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NEWS AGENCY WEEKLY EDITION

Edition
778

Weekly Brazilian automotive industry news | 4.24 to 4.29.2017 Year XII

Anfavea presents its plans to the government

More on pg. 5

MAN exports up 40%

More on pg. 7

F-Series will be equipped with local Cummins engine in 2018

More on pg. 9

Autoparts sector-specific policy contemplated in Rota 2030

Help to autoparts manufacturers with financial difficulties is closer. The new industrial policy for the automotive sector should provide these companies with greater force and, according to Igor Calvet, Secretary of Industrial Development and Competitiveness at the Ministry of Industry, Trade and Services, measures should include a training program, financing and technical vehicle inspection.

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More on pg. 3

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Autoparts sector-specific policy contemplated in Rota 2030

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Help to autoparts manufacturers with financial difficulties is closer. The new industrial policy for the automotive sector should provide these companies with greater force and, according to Igor Calvet, Secretary of Industrial Development and Competitiveness at the Ministry of Industry, Trade and Services, measures should include a training program, financing and technical vehicle inspection. Calvet participated in the opening of the 13th Automec, the international autoparts and services trade show, on Tuesday, 25, in São Paulo.



Igor Calvet

He pointed out that the working groups formed with the private sector should complete the studies of Rota 2030 in two months: “Measures to improve the auto parts sector, which has become extremely weak in recent years, are being studied.”

According to him, the government should issue an executive order creating the new industrial policy in September.

Calvet added that discussions are being held with the Ministry of Finance to create a formula to allow autoparts manufacturers in financial difficulties to obtain financing. However, according to him, it does not involve fiscal revenue breaks such as the IPI tariff – tax on industrial products - exemption policy, which stimulated car sales in the past.

“It will be a more structured policy. There will be monetary

resources, but it will not be stamped for a sector. We lived fifteen years with this idea of fiscal benefits. Now, a regulatory change can stimulate the market significantly. Vehicle inspection, for example, can drive a natural fleet renewal and improve sales of aftermarket parts.”

Rota 2030 should be structured on greater integration within the private sector. Calvet added that the project of training for small autoparts manufacturers should take place jointly with the automakers and Tier 1 suppliers: “The goal is to format courses in financial management as well as quality control, which should be done with those who know the sector. Rota 2030 should increase the competitiveness of Brazilian companies. We will be good not only within the domestic market: we want to insert our industry on the global stage in a definite manner.”

On Tuesday afternoon, the leaders of Brazil’s automotive manufacturer’s industry association, Anfavea, met with the President of the Republic to offer the industry’s proposals for the next industrial policy. According to Calvet, at that meeting, executives, the president and vice-presidents of the association, presented the current market conditions and what they envision for the future: “They brought the results from investments made with the Inovar-Auto program. This is one more demonstration of working together.”

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Anfavea presents its plans to the government

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Anfavea, the Brazilian association of vehicle manufacturers and the presidents of its member companies, met on Tuesday, 25, with the President of the Republic to present their plans for the sector. The Ministers of Finance and Industry, Trade and Services, as well as representatives of other Ministries also participated in the meeting.

The leaders of the association presented the critical nature of the sector, which is experiencing high levels of idle production capacity, and presented the Automotive Agenda Brazil, its vision of the pillars needed for sustainable long-term development. The goal is to prepare the Brazilian



Fotos Públicas

automotive sector to compete in the global market, considering the rapid transformation the industry is undergoing globally. According to Antônio Megale, president of Anfavea, working with a horizon up to 2030 is fundamental for planning:

“The establishment of a program that is greater than a ten-year period represents a breakthrough for the industry, and Brazil, because it will provide predictability for planning and investment. With the formation of working groups, composed of representatives of various ministries and the participation of the private sector, we have the expectation that all points move quickly and the regulations be completed by the end of this year.”

The pillars of the program proposed by Anfavea involve the recovery of the supplier base, local development of technology, research, development and engineering, energy efficiency, which will consider the characteristics of ethanol as a clean fuel, vehicle safety, vehicle technical inspection, solution to logistical barriers, labor relations and taxation.

According to Megale, mobility is changing very rapidly in the world and the increasingly demanding consumers desire new technologies, evolving security and lower emissions, “With the end of the Inovar-Auto and the resulting lessons, we have seized a unique opportunity to develop a new long-term automotive system that is aware of these transformations and can strengthen the entire production chain to compete in the global market.”

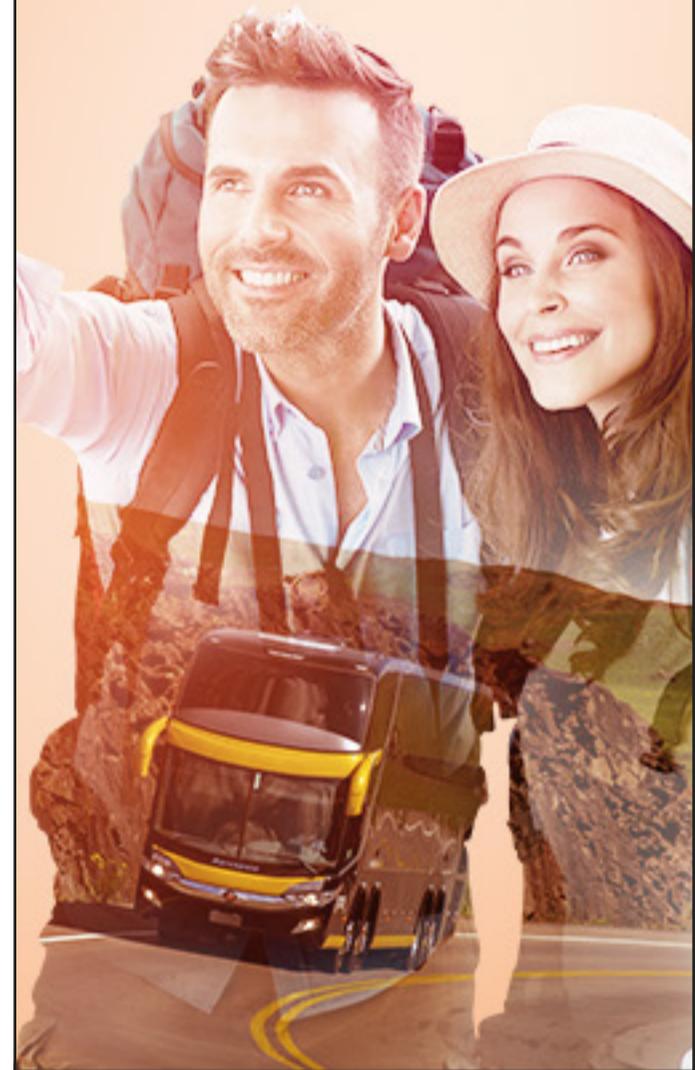
The automotive chain is among the most extensive industries in Brazil. It is responsible for 22% of the Industrial GDP and 4% of total GDP, and employs 1.6 million people, directly and indirectly, generating R\$ 40 billion in direct tax revenues on vehicles. The regulations necessary to ensure that everything is in force starting January 1, 2018, should be developed during the last months of the year.

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MAN exports up 40%

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A number of factors explain the results in markets that have been traditional to Brazilian manufacturers abroad: the exchange rate, which is favorable for exports, the retraction of the internal market, which forced sales teams to resume contacts with former clients and, above all, a long-term planning, which aims to open new frontiers for locally-produced trucks. This is why MAN Latin America achieved a 40% growth in exports in the first quarter of the year, when compared to the same period last year.

“We’re winning market share and new markets, a result of our internationalization plan,” stated Roberto Cortes, President and CEO of MAN Latin America.

“For the first time, we were the sales leaders in Argentina. We are growing in Mexico, and we are

studying the installation of a CKD assembly line in Nigeria and Kenya. We are also keeping an eye on the Middle East in the near term.”

This particular moment for exports is driving MAN to view the industry’s recovery for this year: “If the deals follow the pace of the first quarter, we can achieve exports between 50,000 and 55,000 units this year. That hasn’t happened since 2008.”

In Argentina, the sales champion in the first quarter was the VW Constellation 17.280 4 x 2. According to MAN, it is the most sought-after semi-heavy truck by the agribusiness segment, according to Marcos Forgioni, Vice President of international sales and marketing:

“Equipped with the D08 engine, which does not require Arla 32, this product reduces operating cost. That’s why it’s doing well in Argentina.”

This year, exports to Argentina have increased 80%, totaling 840 units.

MAN is not yet among the top 3 bestsellers in Mexico, but the growth of business there enables a mood of optimism for the upcoming years, admitted Forgioni: “We are growing at double-digit rates there. It won’t be a surprise if we reach the third position in the coming quarters. Today we are the fourth company in sales.”

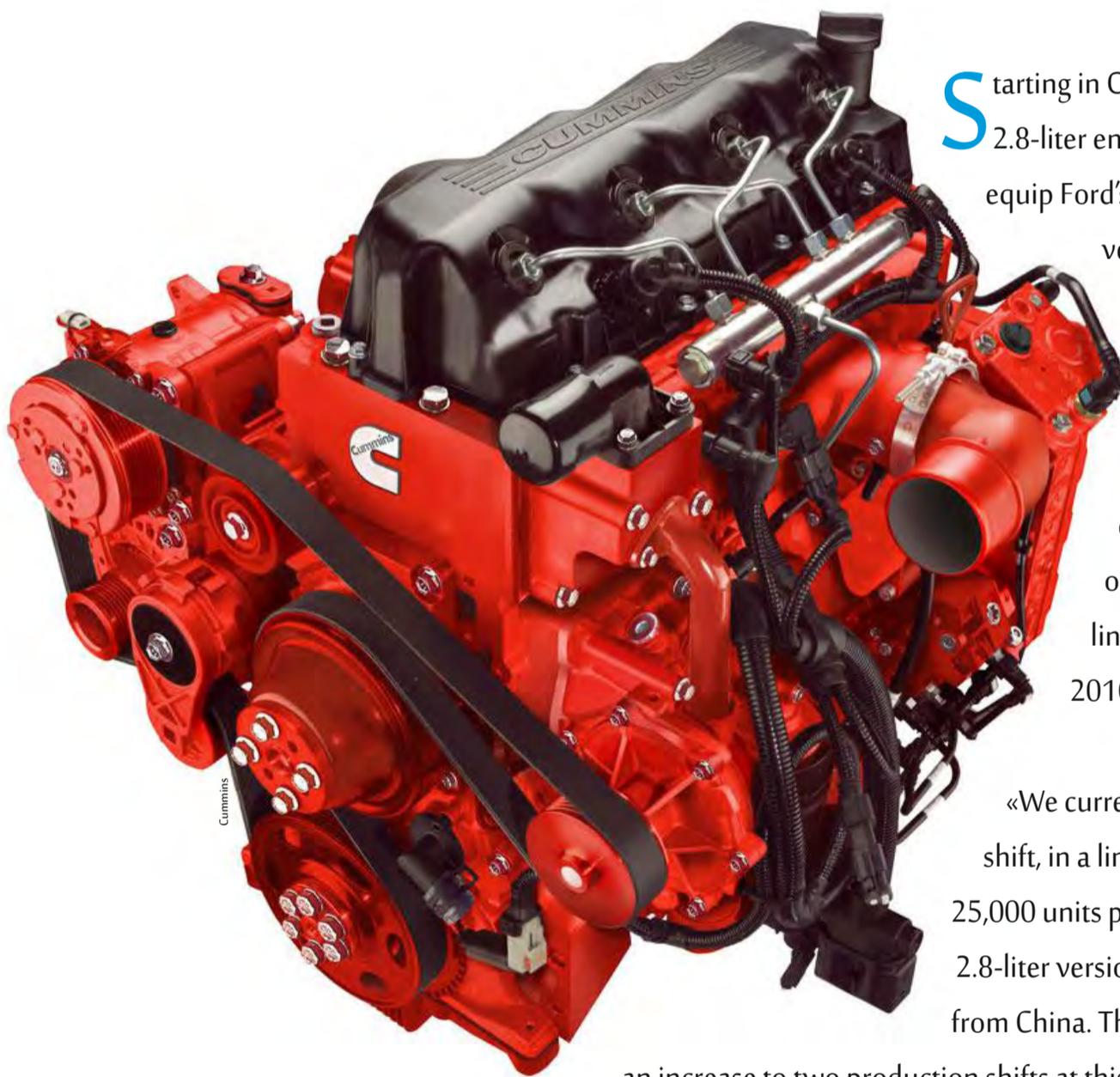
MAN’s long-term strategy already has a defined focus, noted Cortes: “The idea is to go into a high-volume truck market in the future.”

However, now is the time to do the math to decide the best export model to African countries:

“Often, it is cheaper to ship the kits and assemble there as opposed to shipping the truck completely assembled from here. The country’s cost, taxes and barriers may make the shipment of complete products unfeasible. That’s why we’re considering options to assemble some lean operations in Africa, which also involves taking some partners from our modular consortium.” **WE**

F-Series will be equipped with local Cummins engine in 2018

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Starting in October, Cummins will supply its 2.8-liter engines produced in Brazil that will equip Ford's F350 and F4000 trucks. Today, the vehicles are equipped with Cummins engines made in China. The purchase order, according to Maurício Rossi, Cummins engines division sales director, is seen by the company as a chance to utilize the installed capacity of the ISF 2.8 and 3.8 diesel engines line, which went into local production in 2016:

«We currently produce 2,500 engines, on one shift, in a line that has a production capacity of 25,000 units per year. In October, we will supply the 2.8-liter version to Ford, which was being imported from China. The hope is that this demand will drive

an increase to two production shifts at this specific line.»

In addition to Ford, MAN Latin America and Agrale's lines of semi-light trucks are also equipped with mid-range engines, whose powers range from 18 hp to 380 hp. In the case of Ford, the Cummins executive said the company was concerned about foreign exchange currency fluctuations in supply negotiations, since it could add to the cost of the imported equipment, in U.S. dollars, to the F-series vehicles: «For a while, it was more interesting to them to bring the

Cummins engine from China but, today, they are afraid of a possible rise of the U.S. dollar and that weighed on the decision to nationalize the equipment.»

The F-Series, Ford's traditional bestselling truck, returned to the Brazilian market in 2014, after production was interrupted in 2011 due to the Proconve P7 emissions legislation, which required the use of Euro 5 engines. The project of the new F series was part of the R\$ 670 million investment cycle announced by the company for the 2011-2015 period.

Bet – Cummins' chips are placed on the semi-heavy and light trucks market, according to Neuraci Carvalho, responsible for the engines business. She said the company has a 62% share of this market, adding that temporary workers will be hired for the 2.8 and 3.8-liter engine lines: «By the end of April, we will have hired 40 temp workers for a three-month period, with a possible additional extension of another three months, depending on demand.»

According to Anfavea, the Brazilian association of vehicle manufacturers, the number of semi-light and light trucks licensed dropped. During the first quarter, 720 semi-light units were licensed during the period, representing a drop of 10.3% when compared to the same period last year. Light trucks license registrations totaled 2,236 units, a 31.5% drop. WE