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Kia to restart operation in Uruguay

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Kia to restart operation in Uruguay

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Image/Kia

José Luiz Gandini, president of Kia Motors do Brasil and Kia Motor de Uruguay, announced that production of the Bongo light truck at the Nordex industrial unit, Kia's partner in that country, will start again in September. The announcement was made on Thursday, 28, during the inauguration of the company's new headquarters in the capital of Uruguay.

Given the high level of inventory and the crisis that is affecting the commercial vehicles sector, especially in Brazil, the major destination of units produced in Uruguay, the company decided to suspend production of

the utility vehicle last April, also suspending imports from Chinese manufacturer Geely.

The return of production of the Bongo will require investments valued at US\$ 10 million in the production facility in Uruguay. According to the press release, the initiative should generate around 100 direct and another 300 indirect jobs, which includes the entire supply base located in Uruguay, Brazil, and Argentina. The decision was based on the company's bet on the future and the economic recovery of the Mercosul region.

Before production was interrupted, the Kia Motors de Uruguay facility had an annual production capacity of 6000 units per year. Since 2010, 20,000 units of the model have been assembled, 95% of which have been destined to Brazil.

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Simão Salomão

Brazilian manufacturers of commercial vehicles closed the first semester complaining about yet another drop in the internal market, which registered sales of 25.6 thousand trucks, a level similar to the end of the 1990s. However, they are somewhat more hopeful regarding the second semester. This slight change in mood was ascertained by Marco Saltini, Anfavea vice president, who participated in the Workshop Sector Trends - Trucks, organized by AutoData.

“There already are good indications that we may, indeed, have a better environment during the second semester, which is usually higher than the first,” he stated, without, however, being emphatic. “There is a change of mood, but not the market.”

The vice president of Anfavea, however, revealed that the number of commercial vehicles license during the first 25 days in July totaled 3710 units, potentially leading to a month with sales of 4.5 thousand units, something like 7% above the monthly average that has been in place since the beginning of 2016. “But will this performance repeat itself in August? I have already heard from one manufacture that it won’t.”

The executive believes that there is a delay of two months, on average, between acquisition and the licensing of the truck. In addition, it is important to note that in June, state transit licensing authorities, Detrans, in important cities did not operate for a few days, which might have served to



hold back the numbers of license registration that eventually were conducted in July.

The executive, however, believes the second semester performance by the truck market should drop less than the negative performance of 31% registered during the first semester. The base of comparison should help, since, during the last months of 2015, the rhythm of business was even worse. Saltini says that the perception is that the economy will start showing stability,

supported by the announcement by the IMF that the Brazilian economy may even register some growth - around 1% - in 2017.

In any event, the executive said the association is expecting 2016 to close with domestic truck sales of 55,000 units, which would represent a drop of 25% when compared to the previous year. Since exports should take some time to register a performance capable of offsetting this decrease, the executive says that the enormous idle capacity of the lines, above 70%, is another source of immediate concern to the manufacturers.

Returning to the levels achieved in 2011, when the domestic market consume more than hundred and 70,000 vehicles, and production surpassed 200,000 units, is within a very long distant horizon, according to Saltini. According to him, the economy would need to grow successively at the rate of 3% per year to reach such demand within seven to ten years.

Nevertheless, the executive believes that the reality of the Brazilian truck market is well below such record volumes, which were driven, at the time, by interest rates that made customers anticipate purchases, and were in place for the past three years. Domestic sales in 2015 registered a drop of 49% when compared to 2014, which had already shrunk by 12% when compared to the previous year. "The ideal is not to have programs such as Finame, which is already a distortion but, instead, adequate interest rates, and international levels," stated Saltini, who sees at the level of 120-130,000 units.

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ZF-TRW integration begins by South America

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After the conclusion of the acquisition of TRW by ZF, in May of last year, the first steps of the integration process of both companies, which is planned to last between three and five years, are now being taken, starting by South America. ZF Services and TRW Aftermarket will be the first units in the aftermarket segment in South America, and the world, to undergo the integration process.

The process began in March and, according to João Lopes, director of the ZF Services South America business units, demands for new solutions, products, processes and services have increased and supply to distributors is even more complete thanks to the union of the know-how

of both companies. "All of the areas of ZF Services and TRW Aftermarket are in contact in order to determine the best practices for the market and together build the future of the organization."

According to the press release, the advantage of the merger allows the organization to focus on the delivery of the best solutions to the aftermarket market through a single supplier, with complementary portfolio and teams. Alberto Rufino, director of marketing and aftermarket for South America, highlights that the business partners are advised about information referring to the integration process that is relevant to the business. "Our objective is that any deals that were previously being conducted with the respective teams shall remain and be further strengthened through integration."

Once the integration of the companies is complete, the TRW and Varga brands will become part of the ZF portfolio, along with ZF, Sachs, and Lemförder brands. Products destined to the aftermarket will maintain their respective brands of origin in the light and heavy lines, that is, ZF with transmission components and axles, Sachs with clutches and shock absorbers, Lemförder steering and suspension components focused on the heavy line, TRW steering systems, suspension, and shock absorbers focused on the light line, and Varga with brake systems.

"The increased amount of productive units distributed throughout the world also favors research and development of new products, in addition to representing a higher number of sources for the supply of solutions," highlighted the director of the ZF Services business unit. "This guarantees increased competitiveness and availability to the aftermarket market."

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Electric steering is strategic to thyssenkrupp

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The search by vehicle manufacturers for higher energy efficiency in their locally-produced vehicles will soon gain an important ally. The steering division of thyssenkrupp - in lowercase, the German group's new global logotype - is preparing to locally produce the electric steering assistance system, which does not take away power from the engine and, therefore, compromise its consumption.

Electric steering assistance systems are already commonplace in automobiles in higher segments and are starting to gain space and less expensive locally-produced models. This week, for example, General Motors presented its 2017 versions of the Onyx and Prisma with all of the versions equipped with electric steering.

Daniel Alves Rosa, CEO of the Steering division, did not reveal thyssenkrupp's complete plan to bring the technology that today is imported from Germany.

However, the executive says the company's plant in São José dos Pinhais, in the state of Paraná, is already responsible for the steering system and should produce the new component starting next year.

“The local content ratio should grow according to the competitiveness we achieve here, perhaps in two or three phases, with the assembly being the first. However, I believe that practically everything should be capable of being produced locally,” in his opinion. He did not even discard having the electronic central of the system produced locally in the future.

Until then, the company will continue to import the system from Germany. However, the German conglomerate, which registered global revenues of €43 billion in 2015, also produces electric steering in France, China, Hungary, and Mexico.

As a result, exports from Brazil, the only production base of the company in South America, should be restricted. “The idea is to initially supply the domestic market and some countries in South America, such as, for example, Colombia, which has demonstrated an important evolution. And, of course, we are looking closely at Argentina.”

With six plants in Brazil - five in the state of São Paulo and one in the state of Minas Gerais - thyssenkrupp’s automotive division here also produces coil springs and dampers, stabilizer bars, crankshafts, and valve control shafts, among other components, to clients such as FCA, General Motors, Volkswagen, and Renault.

In Brazil, the group has many divisions and approximately 12,000 employees located in 13 industrial plants, having registered revenues of R\$ 9.9 billion last year, with a 2015-2020 investment plan valued at R\$ 2 billion.

Rosa did not attribute values, however, the automotive division should absorb a good portion of the investment with the opening of the high-technology components facility in the city of Poços de Caldas, in the state of Minas Gerais, and the upgrade of the Campo Limpo plant in the state of São Paulo.

The country’s recent economic scenario did not change the company’s plans, ensures Rosa. “The Brazilian market is very big, and always among the biggest ones in the world in various areas. In addition, we have to be close to our customers,” stated the executive, who remembered that the plant in the state of Paraná, appeared exactly as the result of the construction of the Volkswagen-Audi plant in the same city, in the 1990s.

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