
Stimulus plans - Russia starts federal car scrapping program

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It is reported that Russia officially started its federal car recycling program, in accordance with which owners of old cars will be given a special incentive payment in the amount of RUB 50,000 for scrapping their old vehicles.

The compensation will be allowed as a discount when buying a new vehicle from an Industry and Trade Ministry-compiled list of over 60 Russian and foreign car brands produced in Russia. Cars accepted for the recycling program will include domestic and imported vehicles older than 10 years, with a total weight less than 3.5 tonnes and registered in the name of the last owner for not less than for one year.

73 scrap processing companies from 49 Russian regions are involved in the government's car recycling program, which will last until November 1st 2010. The government has allocated about RUB 10 billion for the scheme and projects that some 200,000 new cars will be sold by more than 1,500 authorized dealers in line with the program. The main benefit of the scheme is expected to be a stimulus in demand for cheaper Russian cars such as the Lada produced by Russia's AvtoVAZ.

It is anticipated that the program will also support significant growth and development in Russian automotive assembly operations. Currently, there are about 15 industrial production lines for foreign car assembly in Russia, located in the St. Petersburg, Kaliningrad, Moscow and Kaluga regions. Among them are global firms such as Peugeot-Citroen, Hyundai and Mitsubishi; other leading producers such as Toyota, Ford, Volkswagen, Renault, Nissan, GM, Opel and BMW also have an increasing presence. It is expected that the new Russian car scrapping program will benefit many of these foreign investors.

Mr Viktor Khristenko Russian Industry and Trade Minister had said earlier that the weak point of the plan, which could theoretically affect Russia's estimated 18 million 10 year or older cars is the lack of a developed car scrapping infrastructure, with a mere 153 disposal stations having so far been licensed. It is expected that the new automotive recycling program will significantly bolster the development of scrap processing capacities in Russia.

Carmakers and dealers working in Russia have said that the scrapping premium is the most long-awaited measure providing support for the crisis-hit Russian car market that halved in 2009.

(Sourced from SteelOrbis)

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