

Russian Automotive – Selected News

05.04 – 16.04.2012

TagAZ has made a bankruptcy petition

11.04.2012 / Kommersant

TagAZ has made a petition for bankruptcy three months after the announcement made by the Russian federal organs that the company will be supported and its debts will be restructured. The press office of the company has issued a statement that the company couldn't come to an agreement with the banks on restructuring of the debts, therefore acted this way in order to put the financial situation on the right tracks in the long run and ward off the creditors.

VTB, Sberbank and Gazprombank are amongst the creditors of TagAZ. The total amount owed by the company to these creditors is around 20 billion rubles. Previously, thanks to the intervention of PM V.Putin, several restructuring agreements had been signed between TagAZ and the banks, however the banks continued taking the company to court due to unsettled issues.

The experts share the view that the company still couldn't overcome the effects of the 2008 crisis and this takes its toll on the financial situation of the company. The company seems to have been further deprived of potential opportunities with the opening of its strategic partner Hyundai's own factory in St. Petersburg in 2010.

The distributor of Chery has taken TagAZ to court on account of debts due

16.04.2012 / RBK Daily

TagAZ's petition of bankruptcy seems to have rung alarm bells on the side of the company's creditors and partners. The distributor of Chery, Chery Avtomobili Rus, has also appealed to the court, in order to be included in the list of unpaid creditors. Currently the company is the distributor of Chery automobiles assembled at TagAZ. The news sources reported that TagAZ still has to deliver 150 more vehicles to Chery Avtomobili Rus. The monetary value of this delivery is \$3 million.

As one may remember, TagAZ had been manufacturing vehicles under the brand name of Vortex for Chery since 2008. According to AEB data, approximately 12,000 Vortex's have been sold in Russia last year. Within the first quarter of 2012 on the other hand, the sales dropped by 55% in comparison with the previous year, with 824 vehicles only.

It has been commented that the appeal made by Chery Avtomobili Rus might even lead to the dissolution of the partnership.

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The Russian Government will compensate the losses suffered by OEMs due to the cancellation of Industrial Assembly Agreement incentives

12.04.2012 / Vedemosti

Last week, Russian Minister of Industry and Commerce, Denis Manturov, made a statement that they are ready to give support to car manufacturers, who operate within the frame of the Industrial Assembly Regime. Accordingly, the companies who lost their rights to import duty-free components due to Russia's entry to WTO, will become eligible for subsidies. The minister has added that the government is currently working on the relevant law amendment.

As one may remember, Russian government had encouraged the foreign manufacturers to sign the Industrial Assembly Regime under new conditions at the beginning of 2011. Accordingly, the manufacturers gained the right to become eligible to a discounted rate of maximum 5% customs duty on components imports, as opposed to the standard rate of 15-20%, until the year 2020. In return, the fulfillment of a minimum annual capacity of 300,000 vehicles was going to be compulsory for each manufacturer, besides the obligation to establish engine and gearbox factories. The minimum localisation rate had been set as 60%.

In addition to the consortium of AvtoVAZ-Renault-Nissan-IzhAvto-KamAZ-MercedesBenz Trucks Vostok; Ford-Sollers, GM, Volkswagen, FIAT and Magna had also signed the Industrial Assembly Regime under new conditions. However, following Russia's formal entry to WTO, the incentives applied to components imports will have to be cancelled by 01.07.2018.

In conjunction with the new legislation, the Russian government will be offering subsidies to the signatory manufacturers for the compensation of losses due to the cancellation. The amount, criteria and the time limits on the subsidies will be determined by the government.

Avtotor and Magna will sign a partnership agreement on the 7th of May

05.04.2012 / Autonews.ru

Kaliningrad based Avtotor and Canadian components producer Magna are going into partnership in order to manufacture automobiles. The partnership agreement between the two companies is due to be signed on the 7th of May according to the plans. The relevant statement has been made by the Chairman of Avtotor, Vladimir Sherbakov. Vladimir Putin on the other hand, has expressed his support for the partnership on behalf of the Russian government. However, Putin has also underlined the fact that the project has to comply with the norms of the World Trade Organisation.

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The automobiles have consumed 62 million tons of fuel in Russia in 2011

11.04.2012 / Avtostat

The vehicles consumed 62 million tons of fuel in Russia in 2011 (60% petrol, 35.6% diesel and 2.4% gas). While 90% of cars and commercial vehicles used petrol (60% AI-92), a great majority of trucks consumed diesel.

The greatest consumers of fuel according to regions in Russia are as follows; City of Moscow (5.26 million tons, 8.36%), Moscow Region (3.51 million tons, 5.58%) and Krasnodar Krai (2.39 million tons, 3.81%). While 15 big regions had 47% share of fuel consumption, the 68 minor regions had the remaining 53%. On the other hand, more than 70% of the total fuel consumption has taken place in the European part of the country.

According to the prediction of Avtostat, the fuel consumption in Russia will reach 72.7 million tons by the year 2015. The share of the high-octane petrol (AI-95/98) in total fuel consumption will also increase to 24.8%, from the previous year's rate of 17.9%.

More than half of the vehicles in Russia are below Euro-2 standards

10.04.2012 / Avtostat

According to Avtostat data, 51% of all vehicles in Russia don't comply with Euro-2 environmental standards. Only 16.1% of all vehicles comply with Euro-2 standards, 15.4% with Euro-3 standards and 17.5% with Euro-4/5 standards. The ratio of light commercial vehicles that don't comply with Euro-2 standards is as high as 59.7%. Only 7.2% of vehicles in this segment comply with Euro-4 standards. The situation is worse when trucks are taken into consideration. While 78% of all trucks fail to satisfy the requirements of Euro-2 standards, the ratio of trucks that comply with Euro-4 standards is as low as 4.9%.

As of the beginning of 2012, there are 42 million vehicles in Russia. 35 million of this total figure is formed of automobiles. According to the experts in the sector, the number of vehicles in Russia grows by 3% each year. The growth rate of truck numbers is even below that level. In other words, the renewal process of vehicles in Russia as a whole is going in a slow pace.

According to the prediction of Avtostat, the total number of vehicles in Russia will exceed 50 million by the year 2016. It's anticipated that 42 million of this figure will be formed of automobiles. It's predicted that in the meantime, the ratio of vehicles that don't comply with Euro-2 standards will be pulled down to 42% and the ratio of Euro-4 standards compatible vehicles will reach 29.1%. As from January 2013, compatibility with Euro-4 standards will be the minimum requirement in order to obtain permission to manufacture vehicles in Russia.