



**Round Table:
"The Auto Industry within the next 10 years"**

Russian Automotive Industry

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Panel 1. Economic development and public policies in the Russian Federation

1) **Underlying trends** influencing the car market:

- A fall of oil price below 90 Euros per barrel would lead to the market contraction by 30-50%;
- A more than 50% increase of US Dollar to Rouble exchange rate would lead to fall of imports by 30-50%.

2) **Employment level** in Russia has no influence on the car market. In the recent 5 years unemployment is kept within 5-7%. It is indeed the level of population's incomes and their growth rate that influence the market. In 2012, average monthly wages in Russia are US\$760 (national average), ranging from US\$380 to US\$1,420 in various regions. Wages in Russia grew 1.3 times in 2012 versus 2008.

Credit availability: at present, 30% to 35% of new car purchases are made with car loans, while the proportion was around 50% in 2008 (partly for this reason, car sales have not still returned to 2008 level).

Fiscal incentives on a permanent basis are only applied to invalids and war veterans.

In 2009-2010, a programme of compensation (about 1,200 Euro per vehicle) for scrappage of 10-year or older cars and LCVs, when buying new ones, was successfully implemented. This allowed stabilizing the market of light vehicles priced at 6,000 to 10,000 Euros.

3) **Public policies** to support development of local industry include:

- Tax incentives (on land, human resources, profit, transport, etc.) on the federal level (Kaliningrad Region) and regional levels (St. Petersburg, Kaluga, Nizhny Novgorod and other regions);
- Orienting of public purchases to OEMs manufacturing vehicles in the Russian Federation;
- Subsidizing from the state budget of a part (30% in 2012) of expenses for purchasing public transport (buses, trolley buses and trams) for municipalities. The amount of allocations for 2012 is 3.5bn Roubles (US\$110m);
- Promotion of export, including deliveries of motor vehicles for contracts being executed by the Russian Federation abroad. To support Russian exports, the budget allocates US\$3bn annually.
- It is provided that in 2018 the state will compensate the difference of import duties on automotive components to companies that have organized “industrial assembly” of vehicles in Russia and are thus eligible for duty cuts;
- Under consideration is an issue of introducing differentiated taxes on motor vehicles based on their ecological class and age.

4) **Current and planned trade agreements:**

- Agreements on creation of the Customs Union (Russia, Belarus and Kazakhstan) and the Eurasian Economic Area (with unified tariffs and unified technical requirements for motor vehicles as of 2015). The agreements are open for accession of other countries.
- Russia’s accession to the WTO. A negative effect is a sharp reduction of duties on used vehicle imports.
- Ongoing is realization of the road map to creation of the Russia-EU Free Trade Zone.

Panel 2. Consumer preferences in Russia

1) **Features needed** on cars to be attractive:

To young consumers (up to 30)

- dynamics
- sporty design
- availability of hi-fi audio
- reasonable cost

To new consumers (over 30)

- durability
- roominess
- fuel efficiency
- safety and ergonomics
- reasonable cost

2) **Affordability.** There are no legislative limitations for acquiring motor vehicles. Capability of buying a car is only determined by the consumer's wealth and health.

3) **Influence of public policies on consumer demands:**

- Tax policy (excise tax, transport tax, ecological tax, fuel taxes, etc.);
- Insurance policy (higher insurance fees for older and less safe vehicles, etc.);
- Social advertising aimed to promote acquiring fuel-efficient, clean and highly safe (both for drivers, passengers and pedestrians) vehicles, as well as mainly using public transport in cities;
- Expanding zones with prohibited or limited entry for motor vehicles.

Panel 3. Challenges and opportunities of the auto-mobility in the next decade

- 1) **Connected driving (V2V, V2I)** is expected to be introduced in Russia from 2018-2020.

Emergency aid at road traffic accidents: Starting from 2015, all vehicle categories are to be compulsorily equipped with ERA Glonass system compatible with the e-Call system.

- 2) **Automated driving** is to be used optionally for parking.
- 3) **Electrification of vehicles** has started in certain ecologically clean regions. For example, one hundred electric vehicles, the Ellada (taxi cabs) were delivered in 2012 to Caucasian Mineral Waters area – Pyatigorsk and Kislovodsk spa towns.
- 4-5) **Urban versus extra-urban mobility, private versus public transport.**
Policies of cities with population over 100,000 inhabitants are targeted at development of municipal passenger transport, while private transport is to be mainly used for suburban travels, holidays, etc.
- 6) **Vehicle ownership versus rental.**
Rental cars (with or without a driver) are widely used now by corporate bodies. Car rental for personal needs is not widespread so far, although it might grow with development of tourism and improvement of the road net quality.