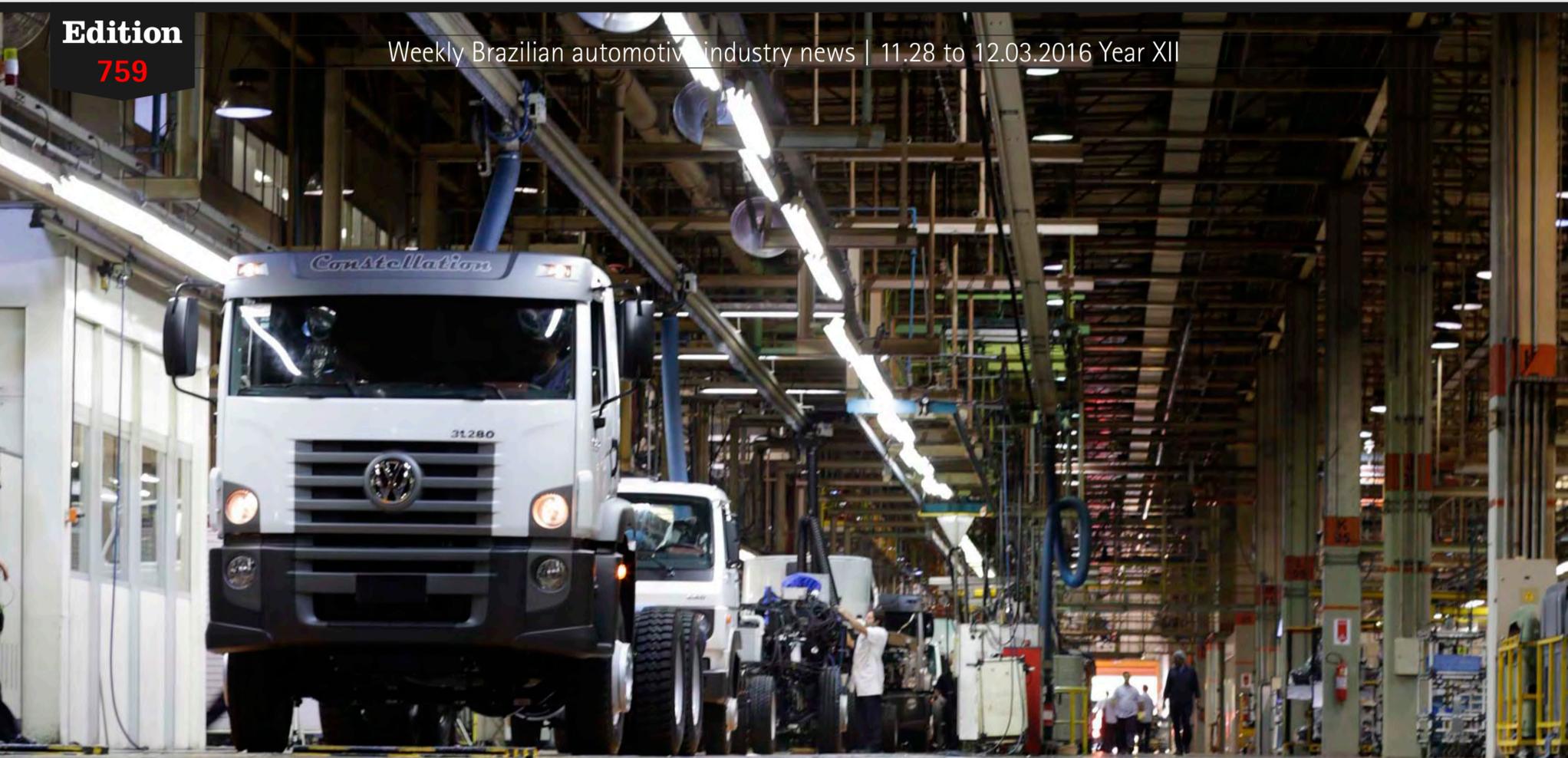


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Volkswagen Trucks and Buses will invest R\$ 1.5 billion in its Brazilian operation, despite the sharp pullback in the market of commercial vehicles. The announcement was made on Thursday, first, by Andreas Renschler, the CEO of holding company Volkswagen Truck & Bus, initially in a meeting with President Michel Temer, in Brasilia, DF, followed next by the specialized press in the afternoon...

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VW Trucks and Buses: R\$ 1.5 billion for Brazil

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Volkswagen Trucks and Buses will invest R\$ 1.5 billion in its Brazilian operation, despite the sharp pullback in the market of commercial vehicles. The announcement was made on Thursday, first, by Andreas Renschler, the CEO of holding company Volkswagen Truck & Bus, initially in a meeting with President Michel Temer, in Brasilia, DF, followed next by the specialized press in the afternoon.

Valid for the period ranging from 2017 to 2021, the investment includes development and renewal of the portfolio of products, upgrade of the Resende plant in the state of Rio de Janeiro, connectivity services and also the brand's international expansion.

"The Brazilian market of commercial vehicles dropped considerably, but it will grow again," stated Renschler. "Our business is cyclical and it will continue being so. It might take a little longer than we wanted, but I am convinced that the market will react and we must be prepared for when the situation improves."

According to Roberto Cortes, CEO of Volkswagen Trucks and Buses, a significant part of the investment will be used in the internationalization of the brand, with the adaptation of Brazilian products to other markets or even the establishment of new operations. "Under the Volkswagen Truck & Bus umbrella, we can also take advantages of synergies with Scania and MAN plants."

Volkswagen Trucks and Buses plans include the growth in exports of its products. In three years, the company intends to make shipments abroad represent 30% to 35% of its production volume in Resende. Today this ratio accounts for 15% to 20% of production.

The new round of investment is the company's fifth in the country, the one with the greatest value, and should be self-funded. The previous four investments had individual values of R\$ 1 billion,

each. “The higher value of the investment is due to the importance of Brazilian operation and also because we are confident about the future,” highlighted Cortes. “It is true that in recent years, emerging markets have presented many cycles of growth and retraction. But the Brazilian product has the greatest potential to be delivered to other markets. With basic technology, we can grow step by step,” added Renschler.

The holding company Volkswagen Truck & Bus, created in March 2015, placed under the same roof MAN, Scania and Volkswagen Trucks and Buses. According to Renschler, there is a strategic model of the company to take advantage of the synergies between the brands with the objective of increasing the ratio of common components on our products. “Today, the ratio is 7.1%, and the target is to reach 9%. It’s not an easy goal, but there is potential to get there.”

Renschler added that Volkswagen Truck & Bus is not just one more manufacturer of trucks and this new role also intends to make the clients become more profitable. “We are creating a global champion, not just in sales, but also from the point of view of profitability. Our growth will be based on local leadership, strengthening and rationalization of each operation, in the generation of economies of scale for regional expansion, and acquisitions for strategic alliances.”

An important step in this direction was the company’s 16% acquisition of Navistar Group, business that will give the company a passport to enter the United States. “The contract will be finalized in February or March of next year and, from that date, we will be able to announce new actions.”

On his third visit to the Country, Renschler and Cortes visited Brazilian authorities. In the conversation with the President of the Republic, also attended by Marcos Pereira, Minister of industry, Foreign Trade and Services, the subject was basically the importance of the fleet renewal for the sector and mechanisms to enable more credit.

“We don’t want subsidies, but improvements in existing funding instruments,” stated Cortes. “The Finame is by far the main mechanism for buying trucks and buses. Today, in the case of large companies, it funds only 50% of the good. Why not 100%?” he asked.

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Sales up 12% in November

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After two months of consecutive declines the vehicles market started to react in November, registering sales of 178,100 units. The result represented a 12% increase when compared to the 159,000 units sold in October but, when compared to the same month of last year, when 195,200 units were licensed, the November's volume represented a drop of 8.7%.

The figures, which were released on Thursday, 1, by Fenabrave, based on Renavam numbers, showed November was the fourth best month of the year. Its result was inferior only to March, July and August.

According to Fenabrave's President, Alarico Assumpção Jr, this positive result was already expected for November: "Traditionally, the last months of the year are more heated for the sector and, in



light of the low volumes in September and October, this reaction was expected.”

In addition, according to Alarico, a small part of this positive movement is also explained by the number of registrations that should have occurred on the 28th of October, and were postponed to November because of the Public Worker’s holiday.

There was growth in the monthly comparison, in all segments. Sales of cars and light commercial vehicles reached 148,700 units, 12% higher than the 166,000 units licensed in October. The truck market registered an increase of 10.5%, increasing from 3,400 units in October to 3,780 units last month. Bus sales totaled 801 units, 5.8% more than the previous month’s 757 units.

Year to date, the domestic market absorbed 1,846,000 vehicles, a drop of 21.1% in relation to the 2.341 million units licensed between January and November of 2015. The smallest drop experienced by a segment this year, - 17.6%, was registered in the light commercial vehicles segment, with 269,000 units licensed up to November, against 326,800 units licensed during the first eleven months of 2015.

Car sales suffered a retraction of 21.3% so far this year, 1.5 million units against 1.92 million units licensed during the same period last year. The truck market dropped 30.7%, with 45.8 thousand units licensed, and bus sales decreased 32.3%, with 12700 units licensed, when compared to the same eleven-month period last year.

Other segments – Among the other segments included in Fenabreve’s figures for November, motorcycle sales registered a 13.3% growth when compared to October, reaching 73,300 sales units, while road equipment sales dropped 12.9% in the same comparison, with 1,455 units licenses last month.

Between January and November of this year, motorcycle sales dropped 19.9%, representing 914,300 units licensed, while sales of road implements dropped 20.7%, totaling 21,800 units licensed.

Toyota to expand Porto Feliz plant

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Toyota announced the expansion of its plant in Porto Feliz, in the state of São Paulo, to produce engines for the Corolla sedan. The project will receive a new investment of R\$ 600 million and production is scheduled to begin in the second semester of 2019.

The announcement was made by the President of Toyota Latin America and Caribbean, Steve St. Angelo, on Tuesday, 29, in Brasília, DF, after a meeting with the President of the Republic at the Palácio do Planalto.

“This expansion is proof of what is possible when trade unions, governments, suppliers, Toyota and its employees come together on a single mission,” he stated. “Without doubt, this plant is a model for the future of the global manufacturing and sets new standards for innovation and excellence.”

The Porto Feliz unit will be Toyota’s first engine plant in the Latin America and Caribbean regions. It was officially opened just over six months ago, and is the result of an investment of R\$ 580 million. The site produces the 1.3 and 1.5 flex fuel and gasoline engines present in the compact Etios, which is offered to the markets in Brazil, Argentina, Uruguay, Paraguay and Peru.

The factory currently has a nominal capacity of 108,000 engines/year. With the announced expansion, it will increase its capacity to 174,000 engines/year. Only for the Corolla, the manufacturer expects to produce 66,000 engines/year. The company estimates it will generate more than 200 direct jobs.

In addition to its strategic location - the Porto Feliz plant is almost halfway between Sorocaba, where the Etios is produced, and Indaiatuba, home of the Corolla – one of the highlights is the unified concept of production: the phases of casting, machining and final assembly take place almost side by side, which facilitates the productive operation.

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Ford accepts R\$ 216 million for the state of Rio Grande do Sul

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The Attorney General of the State of Rio Grande do Sul has entered into an agreement with Ford in the lawsuit concerning the installation in the Guaíba industrial complex, a controversy that was dragging on for the past 16 years. The arrangement, approved by the Superior Court of Justice last week, provides for the company to transfer to the state's public coffers R\$ 216 million.

The discussion began in the year 2000, when the then-Governor Olívio Dutra (from the PT party) requested compensation in view of the automakers withdrawal from establishing a car factory in Guaíba. At the time, Ford had received the first of a number of installments totaling R\$ 210 million from a credit line offered by Banrisul, as well as investments made by the state government in the area destined for the facility, when the vehicle manufacturer decided to establish the plant in the state of Bahia.

Only in March 2015, the State Court of Justice partially upheld the suit, condemning the automaker to pay compensation. Appeals were brought to the Superior Court of Justice. After that, the State Government and Ford began negotiations and agreed to end the dispute.

According to information from the daily Zero Hora, the manufacturer should have paid over R\$ 160 million to the state as the result of the first decision made by the lower court. The company appealed, and lost. The case ended up in the Superior Court of Justice at the end of last year, when the current Government decided to negotiate directly with Ford.

According to the Office of the Secretary of Treasury, though the value is not ideal, it is acceptable, considering it could have been lower or take even longer for the ruling. The date of the first payment, which must be made in installments, has not yet been agreed.

The settlement, however, comes at a good time for the state of Rio Grande do Sul, which is

experiencing financial difficulties, having delayed payment of wages and debts. In an interview during the Lunch News program at RBS TV, on Thursday, 24, the current Governor, José Ivo Sartori (PMDB), expressed comfort. “Everything is a relief,” he summarized.

Background - In 1998, Governor Antônio Britto (PMDB) signed with Ford a contract for the installation of a Ford plant in Guaíba, in the metropolitan region of Porto Alegre. At the same time, funding for the work was signed with Banrisul, Banco do Estado do Rio Grande do Sul, valued at R\$ 210 million. The money would be released gradually, as phases would be completed and accounted for.

The following year, after payment of the first installment of R\$ 42 million, Ford gave up on the project alleging that the state was in arrears in the payment of the second installment. The state government, already under new management, Olivio Dutra, claimed at the time that the company was not in compliance with the agreement, and did not agree with the clauses signed under the previous management. Ford ended up moving its plant from Rio Grande do Sul to Bahia.

Ford issued an official statement, which confirms the agreement: “Ford entered into an agreement with the government of the state of Rio Grande do Sul for payment of R\$ 216 million, ending a lawsuit of more than 16 years on the installation of a Ford unit in Guaíba. This decision reaffirms the company’s commitment to the state, where it recently established a parts distribution center in the city of Gravataí, to meet demand from the southern region of the country.” WE