

# Russian Automotive – Selected News

19.11 –29.11.2011

## **Continental has started the construction of a tyre factory in Kaluga**

29.11.2011 / Vedemosti

German tyre producer Continental AG started the construction of a tyre factory in Kaluga Rosva Industrial Area last Tuesday. According to the statement made by Continental executives, 240 million Euro investment will be made on the factory, which will operate under the name; OOO Continental Kaluga.

Annual tyre production capacity will be 4 million. Within the next four years this capacity will be increased to 8 million. All sizes of summer and winter tyres currently on sale in the Russian market for cars and LCVs will be in production in the factory, under the brand names of; Continental, Gislaved, Barum and Matador. The factory will provide tyres for the spare parts market, as well as OEMs.

Continental has another factory in Kaluga, which produces components. The new factory will start production at the end of 2013.

## **Sollers and Mazda are establishing a partnership in Far-East**

28-11-2011 / Kommersant

Sollers and Japanese producer Mazda Motor Corp have signed a memorandum of understanding on establishment of a new partnership, which will be based on the premises of Sollers - Far East Factory, on 26.11.2011. The production in the new enterprise, which was established on equal shares of 50%, is anticipated to start from next year onwards.

As one may remember, Mazda has signed an Industrial Assembly Regime agreement with Russian Ministry of Industry and Commerce on the 21st of June, under former conditions. Accordingly, as long as it achieved to produce 25,000 vehicles annually and reach a 30% localisation rate within 4.5 years, the Japanese company obtained the opportunity to import spare-parts with tariff rates as low as 0-5% and to transport the automobiles it will produce in Vladivostok to European regions of Russia by railway, free of charge, until the year 2013.

The experts in the sector predict that within the next 3-4 years, the annual Mazda sales in Russia will escalate to 50,000 and 35,000 of these vehicles will be manufactured in the Far-East region.

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## Automobile production in St. Petersburg has more than tripled in October

22.11.2011 / Auto-Dealer-SPb

According to Auto-Dealer-SPb, Hyundai, GM, Nissan and Toyota factories in St. Petersburg have increased their production in October by 3.3 times in comparison with the same period of the previous year, producing 29,700 vehicles. The number of automobiles produced in the city since the beginning of the year has increased 4.8 times in comparison with the previous year, reaching 196,800. These numbers indicate that the factories established in St. Petersburg have almost reached their capacity limits. The total annual capacity of the factories established in the city is 370,000 vehicles, which corresponds to a monthly capacity of 31,000 vehicles. These production figures demonstrate that St. Petersburg alone produces 14.05% of all cars manufactured in Russia.

## Chrysler Rus is the new distributor of Fiat in Russia

21.11.2011 / RBK Daily

Italian automobile producer Fiat has found the distributor it had been looking for since parting company with Sollers. Chrysler Rus, an affiliate of Chrysler, will be the distributor of Fiat in Russia as from 01.01.2012. In addition to Fiat cars and LCVs, Chrysler Rus will be importing Jeep and Chrysler automobiles. According to AEB data, 23,900 Fiat cars and LCVs have been sold in Russia within January-October 2011 period (+41%). The number of Chryslers sold during the same period has remained at 72 (-54%).

## Russian LCV market grew by 15% in October

21.11.2011 / Avtostat

16,086 light commercial vehicles have been sold in Russia in October (+15%). The total number of vehicles sold within the first ten months has reached 139,182, increasing by 35.1%. Local brands make up to 70.3% of these vehicles sold. As previously, Russian LCV market has been dominated by GAZ. The number of GAZ vehicles sold in October is 8597 (+11.3%), followed by Sollers' UAZ (2524, -1.4%). This year, 1046 Fiat LCVs have been sold, following a decrease in sales by 4.3% in comparison with last year. The fourth place in the list is occupied by VW with 938 vehicles (+39.2%).

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## Russia has launched an anti-damping investigation on the import of light commercial vehicles

19.11.2011 / OIB Russia

Russia's second biggest LCV producer Sollers has persuaded the Ministry of Industry and Commerce to scrutinize the LCV imports **from Germany, Italy, Poland and Turkey**. By this means, Sollers is hoping to preserve the high tariffs applied to LCVs, which will be halved in the event of Russia's admission to WTO.

Russian Ministry of Industry and Commerce has announced that Sollers has demanded an anti-damping investigation on LCV imports from the countries mentioned above to the Customs Union countries (Russia, Belarus and Kazakhstan). In the application, an investigation on the import of 2.8-3.5 full weight and 3lt volume diesel engine vehicles is demanded, without any mention to specific producer brand names. Sollers has the opinion that the damping margin (the expression of the ratio of the difference between the price of the domestic market and the export price to the domestic market price in percentage) during the second half of 2010 and the first half of 2011 has been exceeded on the vehicles coming from Italy by 132%, from Poland by 70%, from Germany by 65% and from Turkey by 17%.

The experts commenting on the subject in Kommersant share the view that until today the Russian government tried to restrain imports by implementing high tariff rates, however with Russia's admission to WTO on the cards, Sollers started to resort to procedures in compliance with WTO regulations, in order to protect its market share. According to experts, with the admission of the country to the WTO, LCV and truck markets will turn out to be the most vulnerable segments, hence following the entry to the organization the tariff rates implemented on these segments will come down to 15% from 25% (to 10% in diesel vehicles) and further down to 10% within three years. Such sharp reductions will not be experienced in car imports.

However, due to the fact that anti-damping investigations take long time, it's not expected that Sollers will receive a quick result on its application. Furthermore, in order for Sollers to obtain a favourable result, it needs to be proven that damping had been experienced in the market indeed, thus harming local producers. According to WTO regulations, in case the loss is proven; the country in question reserves the right to implement anti-damping tariff precautions.

According to AEB data, out of 121,200 total LCVs sold in Russia in January-September period, 63,600 belong to GAZ and 17,600 Sollers. Besides maintaining the existing sales figures, the desire to shield the recently established Sollers-Ford partnership against the wave of imports is thought to be the reason lying behind the action taken by Sollers.