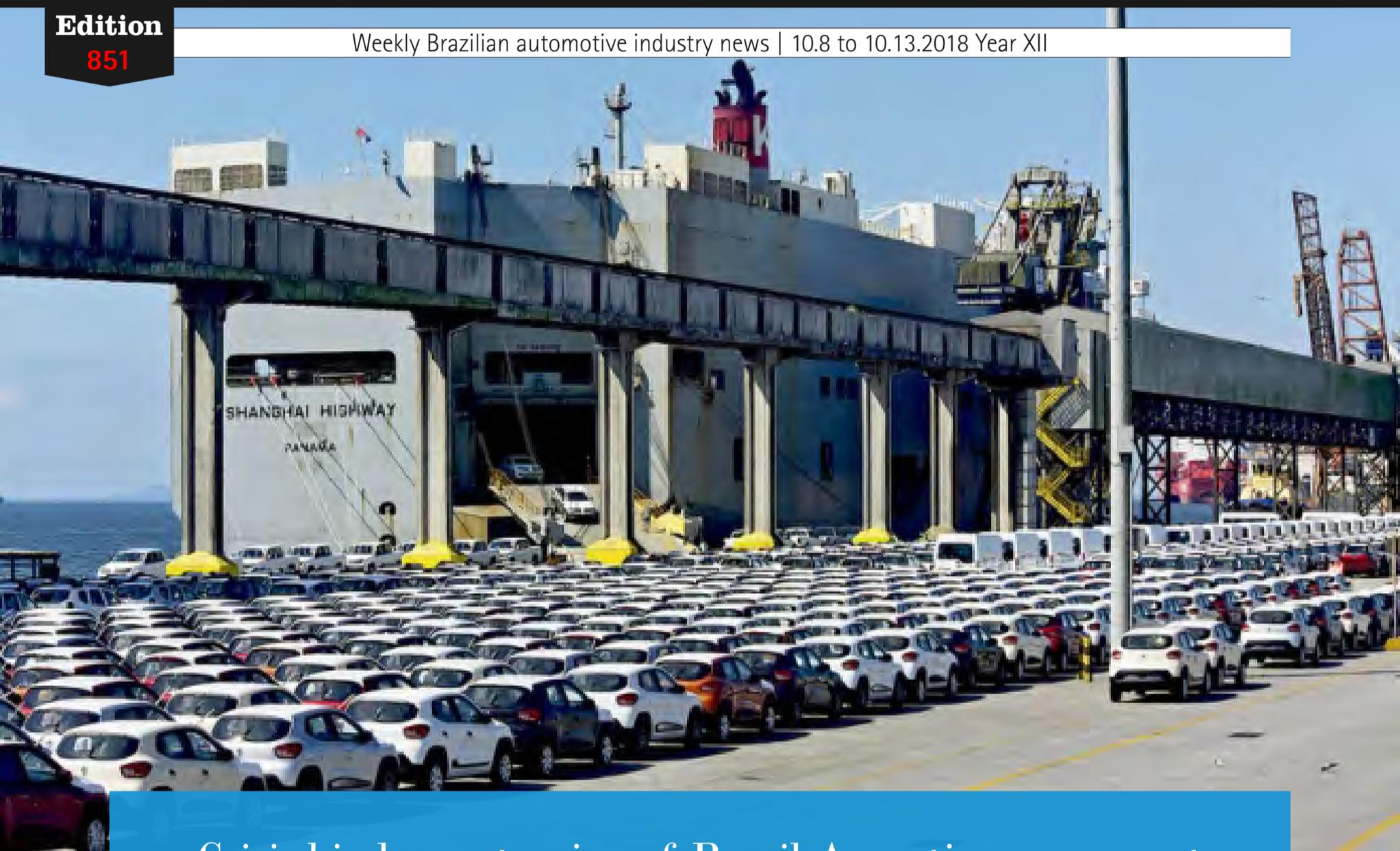


# AutoData

NEWS AGENCY WEEKLY EDITION

**Edition**  
**851**

Weekly Brazilian automotive industry news | 10.8 to 10.13.2018 Year XII



## Crisis hinders extension of Brazil-Argentina agreement

The crisis in Argentina, which reflected on production and exports of the Brazilian vehicle market in the second half, has reduced the chances of the bilateral agreement extension which runs until 2020 (a common issue between both countries and that were in advanced negotiations) become concrete before the expiration date. The situation was already seen as complex, although the industry believed in a possible positive outcome until December...

[More on pg. 2](#)

**Garrett, independent,  
to produce turbo for  
automobiles**

[More on pg. 4](#)

**ZF to invest R\$ 700 million  
in South America**

[More on pg. 6](#)

**VW grants collective  
vacations in Taubaté  
and São Carlos**

[More on pg. 8](#)

# Crisis hinders extension of Brazil-Argentina agreement

Bruno de Oliveira | [bruno@autodata.com.br](mailto:bruno@autodata.com.br)



**S**ão Paulo - The crisis in Argentina, which reflected on production and exports of the Brazilian vehicle market in the second half, has reduced the chances of the bilateral agreement extension which runs until 2020 (a common issue between both countries and that were in advanced negotiations) become concrete before the expiration date. The situation was already seen as complex, although the industry believed in a possible positive outcome until December.

With the decrease of sales in the Argentine domestic market and currency devaluation, Antonio Megale, president of Anfavea, said it was very difficult to extend the agreement so early: "It is very difficult today. They are having difficulties and what has hampered the evolution of the negotiations was this complex, political and economic situation. It was postponed. But governments are talking anyway".

The caution in the discourse adopted by the

industry about the subject brings concern with the future investments in the region. The economic measures adopted by Argentina to reduce the effects of the crisis, according to Megale, should take longer to produce results, which hampers investments:

“When you talk about a trade agreement, it has to be in a way that does not inhibit investments in Brazil. So, naturally, the current moment (with Argentina living in a very bad situation) if we go to a situation of free market obviously most investments would come to Brazil, causing imbalance”.

Negotiations to extend the agreement until 2023 were advanced in September, with both governments attending meetings in Brasília, DF, and Buenos Aires, Argentina. The point of divergence for which the extension was signed, at the time, was the exports flex rate. The flex stipulates that for every US\$ 1 of an imported vehicle, Brazil can export US\$ 1.5. Argentina’s intention is to maintain the flex at this level, a position that is antagonistic to that requested by Brazil, which wishes it higher.

Argentina would also be asking for other issues to be included in the discussion of the bilateral agreement extension, such as accounting for the investments made by the manufacturers in Argentina in the R&D criteria of Rota 2030. They would also ask that their vehicles earn specific financing lines

by the BNDES (Brazilian Development Bank).

Megale gave hints that there may be a new element in the discussions - the Brazilian expectation is that, from 2020 on, there would be a free market scenario for both countries, which Argentina may not agree about: “In our view, as Brazil, we understand that from 2020 on we should be in a free market trend. There is a view, from Argentina, that maybe this is not the time yet, that it still needs an agreement managed for a few more years, so we are in the discussion phase. The agreement goes until 2020, so there is no pressing need to negotiate now”.

**Proconve** - Antônio Megale visited the MDIC (Ministry of Development, Industry and Foreign Trade) last week to discuss another issue besides technical questions related to Rota 2030. According to him, the government would be discussing about Proconve, an emissions control program that should be updated in the next few years, unconnected to the PM of Rota 2030 - which should not happen according to the text of the provisional measure:

“We are concerned about the new phases of Proconve. Rota 2030 says that the other legislations related to the sector have to follow its schedule. The government is addressing the issue without considering Rota 2030 and we need a convergence”. **WE**

# Garrett, independent, to produce turbo for automobiles

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

São Paulo - On Monday, 1st, Olivier Rabiller, president and CEO of Garrett, hit the bell of the New York Stock Exchange, fulfilling the traditional ritual that marks the beginning of stock trading for a company. After one year of negotiation and planning the turbocharger manufacturer became independent of Honeywell, which started to focus on other business areas.

A company with a US\$ 3.1 billion revenue was born there, US\$ 623 million EBITDA profit, and 7.5 thousand employees in 160 countries, 1.2 thousand engineers and thirteen factories - one in Brazil (in Guarulhos) in the Metropolitan Region of São Paulo. In the first half of the year, global sales increased 7% over the same period in 2017.

Producing turbochargers for 65 years, Garrett has followed the electrifying trend of the market. The president of the Brazilian subsidiary and responsible for the global aftermarket area, Eric Fraysse, said that the main future projects in the global scope will be dedicated to the development of the so-called e-turbos, which will provide more power and efficiency to the engines applied in hybrid and electric vehicles.

In Brazil, however, the steps are a little behind. The trend is to apply turbochargers in cars, a technology that is still crawling - but because of the requirements of Rota 2030 it will need to stand up and take firm steps in the coming years: "Last year, the market for turbochargers, light and heavy vehicles, OEM and aftermarket, reached 700 thousand units in South America. In 2022, we estimate that it will reach 2.5 million units".

Garrett, which supplied the Gol Turbo model, already supplies turbos for flex vehicles, all imported. The turbo versions of the Hyundai HB20, for example, are equipped with material produced in other countries, as well as those of the Mercedes-Benz and BMW models. But thanks to an agreement signed with an automaker, which Fraysse did not name, the vehicles will be

produced in Guarulhos - and the development of the process is already on its way, although its production should start in two or three years.

“The local production process for the manufacture of turbos for flex-fuel engines has already begun. We are developing suppliers to produce in Brazil, especially in the foundry area. We need to come up with a strong local content equation with good competitiveness”.

Frayse did not reveal the investment nor the volume that will be produced regarding engines 1.0 and 1.4. He said that it will be a line for a turbo model with variations of size and application and that no major adjustments will be necessary in the factory - the line will occupy the same building where turbos are currently produced for trucks, buses and pickup trucks.

“We have the potential to grow factory’s production in two digits”, said the president. “We are currently working with one shift, one shift and a half, so we can meet the demand.”

For internal reasons Frayse did not reveal the production volume or the revenue in the region. Besides the Brazilian market, Guarulhos serves the export to several countries, especially in the aftermarket. There are fifteen turbo models being produced, adding up to more than three hundred different numerical codes.

The decision to nationalize turbine production in Brazil was taken before the publication of Rota 2030. In any case, Eric Frayse admits that the regulation is essential so these technologies are incorporated into local models. It worked like that with the turbos and it should be like that with the electric ones, estimates the executive.

“I believe the hybrids will arrive, but this should not happen in the next few years. You need regulation. We have no discussions with the automaker regarding turbo supply for these models in the region.”

As for the other business of the independent Garrett (the connected and autonomous vehicles) there are conversations already. The company supplies software especially for the area of cyber security. According to the president, these technologies will begin to enter the Brazilian market through the commercial vehicle manufacturers.

WE

# ZF to invest R\$ 700 million in South America

Bruno de Oliveira | [bruno@autodata.com.br](mailto:bruno@autodata.com.br)



**S**ão Paulo - ZF's next investment cycle in South America, which runs until 2021, will be of R\$ 700 million, said Wilson Bricio, president of the company for the region. According to the executive, most part will be applied to increase production capacity in Brazil, in the development and launch of vehicles already on sale in other markets and that should be produced in Brazil in 2019.

The executive avoided the details of the new offer, but said they will be electric steering vehicles, brake systems and automated transmissions. The executive reinforced

that the factories maintained in Brazil will have to produce more to keep pace with growing demand, especially in the automotive segment and, because of this, there will be investment in the company's line:

"The plan has already been approved. We have demand to expand productive capacity. We need to increase the capacity to deliver what we need because we can't today".

In this scenario of growth anticipated by the company are the new supply programs to customers that the company attends in Brazil, especially of automobiles that belong to the

ranges A and B. Today, ZF's main customer in terms of volume is Volkswagen, but this may change, he said:

"There are new projects in which the company participates in more applications, in others less. In the next two years we will have more participation in other companies. But today, our main customer is still Volkswagen".

ZF maintains four factories in Brazil. In Sorocaba, SP, where the company's Latin America headquarters is located, shafts and transmissions are produced for commercial vehicles, chassis components for automobiles and marine propulsion systems. In Araraquara, SP, clutches for automobiles. In São Bernardo do Campo, SP, clutches for commercial vehicles. In Limeira, SP, brake and steering systems.

In the lines where automotive components are produced, Bricio said the current production is on a three-shift journey. Two shifts where the components for trucks and buses are manufactured. In Itacemópolis, SP, there is an operation inside the Mercedes-Benz factory where parts of chassis, axles and powertrain are assembled for the Class C and GLA models. There is also production of shock absorbers installed in San Francisco, Argentina.

On Monday, 8, the company announced the production of two models of automated

teller machines that were recently launched in the European market at the Sorocaba plant. For the heavy segment, the company started the production of Traxon and EcoTronic in Brazil. In order to produce both transmissions, it invested R\$ 100 million from 2014 to 2018, an amount that was part of the company's last investment cycle in Brazil. It also announced that will nationalize the production of brake systems and cameras in the light vehicles segment. According to Bricio, the company negotiates with local automakers.

**In the field** - The company announced that the South American operation will be considered a global competence center in the area of agricultural axes within the company. With this, it will be the only unit in the world to develop the components for the global market. Paulo Vecchia, manager of the business unit for industrial technology, will be responsible for the coordination.

According to the executive, new investments are planned, as well as the hiring of engineers and specified teams that will accelerate the development time of new products, as well as impose a new pace of response speed for customers. The market for front axles in the world is of 500 thousand units nowadays, considering automakers that build their own axles. The Brazilian market represents 11% of this total.

WE

# VW grants collective vacations in Taubaté and São Carlos

Bruno de Oliveira | [bruno@autodata.com.br](mailto:bruno@autodata.com.br)

São Paulo - Volkswagen granted collective vacations on Monday, 8, the employees of the plants in Taubaté and São Carlos, both in the countryside of São Paulo. The measure, according to the company, is an adjustment in production motivated by the crisis in the Argentine market, the main export destination of vehicles and VW engines produced Brazil.

With this, three factories of the company had their paced reduced: also on the same day, 1.8 thousand employees of the VW Anchieta unit (where Polo, Virtus and Saveiro models are produced) had their collective vacation granted.

In the case of Taubaté, where the models Up!, Gol and Voyage are produced, the automaker and the local union did not inform the number of employees on their holidays until October 28. The factory employs 3,5 thousand workers and this is already the third time this year that the company uses collective vacations to adapt the unit to market demand.

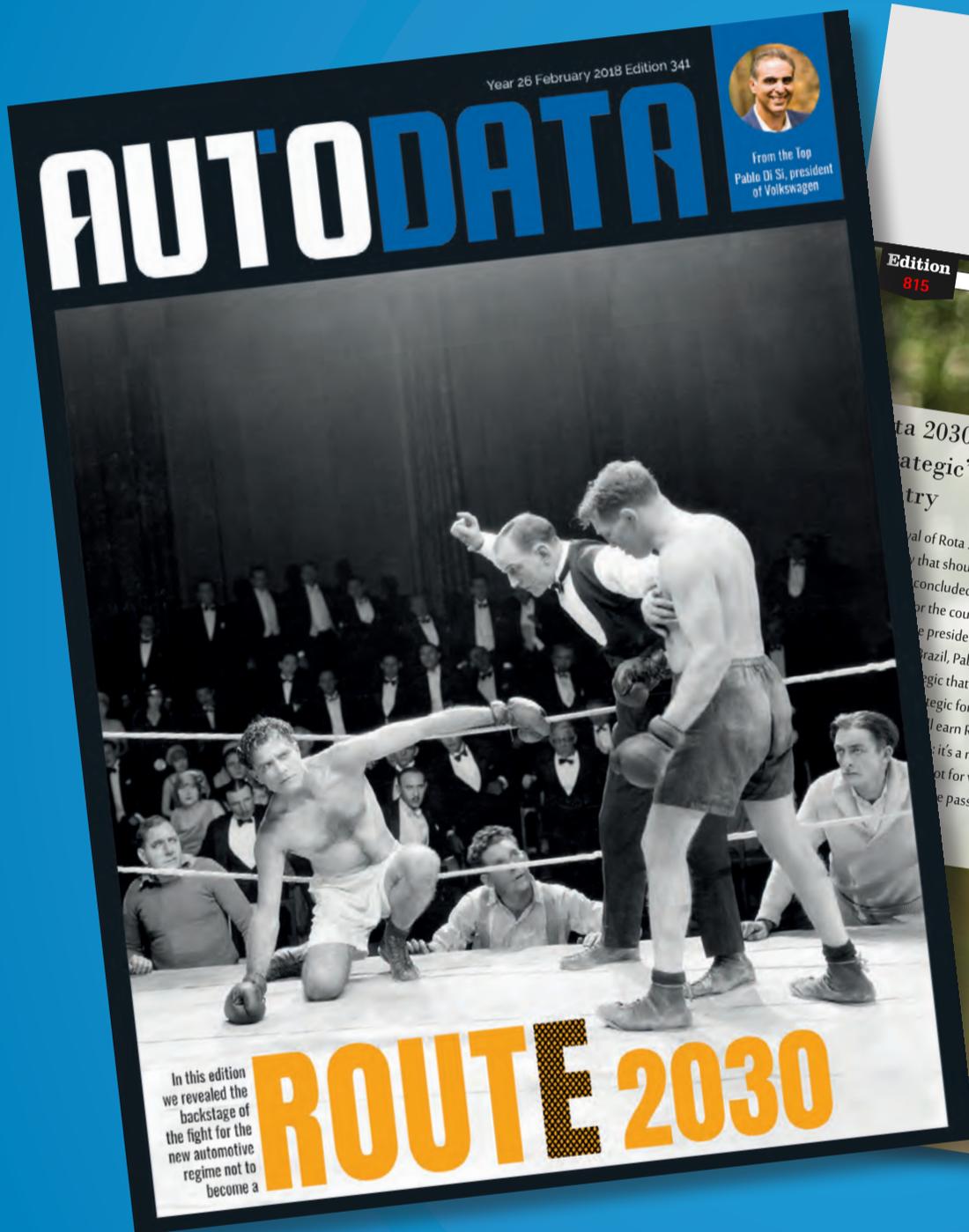
In the São Carlos unit, where engines for vehicles manufactured in Brazil and Argentina are produced, twenty days of vacations were granted to 125 of the 900 employees who work there. According to the union of metallurgists of the region, the factory has operated in two shifts since September and the table will be maintained until January.

Last week, Anfavea reduced its export forecast in 2018 to 8.6%, due to the decline of the Argentine market, which is undergoing a crisis marked by a heavy devaluation of the peso and which forced the government to raise interest rates.

In the accumulated of the year, exports of vehicles from Brazil to Argentina reach 363.1 thousand units of a total volume sold to the foreign market of 524.3 thousand. Last year, until September, there were 395.2 thousand vehicles.

WE

# DO YOU NEED MORE INFORMATION ABOUT AUTOMOTIVE BUSINESS IN BRAZIL?



## READ AUTODATA!

[www.autodata.com.br](http://www.autodata.com.br)

# AUTODATA