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Brazil and Argentina discuss flex with an eye on bilateral agreement

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São Paulo - The extension of Brazil's bilateral trade agreement with Argentina until 2023 is still under discussion, closer to a positive end. The theme, of common interest, remains undefined by questions such as the agenda of ministers and topics involving the trade balance. According to Antonio Megale, president of Anfavea, last week, the talk of MDIC representatives with those of the Ministry of Industry of Argentina was maintained by telephone.

The parties brought, according to Megale, the opinions regarding the central theme of the discussion, in this case the flex tariff of export, which had already happened in other meetings. Since the ministers were absent from the talks because of other commitments, little progress

was made in the negotiations: “The representatives brought questions about the flex to the table, requirements, what they can give up on, the negotiable points. It’s close to an agreement”.

The president of Anfavea said on Monday, 10, at the 6th IQA Forum that another meeting should be scheduled later this month, with the participation of the ministers. The meeting place will also be defined, whether in Buenos Aires or Brasília, DF. The flex stipulates that for each dollar of imported vehicles, Brazil can export US\$ 1.5. The intention of the Argentine side is to keep the flex at this level, a position that is antagonistic to the one desired by Brazil, which wishes it higher.

The Argentinians would also be asking the inclusion of other issues on the discussion of the the bilateral agreement extension, such as the accounting of the investments made by the manufacturers in Argentina in the R&D criteria of Rota 2030. They also asked that vehicles produced in Argentina have specific lines in the BNDES (The Brazilian Economic and Social Development Bank).

The approval of the regulatory convergence involving both countries is also expected to be approved in September. The issues are related to the decrease in exports of vehicles to Argentina. Episodes in the field of macroeconomics have reduced domestic consumption, which reflected on the vehicle sales in the country. To try to reverse this scenario, the government has promoted measures to contain the devaluation of the peso and should overtax the vehicles exports. **WE**

Traton Group wants to have the size of the world

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São Paulo - Traton Group, the new Volkswagen company of heavy-vehicles created in July, was the alternative found to make future investments viable in MAN, Volkswagen Trucks and Buses and Scania in markets considered as fundamental such as South America. The companies that are now treated internally as specialist brands in certain vehicles and components, have now more strength to start the global expansion process and better bargaining power with the suppliers, an important step, in the region, to sustain the resumption of the truck market.

This is the vision of the group about the truck business brought by Roberto Cortes, global president of VWCO, from within Traton's board of directors, where he joined the CEOs of the other companies that form the group.

The formation of subsidiaries is also part of RIO, the logistics company that will be presented at the IAA fair, the Hannover Auto Show, of commercial vehicles, in September.

Cortes told that the strategic planning of the companies, that were already operating with Volkswagen Group, would only work if there was, effectively, a union of forces, something desired and not executed in the company before the creation of Traton: "Synergy is the name of the game and size matters in this world. The more volume we have, the more economies of scale and the faster an investment is returned. That's the big advantage of being in a group this size".

In practice, said Cortes, this means that group management will take advantage of what it considers the best in each brand. So much so that, internally, Sweden, Scania's home, would represent the center of technological development of the group, while Germany would be the center of manufacture by concentrating the main VW factories: "Each one takes care of its own cabin. In the powertrain, which weighs 60% in the truck, there will be integration as there were already in some cases involving VW and MAN vehicles, for example."

The model is similar, although different circumstances, to the one adopted by Autolatina in the 1980s, when Ford and Volkswagen joined their operations in the region and started producing vehicles built on common platforms. Roberto Cortes was a Ford employee when there was the integration. At the moment that each company went to its own paths, in the 1990s, Cortes accepted the invitation made by Volkswagen, where he would be, according to his words, the "finance man".

The giant created by VW this time, however, will go with its own legs from the opening of its capital in Germany and, according to the big boss, Andreas Renschler, Traton trucks will not be seen on the roads. What, indeed, will be seen, is a giant with a strong participation in South America and Europe. In Brazil, the slices that VWCO, MAN and Scania own added together, the Traton Group controls 40% of the truck market. In Europe, Cortes said, the share is of 30%: "The performances of brands, the volume of produced and sold vehicles, enable better trade agreements that ensure the future".

There are thirty-one factories in seventeen countries, with 81 thousand workers. The size - and global presence - can be even greater if you consider the shares that Traton has had in other truck manufacturers: they are 16% of Navistar's share in the United States and 25% of Sinotruck in China.

"They are strategic partners that give us global expansion vision. We are expanding the global presence with very solid bases in Latin America and Europe. "

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Faurecia reaps the benefits of Inovar Auto

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São Paulo - Inovar Auto, a regime that regulated the Brazilian automotive industry until the end of last year, boosted sales of Faurecia Clean Mobility. Specialized in producing exhaust systems for light and commercial vehicles, the division saw its market share jump from 38% in 2012 to around 50% now – and, next year, the expectation is to reach more than half of OEM sales.

According to Abdo Kassisse, general director of the area, the availability of technology that Faurecia offers to improve energy efficiency and the need to expand local content in the



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vehicles created by Inovar Auto helped to boost business. It was the race for nationalization of parts in Brazil and components that made the company win contracts with Jaguar Land Rover and Volvo in the trucks segment.

Of the ten most sold models in the Brazilian market Faurecia supplies exhaust systems for eight of them. The company has contracts with almost all the automakers installed in the country and in some cases, like PSA Peugeot Citroën and Toyota, 100% of the vehicles are equipped with its exhaust systems.

“We increased 24% in volume, far above the market. Next year, which Sindipeças projects a 5% expansion, we believe we will increase our sales by 12%”.

Last week, the Limeira plant (the main factory of Faurecia Clean Mobility in Brazil), hired forty people, accounting for 650 workers. It also maintains production in Camaçari, BA, Gravataí, RS, Porto Real, RJ, Sorocaba, SP, and in Argentina, with two factories.

Even without knowing all the details of Rota 2030 (because it still depends on the publication of the decree that will specify all the rules) Kassis expects that Faurecia will win once again: “If it is necessary to improve efficiency, we have solutions. We will add more items to the systems and we will have products with a higher value. And there is still the R&D issue, which can also benefit the auto parts”.

Looking ahead - Previously known as Exhaust Systems the division was renamed as Clean Mobility to fit the new reality of the global automotive industry. Hybrid, electric and autonomous vehicles are also the focus of its development.

Some technologies, such as energy recovery by exhaust gases, tanks for hybrid models and battery packs for electric vehicles are available outside Brazil - and, if it is necessary, can easily be brought here, Kassis ensured: “at first via importation because nationalization implies scale”.

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New laboratory makes Petronas target new markets

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Contagem, MG - Petronas finalized the expansion of the laboratory where it will develop new products and perform tests on its lubricating oils and greases with new equipment. The space, installed inside the factory in Contagem, MG, was reopened on Wednesday, 12. The investment applied in the purchase of equipment and in the increase of the constructed area was of US\$ 8 million.

It is the company's fifth research and development center in the world. The two main facilities are: in Turin, Italy, which concentrates its work on products for automobiles and in Malaysia, which is installed at the company's headquarters. The others are considered satellite laboratories integrated to the main ones. They are: in China, focused on oils for diesel engines. United States, for agribusiness and, South Africa, for mining.

The Minas Gerais laboratory, in turn, concentrates operations for industrial lubricating oils. According to Luiz Sabatino, president of the company in Brazil, despite the

fact that the country is an automotive hub, the company decided to use the new area to dedicate itself in other markets in the region:

"As we already have the experience of Turin in the light vehicles inside the organization, it was established that, in Brazil, we would concentrate the efforts to grow in areas that are also strong in Latin America."

Even if there are other targets, the R&D center renovated by Petronas will also work on the Brazilian automotive industry. Specifically in the homologation of the lubricating oils that are already produced here for the aftermarket and OEM, according to Sabatino. The company in Brazil is responsible for the first filling of FCA vehicles and, more recently, has been servicing Caoa Chery vehicles.

Petronas has a strong relationship with FCA. In 2012, it finalized the purchase of FL Selenia, a former lubricants division of Fiat, which was in control of a group of investors. From then on it became exclusive distributor of lubricating oils for its vehicles globally. The

solid OEM relationship, however, may not be eternal, Sabatino said:

“We do not swear eternal love to FCA and neither the group to us. Since we operate in a dynamic marketplace, a lot can happen over the years. On our part, we are talking to other companies about the first filling and we will be participating in some competitions”.

In 2014, the lubricants market in Brazil totaled 1.3 billion liters, a volume that fell to 1.1 billion last year - but which should recover this year and reach 1 billion 250 million liters.

Still this year, Petronas should produce around 160 million liters of lubricants and grease, 3 % growth over 2017, a representative percentage, according to Guilherme de Paula, Petronas CEO in Latin America: “It’s a market in the hands of several competitors, 3% is something to celebrate. Petronas has advanced even with the market retreating”.

And the company wants to grow another 3% next year. To do this, it is necessary to destine resources to the commercial actions in the main stores of its lubricants: authorized distributors, dealerships and mechanical workshops, since the company does not have its own chain - and does not want to, Sabatino

pointed out: “The leaders in the market have extensive chain of gas stations, where they sell their own lubricants. We chose to go the other way”.

To finance the commercial operation in Brazil, maintain production in Minas Gerais and develop new products, the company has US\$ 40 million to invest in the five-year cycle begun in May. With the dollar at the level of R\$ 4.20, the company’s budget should be of R\$ 168 million.

The value is lower than the last five-year cycle (R\$ 350 million), which was used to reformulate the factory, modernize the laboratory, among other improvements. In the last six years, Petronas has increased its market share in Brazil: it jumped from 9.4% to 11.7%, making it the fourth biggest company in the Brazilian market, the executive informed.

For the coming year, the company expects to consolidate mining production as an export platform: “Our exports have increased and now account for about 15%, while in 2012 they reached from 6% to 7%.”

Of the products manufactured in Contagem, 60% go to the automotive market and 40% go to the others, which they classify as consumption.

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