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Rota 2030 brings Brazil and Argentina closer

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The new industrial policy for the automotive sector can bring Brazil and Argentina even closer, according to Antônio Megale, president of Anfavea, during the AutoData Seminar “The New Challenges of the Brazilian Automotive Industry”, held on Monday, 21. He added that the governments are discussing the harmonizing of technical legislation for the automotive sector in each country:

“This is the first step. There will be a meeting this week between representatives from the government of Argentina and their respective automotive sector with the study groups of the Rota 2030. It is important for the negotiations of a free trade agreement between the Mercosul and the European Union to consider a regional industry. We need to be in tune in order to compete in the global market.”

Megale said that the second step will occur naturally, since companies use both countries as production platforms for the region: “However, the cost is still high, since there are differences in legislation that prevent regional competitive gains. Solving these and other issues will enable companies to use their manufacturing facilities to regulate their inventories and transform the region into a global export base.”

According to him, a regional policy could increase production capacity and, as a result, make the Mercosul become an important global player: “We will be able to produce between 6 and 7 million vehicles per year. We could be one of the biggest manufacturers in the world. However, in order for this to occur, we need to first think about the regional aspects.”

Provisional Measure - Megale said that the Rota 2030 should be created through a provisional measure by November: “We have six working groups and many have already concluded their studies. The framework of the program should be ready to replace the Inovar-Auto already in January of next year.”

On the 14th of this month, the minister of Development, Foreign Trade and Services said during an event at Volkswagen’s plant in São Bernardo do Campo, SP, that Rota 2030 should be launched within the next three

months. On that same day, the president of VW, David Powels, said he did not believe in that deadline as there are many conflicting issues in the negotiations of the new program.

Megale, slightly more optimistic, said that some issues could be approved during the period: “What is causing the disagreement is the tax issue. It has still not yet been defined if there will be changes in the IPI rules and, if this occurs, Rota 2030 has to be presented by October 3 in order to be able to be implemented as of the first day of January.”

Every time there are changes in the tax rules, a period of ninety days is required for companies and government to adapt themselves to the norms. “The discussions have evolved. We are now in the final phase, which is why I believe that the provisional measure should be published in time. Especially because the government can publish decrees later in order to provide additional details.”

According to Megale, energy efficiency targets for the next fifteen years should be published by November, including its phases, as well as vehicle safety rules for the next ten years, the tax burden simplification, and the measures for strengthening the automotive chain: “As a result of predictability, we will be able to increase competitiveness and become an important global player. Rota 2030 should give us that.”

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BNDES has already disbursed R\$11 billion through Finame

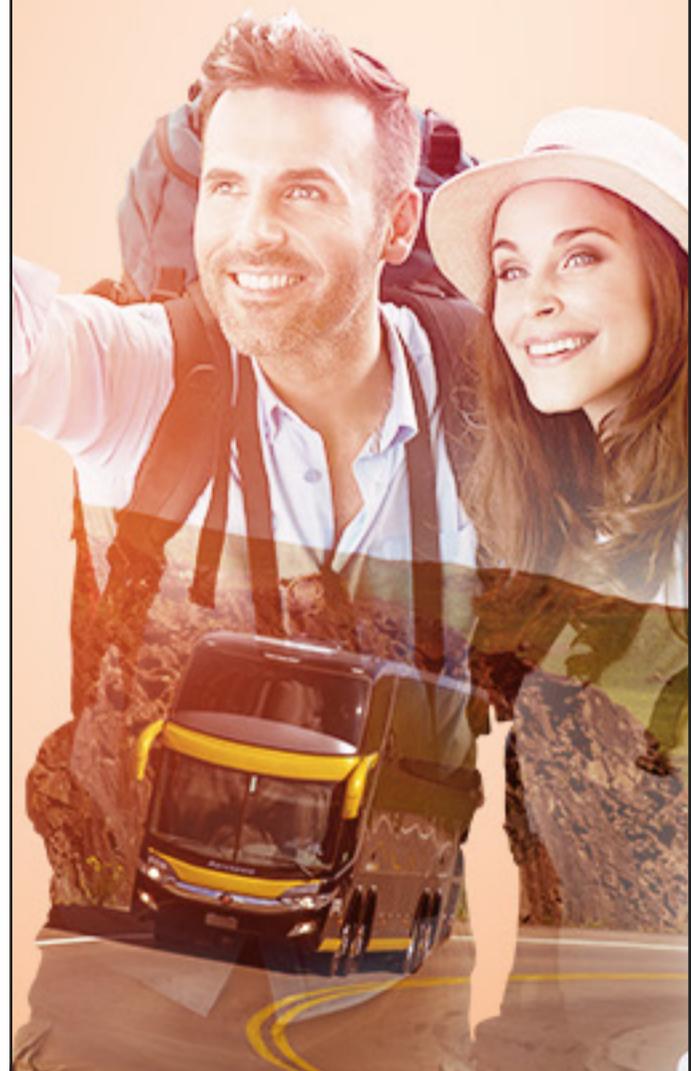
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Between January and July of this year, the BNDES has already made R\$ 11 billion available through the Finame credit line, representing an increase of 10% when compared to the same period in 2016. The value was used in 38.5 thousand operations, according to the social and economic development bank. The financing line is available for the acquisition of machinery and equipment.

According to the BNDES, Finame provided R\$ 2.3 billion in loans during the month of July, which represented a growth of almost 90% when compared to the same month last year. Monthly

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Finame disbursements have been accelerating since May, when it registered the first increase, 11%, when compared to the same month last year. In June, disbursements increased 28% when compared to the same month.

In a statement, the bank informed that “the 90% increase experienced in July confirms the acceleration trend.”

Finame is the most utilized financing line for the purchase of trucks. According to Anfavea, 25,990 vehicles were licensed in the country during the first seven months of this year. Despite a 14.1% drop when compared to the first seven months of 2016, the volume represented an improvement since the drops in sales have been decreasing.

Total Finame disbursements up to July of this year reached R\$ 12.6 billion, an increase of 35% when compared to the R\$ 9.3 billion registered during the same period last year, according to the statement: “Finame approvals reflect the short term investments about to enter the economy, since the contract and disbursement occur within a period of less than two weeks.”

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New vehicles will drive ABB's business in the country

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The cycle of vehicle launches in the country, which should intensify next year with the arrival of new families of compact and brand-new SUV models is seen by the robot manufacturer ABB as an opportunity to expand sales in the region, diversify its offer in the service area and increase the number of machinery connected in customers that are taking their first steps in the industry 4.0 universe.

According to the company, 5000 of its robots are active in the Brazilian market - including 70% within the automotive sector. Traditionally, the company says that product launches are marked by a period of increased sales of robots. They bring the need for more advanced equipment for the assembly of vehicle bodies, and this represents a favorable scenario to ABB's business in Brazil.

According to the services division manager, Cássio Scarpi, despite the market still experiencing a recovery in the domestic market sales, which, in theory, would reflect in the performance of the company, many customers

are working today to conclude their projects that are involved in increasing the automation at the plants: "A lot is being done right now, even if the market is far from the sales volumes reached in 2013. There will be new products and, with them, more modern lines. We have a number of deals closed with vehicle producers here."

A study conducted by the consulting firm IHS, specialized in the automotive sector, indicates that there will be eleven product launches in 2018, using as a base for analysis the development cycles of the vehicle manufacturers during the past years. New products are expected from BMW, Chery, Mercedes-Benz, Hyundai, Mitsubishi, PSA, Renault Nissan, Jaguar Land Rover, Toyota, and Volkswagen.

Scarpi said that conversations with manufacturers and system suppliers are at an advanced stage regarding the new assembly line projects: "With the exception of FCA, which has a supplier of automation equipment that belongs to the group, other

manufacturers are global customers that are optimistic about the coming years, to the extent that they are preparing for an increase in demand.”

The executive added that, in addition to the renewal of the cycles of some vehicles, the arrival of new equipment will also serve to increase the level of automation within the Brazilian industry: “The taste of the Brazilian consumer demands vehicles with more technology, from structure to finishing, and the manufacturers are searching for more demanding markets for exports. The reformulation of lines inaugurates a new period for the automotive sector, on its way to connectivity.”

ABB, formerly known as Asea Brown Boveri, is planning to double the number of connected robots in Brazil - that exchange information within the assembly line - which is expected to reach 100 units by the end of the year.

Results from a survey divulged during the World Economic Forum in January indicate that Brazil is in the 81st position of the competitiveness ranking, measured among 138 countries. While our industrial park has 10 robots for every 10,000 employees, the leader in the survey, South Korea, has 478 units. Last week, the government provided signs that pave the way for the arrival of more automation equipment in the country, by announcing that

the import tax tariff has been dropped to zero for these items and other items linked to the automotive parts sector.

Remanufacturing - ABB, which imports the robots it sells here, has 5 units in the country: one in Blumenau, in the state of Santa Catarina, a distribution center and an engine and low tension equipment manufacturing facility in Sorocaba, and a distribution center and a manufacturing facility in Guarulhos, all in the state of São Paulo. The latter houses production of equipment for the electric sector, a robotic development center and, in the past months, a robot remanufacturing area. The new cell is part of a process to diversify the company’s offering in the services area:

“We noticed that many sectors that are beginning to automate themselves have purchased used equipment. In addition, there are traditional customers that decided to bet in the maintenance of their robots instead of acquiring new equipment. This market in Brazil has been very little explored.”

The remanufacturing center is the company’s first such unit in Latin America and is capable of repairing 300 components per year. Its conception was based on the ABB unit in the Czech Republic, in Ostrava. The equipment that undergoes the process, according to Scarpi, is priced between 60% and 70% of the value of a new one.

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Sales this month on the way to becoming the best since December 2015

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By Friday, 18, 113.3 thousand vehicles in Brazil had been licensed, according to data from Renavam, the national automotive vehicle registration authority, presented to AutoData by a market source. If this rhythm is maintained during the next nine working days until the close of the month of August, on the 31st, vehicle license registrations should reach 207,000 units, the best performance since December 2015. The volume includes trucks and buses.

Since 2015, the month in which the highest volume of vehicle license registrations took place was in December of last year, when 204,329 vehicles were licensed. Despite representing a small domestic market recovery - which had been around the level of 200,000 units since then - the volume is still far from the performance in 2013, when monthly vehicle license registrations exceeded 300,000 units.

Between January and July of this year, 1,204,260 vehicles were licensed in Brazil, representing a daily average of slightly more than 9000 vehicles, according to Anfavea figures divulged earlier this month. The amount of registrations was 3.4% higher than the same period last year. According to the association, the performance translates the confirmation of the recovery of sales of automobiles and the slowing down of losses in the truck segment.

Anfavea has not yet reviewed its domestic sales projections for the year, which occurred for production and exports. In July, during its last monthly press conference, the expectation for the Brazilian market called for a 4% growth. According to the president of Anfavea, Antônio Megale, the association does not have the confidence required to change the calculations. According to him, growth during the semester is still below what has been projected for the year. **WE**