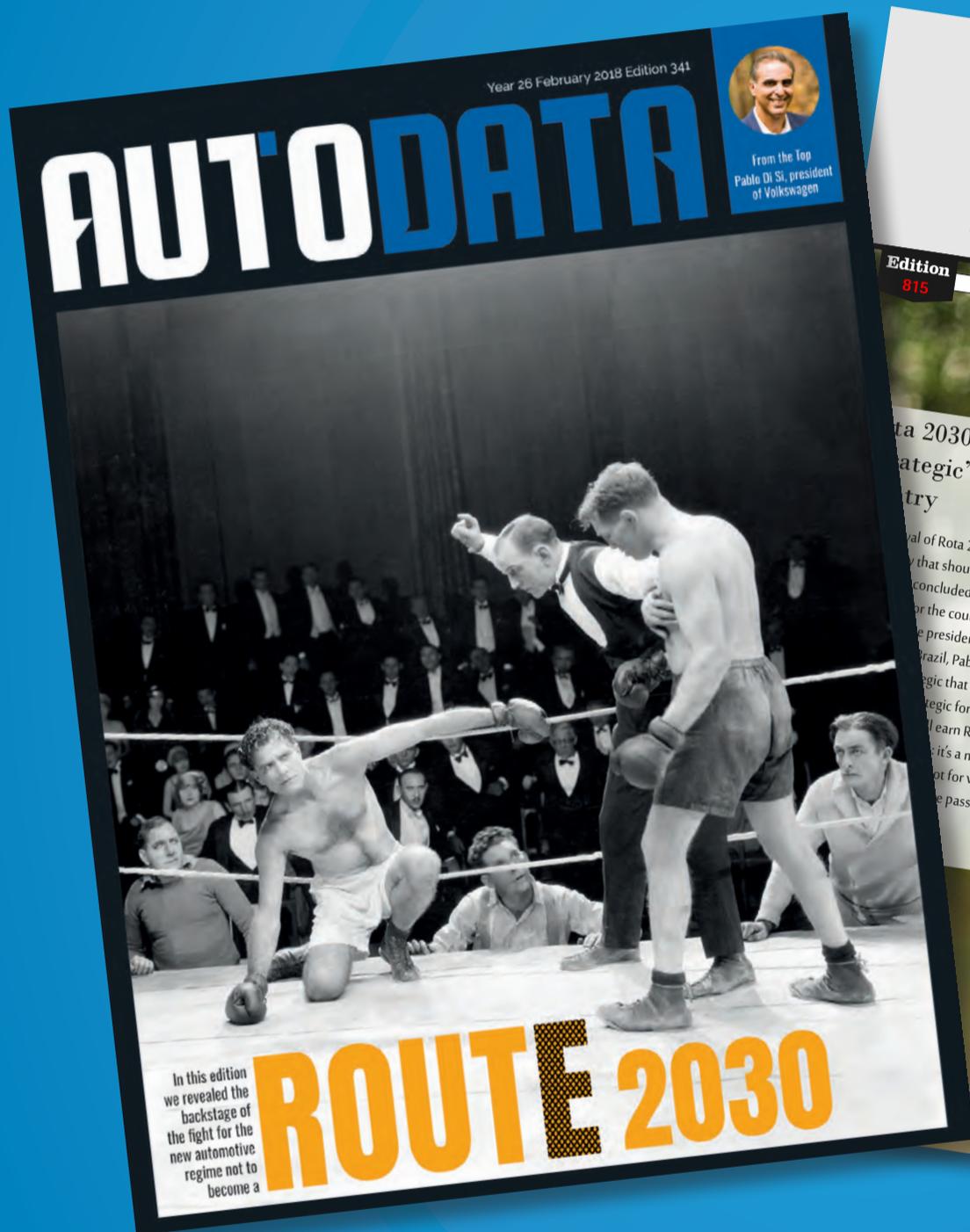
São Paulo – ZF announced the retirement of Wilson Brício, its operations president for South America. He will be succeeded by Carlos Delich, currently vice president of the business unit of chassis systems in Germany. Delich, who has been with the company since 2001, declared that he is taking over in a very positive moment for the company in the region, and that his “mission is to continue the excellent work done by Wilson Brício”.

Brício himself had been with the company since 2001 and took over management of the operations in South America in 2005, having integrated, “in record time”, the companies Sachs, Lemförder and TRW into ZF; he also put in place “the setup of organization models and innovative business procedures in the company”.

The exec will leave his position after an undisclosed transition period.

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