

# Russian Automotive – Selected News

15.09 –23.09.2011

## **Ministry of Economic Development: “2.3 million cars will be produced in Russia in 2014.”**

23.09.2011 / Ministry of Economic Development of the Russian Federation

According to the predictions of Ministry of Economic Development, the vehicle production numbers in the country in 2011 will reach 1,699,000, increasing by 40.5% compared to the previous year. The ministry also anticipates the increasing trend to continue; 2012: 1,895,000 (+11.5%), 2013: 2,081,000 (+10%) and 2014: 2,272,000 (9%).

The ministry executives underline; the increase in the purchasing power of the population, the development of leasing and credit mechanisms, the increasing automobile export to Customs Union member countries, the preservation of existing tariff rates, the ongoing projects within the frame of the Industrial Assembly Regime and the relevant increase in the localization rates; as factors that serve as the principal dynamics of the growth trend.

On the other hand, the ministry predicts that in 2014 the number of both cars and trucks imported to the country will increase by 77% and 150% respectively, compared to 2010 figures. The anticipated increase in production numbers for the same period is as follows: cars 88%, trucks 109%, buses 29%. It's expected that 60% of car production and 67% of truck production will be undertaken by foreign producers in Russia in 2014.

The ministry executives draw attention to several risks the Russian automotive is likely to be exposed to in the medium term, which might turn in favor of foreign producers in the expense of the local industry.

## **AvtoVAZ and BASF will develop equipments for Lada models**

23.09.2011 / motor.ru

AvtoVAZ has declared that it will co-operate with the chemical company BASF in order to develop equipments to be used on Lada models. Within the frame of the partnership, the two companies are planning to develop new types of parts and components on Lada models, focusing on increasing the energy efficiency, reducing the weight, dying, interior solutions and ecological sensitivity. BASF currently supplies AvtoVAZ with enamel, which is used on framework dying.

AvtoVAZ previously declared its intention to increase the quality of the vehicles by enhancing the quality of parts and components used in the production band. In parallel with this aim, a quality education centre had been established in Tolyatti with the participation of Renault and Nissan in April 2011.

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## **Sollers will obtain 3.3 billion rubles credit in order to develop UAZ**

21.09.2011 / Finnmarket

Ulyanovsk Automobile Factory (UAZ) board of directors has approved two separate agreements on the withdrawal of 3.3 billion rubles of credit. The creditor Sberbank has stated that the credit will be used on the development of UAZ. Sollers also obtained a total credit of 10 billion rubles in 2009, 5 billion rubles of which was under state guarantee.

UAZ produced 28,500 vehicles in the first six months of 2011 (+39.7%). 13,800 of these SUV (+46.5%) and the remaining 14,700 commercial vehicles (+33.9%). Number of vehicles sold in the same period: 27,650 (+34.5%), vehicles imported: 3,349 (+76 %). End of the year production target is 62,700 vehicles. Last year the factory produced 55,200 vehicles.

## **MMK is purchasing the remaining 25% of Interkos-IV**

20.09.2011 / Vedemosti

Last weekend, Russian Federal Anti-Monopoly Commission (FAS) has approved the appeal made by Magnitogorsk Metal Combine (MMK) to increase its share on St. Petersburg Interkos-IV factory, to 100%. In order to succeed in this, MMK has to purchase 25% of Interkos-IV shares from the founding members of the company. Interkos-IV Factory, expert in the production of press-fit, mold design and pressed framework details, currently supplies for Ford and Hyundai on Tier-2 level.

MMK purchased 75% of Interkos-IV in 2007 for \$20 million. During the same year, St. Petersburg Regional Administration allocated Interkos 48 hectares of land in Metallostroy region for press-fit production. The first production unit, with the cost of 4 billion rubles, had been opened at the end of last year and the construction of the second unit started in spring 2011. The annual metal production capacity of the factory is 250,000 tones.

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## **VneshEkonomBank has signed a credit agreement with Ford-Sollers**

19.09.2011 / Prime Tass

VneshEkonomBank (VEB) and Sollers have signed a credit agreement to finance their joint vehicle and engine production project with Ford. The signing ceremony took place at the 10<sup>th</sup> International Investment Forum organized in Sochi with the participation of Russian Prime Minister Vladimir Putin.

The total amount of investment within the scope of the project until year 2020 has been calculated as 74.5 billion rubles. 41.1 billion rubles of this amount will be utilized on improving production capacities. Ford and Sollers had signed a memorandum in April with VEB on access to a 10-year term, 39 billion rubles loan.

Ford-Sollers partnership is due to commence production during the last quarter of 2011. The production of Ford Transit LCVs will start at Ford-Sollers Elabuga Factory in the beginning of 2012.

## **KamAZ and Brazilian Marcopolo will establish a bus factory in Russia**

19.09.2011 / Reuters

KamAZ and Brazilian bus producer Marcopolo are preparing to establish an associated company in Russia in order to produce Marcopolo buses on KamAZ frames. According to the agreement signed by the parties last week, the company will be established on equal shares, 50% belonging to each side.

In addition to Cummins engines produced by KamAZ in Russia with American partners, the buses equipped with axle shafts produced in partnership with Daimler AG will be produced at NefAZ factory, which is a KamAZ affiliate, in the city of Neftehamsk.

The buses are planned to be put up on the market during the second quarter of 2012. The factory will be able to reach the projected capacity of 3000 vehicles in year 2016.

Apart from its four factories in Brazil, Marcopolo has assembly plants in Mexico, Argentina, Colombia, South Africa and Portugal. The company is currently producing minibuses, midibuses, buses and coaches for the markets of South America, Asia and Africa.

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## Severstal and Mitsui are establishing a sheet metal factory in Vsevolojnsk

15.09.2011 / ITAR-TASS

Japanese producer Mitsui has signed an agreement with Russian Severstal, proposing the establishment of a plant for production and sale of sheet metal in the city of Vsevolojnsk in Leningrad region. The founding capital of the partnership, belonging 25% to Japanese and 75% to Russians, has been declared as 970 million rubles. The partnership's plant is planned to start production by mid-2013. The annual production target is 170,000 tones.

According to the sectorial experts, the decision of Mitsui, on choosing Leningrad region as its base, is affected by the existence of potential customers, such as Toyota and Ford, which have already made investments in the area. As it was also made known previously, Mitsui, which shows an interest in the Russian market, will take part in a project with Toyota and Sollers, in order to produce automobiles in Vladivostok, as from 2012. According to the project, the planned annual production is 30,000 vehicles.

## Total number of Russian Automobiles, Commercial Vehicles and Buses has grown by 6%

15.09.2011 / OIB Russia

The number of cars, commercial vehicles and buses registered in Russia has reached 40,661,330 as from 01.01.2011, growing by 6% compared to two years before.

Of the total number of 34,354,004 cars registered in Russia, 18,431,119 belong to Russian brands (53.7%) and the rest; 13,343,202, to foreign brands (38.8%). Approximately 7 million of these cars are registered in Moscow city, Moscow region, St. Petersburg city and administrative centers. A little bit more detailed study of these numbers shows that the total number of Russian automotive has grown by 7.2%, compared to two years before. In addition, attention must be drawn to the fact that the section occupied by Russian brands has diminished by 10%, while the number of foreign vehicles has grown by 12%. On the other hand, the total number of Russian commercial vehicles has reached a volume of 5,413,513 vehicles. There are 4,483,396 Russian made commercial vehicles in the country, 61.7%, as opposed to 930,117 foreign vehicles (17.2%). Within 2 years the number of commercial vehicles has grown by 1.2%. The share of Russian vehicles has grown by 1.2%, while the number of foreign brands decreased by 7.7%.

As of 01.01.2011 the number of buses in the country stands at 894,000 vehicles. 565,068 of which Russian (63%) and the remaining 156,208 foreign brands (17.5%). In between 2009 and 2011, the total number of buses has shrunk by 0.3%. The number of buses in Russian and foreign brands have shrunk by 16.5% and 27% respectively.