CENTRAL EUROPE AUTOMOTIVE REPORT™

BULGARIA CIS CZECH REPUBLIC HUNGARY
POLAND ROMANIA RUSSIA SLOVAK REPUBLIC SLOVENIA

The Source For Automotive Information On Central Europe™

December 1997

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Volume II, Issue 11 **ISSN 1088-1123**

Regional Market Highlights

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- *Skoda Octavia Assembly Started in Poland*
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- *Slovak Tire-maker Matador Talking With Bridgestone*
- *Domestic Romanian Car Producer Dacia Introduces New Models*

Poland

Opel's New Gliwice Plant Will Produce Current Astra Model

On October 16, 1997, **Opel** announced that the current version of the Astra model will be produced at the Opel plant now under construction in Gliwice, Poland. The new plant, scheduled to open in Autumn 1998, will supply the Polish and other Central European markets.

"There is a good potential in the region for affordable, modern, reliable, and safe family-sized passenger cars," said David J. Herman, Chairman and Managing Director of Adam Opel AG. "Therefore, the decision has been made to continue [the Astra] in our Gliwice plant."

The current Astra will be sold under the name "Astra Classic," concurrently with the 1998 Opel Astra.

Second Shift Added in Warsaw

To satisfy growing demand for the current Astra, **GM Poland** will introduce a second shift at its assembly plant in Warsaw. The Vectra model will also be added to the Warsaw assembly operations.

Skoda Assembling Octavia's in Poland

In October, **Skoda** started assembly of Octavias in Poznan, Poland. The company expects to build 1,500 Octavias in Poland this year. By the end of 1997, a total of 30,000 Skoda vehicles will have been assembled in Poznan, compared to 16,000 in 1996.

Parts Distribution Joint Venture Between Piast Investment Fund and Unipart GC

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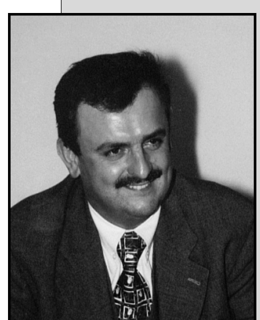
Inside

Profile

Czech Republic

CAC Leasing Keeping Pace With Fast Moving Czech & Slovak Auto Leasing Market

***CAC Leasing a.s.**, the Czech Republic's second largest auto leasing company, is moving quickly to keep up with the Czech and Slovak Republics' dynamic automotive leasing sectors.*



Peter Engert

*The company has developed strong ties with foreign automakers such as **Renault**, **Ford**, **Opel**, **Citroen**, and **Fiat**, and is establishing financing company joint ventures with some of them. CAC is also starting to offer an all inclusive package of services to its leasing customers, as is currently done in the West. The company is expanding its activities to include cross border leasing transactions in Poland, Ukraine, and Russia, and recently opened its first foreign subsidiary in Slovakia, **CAC Leasing s.r.o**.*

CAC provides financing for commercial enterprises, with approximately 70% of its leasing portfolio tied to the automotive sector. The leasing of passenger cars accounts for about 55% of its leasing activity, while about 15% involves the leasing of trucks and vans. CAC has a 23% market share in the Czech Republic,

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Highlights *Continued from Page 1*

NFI "Piast" S.A., a Polish national investment fund, and UK-based **Unipart GC** signed in October a joint venture agreement to establish **Unipart Polska S.A.** The new company will distribute automotive parts and components throughout Poland, including the distribution of parts under the Unipart brand name, as well as parts produced by companies in Piast's automotive portfolio.

The share capital of Unipart Polska is PZL 4 million ($1.15 million), and 50% of the company's shares will be owned by Piast and 50% owned by the group **UGC Limited**, a logistics and automotive parts distribution company.

Unipart Polksa will initially conduct a pilot test in specific regions of Poland to determine the optimal business structure.

New Car Sales Segmentation in Poland

According to statistics released by SAMAR, during the first nine months of 1997 the segmentation of new passenger car sales in Poland is as follows:

Segment A: 30.50%
Segment B: 24.74%
Segment C: 33.48%
Segment C/D: 9.68%
Segment D/E: 0.46%
Segment F: 0.05%
Segment 4WD: 0.16%
Segment Specialty: 0.32%
Segment MPV: 0.62%

Commercial Vehicles Sales Up In Poland — Imports Enjoy Big Jump

Sales of imported commercial vehicles in Poland were up 55.52% during the first nine months of 1997, according to figures released by SAMAR. Locally produced vehicle sales increased by 7.91%. A total of 39,640 commercial vehicles were sold in Poland during this period, up from 34,282 units sold a year earlier.

The best selling commercial vehicle companies in Poland during the first 9 months were **Daewoo Motor Polska** (24.92% market share), **Daewoo** (22.54%), **Citroen** (10.49%), and **Fiat** (8.04%).

The top three selling light commercial vehicles in Poland are the FSO Polonez Truck, Citroen C15, and the Fiat Cinquecento Van.

Hungary

Alcoa Wheel Plant Fully Operational

The new Alcoa truck wheel plant in Szekesfehervar near Budapest is now fully operational. The new plant represents an investment of over $40 million. In addition to supplying the European market, wheels manufactured at the plant may be exported to South America. Wheel distribution for the whole European territory will continue to be handled through Alcoa's logistic center in Belgium.

Opel Will Keep Building & Selling Current Astra in Hungary

Opel's plant in Szentgotthard will continue building the current Astra model, said **Opel Hungary** Managing Director Albert Lidauer in early October. Lidauer said that Opel Hungary plans to build approximately 9,000 units in 1998, including some 21,000 painted bodies for export to the Warsaw assembly plant.

Engine for New Astra

Opel's Hungary plant will also produce a new 1.8 liter 16-valve ECOTEC engine for use in the new Astra. The new engine production requires an additional investment of DM 35 million, bringing Opel's overall financial commitment in Hungary to more than DM 730 million ($424 million).

"This is the latest demonstration of the confidence that Opel and GM have in our Szentgotthard operations, our employees, and the long-term viability of the Hungarian economy," said Lidauer.

Czech Republic

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1998 EDITORIAL CALENDAR

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Issue	Feature	Automotive Reviews	Special Reports	Ad Close Date
Jan 98	Poland	Body/Chassis	1997 Year in Review/ 1998 Forecast	Dec 10, 1997
Feb 98	Hungary	Central Europe's Executive of the Year	na	Jan 10, 1998
Mar 98	Czech Republic	Components & Systems	Auto Aftermarket	Feb 10, 1998
Apr 98	Slovak Republic	Marketing & Advertising	na	Mar 10, 1998
May 98	Romania/Bulgaria	Electronics	Auto Consultants	Apr 10, 1998
Jun 98	Poland/Slovenia	OEM Special: Who Supplies Who	na	May 10, 1998
Jul 98	Hungary	Powertrain	Exporting to Central Europe	Jun 10, 1998
Aug 98	Not Published			
Sep 98	Czech Republic	Plastics	Auto Engineering	Aug 10, 1998
Oct 98	Slovak Republic	Logistics	Human Resources	Sep 10, 1998
Nov 98	Romania/Bulgaria	Interiors	Real Estate	Oct 10, 1998
Dec 98	Poland/Slovenia	Financing	na	Nov 10, 1998

Regular Monthly Columns

Feature Country - featured country market overview and news, plus updates from around the region
Profile Interview - interviews with regional automotive executives
Opportunity Spotlight - regional companies offering investment, joint venture, or partnership opportunities
Legal Advisor - updates on legislation and legal matters pertaining to the automotive industry
Focus On Investment - investment analysis of regional automotive related companies
Accounting & Finance - updates on accounting, tax, and customs changes pertaining to the automotive industry

Highlights *Continued from Page 2*

Skoda Signs Agreement to Produce in India; 500,000 Units Worldwide by 2000

On October 20, 1997, **Skoda** signed a letter of intent to start operations in India. “We would like to invest $300 million to have assembly production,” spokesman Milan Smutny told the **CEAR**. The company envisions producing 50,000 to 60,000 vehicles a year in India. “We are just now deciding on a site,” he said.

The deal still hinges on local government decisions regarding taxes, customs duties, and local content. “There are still many questions to be answered,” said Smutny.

Skoda is also studying whether to start assembling cars in Russia. And by the end of this year a decision will be made regarding plans to start assembling 5,000 to 10,000 units at the destroyed **Volkswagen** factory in Sarajevo. By the year 2000, the company plans to build 500,000 vehicles worldwide.

VDO Moving to New Facility

In early 1998, **VDO Instruments spol. s r.o.** will move its instrument panel and fuel management operations from Kbely to an 11,000 sq. meter facility in Brandys, 10 kilometers north of Kbely. The Kbely plant is currently situated on the premises of **PAL Praha a.s. —** VDO purchased PAL’s instrument division in 1994.

New Car Sales Up

Sales of new passenger cars in the Czech Republic totaled 127,995 units during the first nine months of 1997, compared to 112,177 units sold during the same period in 1996. **Skoda**, with sales of 71,006 units, was the top selling make and controlled 55.48% of the market. **Ford** was the second best selling brand with 8,000 units sold, capturing a market share of 14.05%, and **Opel** with sales of 6,784 units took 11.91% of the market.

Slovak Republic

Tire-maker Matador In Talks With Bridgestone

Matador Puchov has reportedly signed a cooperation agreement with **Bridgestone** which will likely result in the creation of a joint venture between the two companies to produce radial car and small truck tires. The two companies are currently negotiating and evaluating the feasibility of cooperation.

The proposed joint venture envisions raising Matador’s passenger car tire production from 4.5 million per year to 6 million by the year 2002. Production of small truck tires would increase from the current 300,000 units to 850,000 units by the year 2002.

Last year, Matador reported sales of SK 7.97 billion ($250 million) and an after-tax profit of SK 252.9 million ($7.66 million).

VW Bratislava’s Numbers

For the first ten months of 1997, **Volkswagen Bratislava** produced 33,361 vehicles, 233,361 gearboxes, 5,153,890 gearbox components, and has 3,214 employees.

SkoFIN Becomes Part of VW Financial Services

In Mid October, auto leasing company **SkoFIN Bratislava** became an independent member of **Volkswagen Financial Services**. Prior to this change, SkoFIN Bratislava operated as a daughter company of the Prague-based **SkoFIN.**

During the first nine months of 1997, SkoFIN Bratislava completed 8,160 leasing deals for **Volkswagen**, **Seat**, **Skoda**, and **Audi** cars, valued at SK 2.32 billion. The company has increased its capital from SK 18.8 million to SK 126.8 million.

New Car Sales Down in First 9 Months

During the first nine months of 1997, 43,892 new cars were sold in Slovakia, compared with 47,171 units sold during the same period in 1996. Cars in the “B” segment accounted for 53.05% of these sales, “C” segment cars represented 21.94%, and cars in the “CD” segment 16.97%. **Skoda** sold 20,137 passenger cars, giving it a market share of about 46%. Daewoo was the second best selling company with 5,200 cars sold and a market share of almost 12%, and **Volkswagen’s** sales of 3,777 cars gave it a market share of about 9%.

Romania

Dacia Introduces New Models — Nova Revamp and Diesel Car

Dacia introduced two new cars at the Bucharest International Auto Show in October. The company displayed a redesigned NOVA model, equipped with a **Bosch** injection system, and a diesel car, powered by a **Peugeot** 1,903 cc, 71 hp engine. The diesel car will sell for about $2,000 more than the typical $4,000 price tag for a Dacia car. (*for more on the Bucharest International Auto Show, see review on page 9*)

Slovenia

Sale of New Cars Inch Up

During the first nine months of 1997, a total of 49,502 new passenger cars were sold in Slovenia, compared to 49,384 units sold during the same period in 1996. The top selling models in Slovenia were:

Model	**Units**	**Share**
Renault Clio	4,755	9.61%
Volkswagen Polo	3,159	6.38%
Renault Megane	3,064	6.19%
Skoda Felicia	2,843	5.74%
Fiat Punto	2,186	4.42%
Volkswagen Golf	1,779	3.59%
Renault Twingo	1,725	3.48%

International

Ford & GM Producing Value Vehicles for Emerging Markets

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Complex Customs Changes in Czech Republic Impact Foreign Investment

Czech Republic Legal Advisor

By Ivo Barta,
White & Case, Prague & Bratislava

Ivo Barta

Early this year, Czech customs law underwent certain changes that were initiated by the EU and that influenced not only Czech exports and imports but foreign direct investments into the Czech Republic as well. The changes were adopted quickly, without much warning or discussion on the part of the Government. The new rules were so complex that with the exception of a few officials and customs law experts, their mechanism and impact was not really understood or evaluated. There were, however, rumors that some investors were unpleasantly surprised and that the new rules might have an unfavorable effect on foreign investment in the Czech Republic. This article should cast more light on the new rules and provide a brief overview of some of the most important changes.

Legislative Background

On November 20, 1996, the Government of the Czech Republic expressed its approval with the change to Protocol No. 4 (the "Protocol") of the Association Agreement between the EU and the Czech Republic. The Protocol became effective as of January 1, 1997.

The amendment of the Protocol was part of a broader effort among the EU, EFTA, and CEFTA countries to unify the rules of origin and to establish common conditions for so called "cumulation of origin" in Europe. The beginning of this joint effort dates back to the Essen Summit of 1995, when the representatives of the EU and associated countries decided on the unification of the rules of origin.

The change of the Protocol and the corresponding changes in protocols of other agreements that should become effective at the same time, were negotiated among twenty-nine European countries. Fifteen countries of the EU as well as the Czech Republic, Slovakia, Slovenia, Switzerland, Norway, Liechtenstein, Iceland, Bulgaria, Estonia, and Latvia commenced to apply the system of diagonal cumulation as of its planned beginning, i.e., January 1, 1997. Other countries, e.g. Hungary, Poland, Romania, and Lithuania, acceded to the system during 1997.

Reasons for the Adoption of the Protocol

Prior to the effectiveness of the Protocol, foreign investors in the Czech Republic commonly used the regime of inward processing (active improvement system). Under this regime, investors imported into the Czech Republic components of products to be assembled in the Czech Republic.

"Motor vehicles, in order to acquire Czech origin, have to be manufactured in such a manner that the value of all used [non-original] materials does not exceed 40% of the price of the product ex-factory."

The customs duty on such components was, upon an agreement with the customs authorities, either waived or drawn back because of later export of such components out of the Czech Republic. The assembled products were then exported, mainly to EU, EFTA, or CEFTA countries under a favorable customs regime agreed upon by the EU, EFTA, or CEFTA and the Czech Republic.

Since the Protocol came into effect, the regime of drawback or waiver of customs duty ceased to apply with respect to the above described scheme and exporters of goods having their origin in the Czech Republic now have to pay customs duty on imported components if they want to acquire for the exported product confirmation of its Czech origin (the so called EUR 1 certificate).

If the exported product does not need to acquire the EUR 1 certificate, for example because it is exported into a country that is not party to the diagonal cumulation system, the manufacturer may still use the advantages of the previous drawback system.

Origin of Products under the Protocol

The following products are, pursuant to the Protocol, considered as having their origin in the Czech Republic:

a) products wholly obtained in the Czech Republic in accordance with Article 5 of the Protocol; or

b) products obtained in the Czech Republic containing materials that have not been wholly obtained in the Czech Republic, provided that such materials were subject to sufficient processing in the Czech Republic in accordance with Article 6 of the Protocol.

Pursuant to Article 6 of the Protocol, for the purposes of determining the origin of products, products that have not been wholly obtained in the Czech Republic shall be considered to be sufficiently processed if they meet the criteria specified in Annex II to the Protocol.

For example motor vehicles (customs chapter 87), in order to acquire the Czech origin, have to be manufactured in such manner that the value of all used [non-original] materials does not exceed 40% of the price of the product ex-factory.

The so called diagonal cumulation of origin (Article 4 of the Protocol) provides that materials with their origin in the EU, EFTA, or CEFTA countries are considered as having their origin in the Czech Republic if such materials are included in a product obtained in the Czech Republic. In this event it is not necessary that such materials are subject to sufficient processing.

Products that acquired their origin in accordance with the previous paragraph shall be considered products with their origin in

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Growing With The Romanian Market

Bucharest International Auto Show '97

The Bucharest International Auto Show '97 (SAB '97), held during the first two weeks of October, was the largest show in its five year history, both in terms of participation and number of visitors.

Products were exhibited by 183 companies, a 15% increase over last year's show, with the bulk of the newcomers being spare parts and accessories distributors. Over 150,000 visitors attended the show, compared with 120,000 in 1996.

The organizers managed to overcome the provincial flavor of the earlier shows with high quality indoor facilities and stalls, larger and well-distributed parking areas, as well as a remarkable opening show.

International Recognition Already Bearing Fruit

Perhaps one of the most important aspects of SAB '97 was its international status, recognized as such by **OICA**, which included the show on its list of events. "There are thousands of car races in this world, but only several of them are included in the F1 Championship," explained an official of the **Romanian Association of Car Manufacturers and Importers (APIA)**.

The Bucharest show will have this international status every two years, alternating with Athens, Greece. The heightened status resulted in the big auto manufacturers getting more deeply involved in the show. Most of them strongly backed the efforts of their importers (including financial efforts), sending to the show not only cars but also top executives from companies such as **Ford, Peugeot, Citroen, Opel,** and **Renault**.

One byproduct of the big carmakers discovering Romania is already visible: after the show, **Opel** opened a representative office in Romania and rumors are that by the end of the year two other carmakers will follow the trend.

OICA Holds First Ever General Meeting in Region

OICA held its General Meeting in Bucharest on October 2, a day before the opening of the show. This was the first such meeting that took place not only in a Central & Eastern European country, but also in a country characterized as a small car market.

The heavy artillery of OICA — President Carlos Espinoza de los Monteros, Vice Presidents Rodolphe Huser and Andrew Card (very likely the next chairman of the organization) — discussed hot issues for carmakers worldwide. Among them, issues concerning the harmonization of national safety features legislation and environmental protection regulations. OICA pushes hard for the adoption, within a 10 year period, of unique legislation that provides for both efficient and cost-effective norms.

Almost Everyone Joined the Party

With the sole exception of the Russian carmaker **Lada**, every carmaker who sells on the Romanian market exhibited at the show. Asian manufacturers occupied the best stalls, with **Daewoo** showing off its products in the center of the indoor area. According to visitor interest, however, the star of SAB '97 was the **Mercedes A Klasse**, closely followed by the **Peugeot Coupe** and **Citroen Xsara**.

Another feature of this year's show was the large number of specialty cars and coupes — Mercedes CLK, Peugeot 406, Volvo C70, Ford Puma, Opel Tigra and Hyundai Coupe FX — a tribute paid to the small but growing Romanian market segment of luxury cars.

Only Local Companies Unveil New Models

The weak point of the show was the lack of major news from the big carmakers. While last year the show presented the 3 volume Renault Megane and the new Nissan Primera, this year only the Romanian manufacturers **Dacia** and **ARO** brought in new models. The Romanian media claimed that the main reason for this was the poor planning on the part of the organizers, who scheduled the show just a short time after the big Frankfurt auto show.

Marius Carp, the Executive Director of APIA and of the show, disagreed. "We actually struggled to draw the show as close as we could to Frankfurt, but after it," he said. "Provided we would have programmed it <u>before</u> Frankfurt, all major carmakers would have been too busy preparing for the Frankfurt show and would have skipped Bucharest."

Dacia Doesn't Unveil D-33 Model

Visitors who hoped to see Dacia's mysterious D-33 model left unsatisfied. What is known is that the body of the D-33 is designed by the Italians from IDEA Turin, the engine will meet the Euro 2 regulations, and the car will include state-of-the-art safety features. The price is expected to be under $10,000.

Show Causes Jump in New Car Sales

The show triggered a jump in sales of imported new cars. "During the show and immediately after we sold as many cars as we did during all of 1996," said one importer. Although imports have decreased in absolute figures as compared with 1996, this is due to the decrease in imports of Daewoo. The biggest import vehicle — Daewoo's Cielo/Nexia — is now assembled locally.

During the first half of this year, imports of new cars other than Daewoo, stood at 2,408 units, compared with 1,179 in the same period of 1996.

Sales Outlook

With accelerated sales during the third quarter, it's likely that in 1997 the market for new passenger cars and LUVs (including locally manufactured cars) will increase by at least 10% as compared

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DEC97

Best Selling Passenger Cars & Commercial Vehicle Models in Poland **(YTD September 1997)**

Passenger Cars		**Commercial Vehicles**			
	Units Sold	**Light Commercials**	**Units Sold**	**Medium Commercials**	**Units Sold**
Fiat Cinquecento	43,242	FSO Polonez Truck	8,723	FSC - Lublin	7,887
FSO - Polonez	40,505	Citroen C15	3,031	FSC -Zuk	1,993
PF 126	38,137	Fiat Cinquecento Van	1,520	Ford Transit	1,939
Daewoo Tico	31,275	Skoda Pick up	1,463	Mercedes Vito	1,775
Fiat Uno	18,717	Peugeot Partner	875	Fiat Ducato	1,058
Skoda Felicia	17,296	GM - Opel Combo	857	VW Transporter	925
Opel Astra	17,135	Fiat Uno Van	581	Iveco Daily	638
Daewoo Nexia	15,307	Citroen Berlingo	710	Mercedes Sprinter	650
Fiat Punto	14,569	Ford Courier Van	328	Peugeot Boxer	586
Opel Corsa	12,446	Renault Express	324	Kia Ceres	542

Source: SAMAR

Tips For Success In Central Europe

Developing Local R&D Expertise

Jeff Jones

If local suppliers are to fully benefit from the automotive boom in Central Europe, and if Western manufacturers are to profit from working with those suppliers, developing local R&D capacity is essential.

When a part, component, or subassembly must be developed from scratch for a new car line, OEMs generally can't look to a local supplier for help. Most local companies just can't provide the engineering support required by the OEMs. GM, for instance, has encountered this problem in its search for suppliers for its new plant in Gliwice, Poland.

A few Western companies, such as Daewoo and Delphi, are moving some of their R&D activities to Central Europe. This is a positive development, but it still doesn't solve the problem faced by local suppliers. For local companies, developing R&D expertise requires capital, something most of them still don't have access to.

One possible source of capital is sector funds such as the components fund being discussed by the EBRD. This fund would provide development capital for automotive suppliers in Central & Eastern Europe. The U.S. Enterprise Funds also are potential sources of capital for small and medium suppliers looking to beef up their operations.

Universities are another untapped resource. Western companies and local suppliers must take advantage of the available R&D expertise at local universities. In Hungary, for instance, Szechenyi Istvan College's Automotive and Railway Engineering Department can provide low cost R&D support for auto sector companies. "We're waiting for companies to come to the college and cooperate with us," said Dr. Vince Nagy, head of the department.

Projects already completed by Dr. Nagy's department include the development of a continuously variable valve timing system for car cylinder heads, a computer simulation of different hydraulic power steering systems, and car and truck engine lubrication oil analyses.

Western companies should encourage potential suppliers to cooperate with the universities on specific R&D projects. The university could be the missing link that's keeping local suppliers from doing business with OEMs.

There's no quick fix to this problem, but solutions exist. Some may be unconventional, but in a market such as Central Europe, conventional thinking doesn't always produce results.

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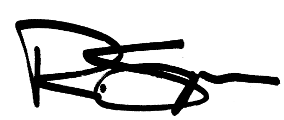
CEAR™ Set To Expand In 3rd Year

Ron Suponcic

In **1998** we start our third volume of the **CEAR™**. I hope you will be with us as we introduce a number of new features. Starting with this issue, we will be running the new **Russia/CIS Watch** box which will provide information on those growing markets. And, this month we introduced our most complete automotive information source yet for Central Europe which we call **AutoNewsFast**™. **AutoNewsFast**™ provides subscribers with weekly email news bulletins and it also includes our information packed **CEAR™ Analyst Edition**.

Starting in **January** we will be including an **Automotive Information Resources Catalog** page in the **CEAR™** which will provide you with additional sources of information on Central Europe, and if you are an information provider, a new way to get the word out about your products. **Also in January**, we introduce the update to our web site at http://www.cear.com which will feature a **Central Europe Directory of Automotive Manufacturers, Suppliers, and Related Services**, another way for you to locate contacts in the region or get the word out about your products and services.

We want to be your best source for information on the region, so please take the time to answer our **Information Survey** on page 19. And, while your there, cast your vote for the **CEAR™ 1997 Central Europe Automotive Executive of the Year Award**. We will present the award in our **February 1998** Issue. **Happy Holidays!**



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Romania

Bucharest International Automotive Show '97 Review

Dacia Introduces New Models

Romanian car manufacturer **Dacia's** strong commitment to dominate the local new car market was quite obvious during the fair. Dacia was the only company — except for Romanian 4WD vehicle producer ARO — that launched new cars at the show. One is a re-designed NOVA model, equipped with a Bosch injection system.

The other new product, the result of a 15-year-old project, is a diesel car. The car, powered by a Peugeot 1,903 cc, 71 hp engine, will sell for about $2,000 more than the normal $4,000 price tag for a Dacia car.

The Pitesti-based carmaker has not yet succeeded in attracting an expected powerful foreign investor, nor are there rumors that it will do so in the near future.

Daewoo Counters With Massive Display of Vehicles

As expected, **Daewoo Automobile Romania** occupied the largest exhibition area at the show, with stands located both indoors and outdoors. The company exhibited virtually the entire range of passenger cars, light utility vehicles, and trucks produced in Central and East European countries — with the sole exception of the Lanos — as well as an eye-catching concept car, the Mantica.

Skoda — No Longer A Bargain

The Czech carmaker **Skoda automobilova, a.s.** has traditionally enjoyed good sales on the Romanian market. During Romania's communist era when imports from Western countries were banned, Skoda was actually the best selling foreign car. Not any longer. Although visitors admired the five Octavia models exhibited at the show, few Romanians have deep enough pockets to afford a DM 30,000 car.

Renault Foresees Strong Future

Despite the difficult domestic Romanian market, by the end of August **Renault's** sales in Romania exceeded last year's level, with the R 19 Europe the best selling model, said company officials. Optimistic Renault officials foresee sales of another 500 units by the end of the year.

Company officials say they are pleased with Renault's spare parts distribution activities in Romania. Renault benefits from a significant supply of second-hand French cars in Romania, as well as spare parts supply opportunities for the Renault-based **Dacia** models.

The star of the Renault stand — the Megane Scenic —received little attention from Romanian car enthusiasts.

Racing Is The Name Of The Game

With exhibitions of F1 and rally cars and Ford-Stewart's F1 team driver Jan Magnussen delivering a show test drive of the latest Puma, Ford's Romanian importer **Romcar** had the most sporting stand at the Bucharest show.

Besides the image — with the little Ka being an indisputable star at the show — Romcar has consistently registered the best sales results compared to other importers. Last year Ford ranked first among imported new cars, with a 17% market share.

Trucks' Offensive

Compared to previous Bucharest shows, the 1997 event saw a tremendous increase in heavy trucks and lorries stands. Romanian truck maker **Roman** presented a wide range of "green" vehicles powered by Euro 2 engines manufactured by such producers as **Navistar**, **Caterpillar**, **Renault**, **Deutz**, and **Steyr**. In addition to local Roman, most major worldwide producers displayed their models in Bucharest: **Renault**, **Scania**, **Mercedes** and — the first company without a Romanian representative that has ever come to the show — the Czech **Skoda-Liaz**.

Struggling To Stay Afloat

Besides Dacia, the Romanian off-road vehicles manufacturer **ARO** was the only carmaker who used the fair as an opportunity to launch brand new models. The Defender derives from ARO's high end model — the Forester — powered by a **Ford** Cosworth V 6 engine, with air conditioning, electric windows, and other electronic gadgets.

The Green City, although sporting an exterior not too different from its older brothers, is powered by a **Renault** Megane 1,900cc turbo diesel engine and has completely re-designed suspension and direction.

Despite these new offerings, ARO's management seems unable to face tough competition on the domestic market from **Chrysler's** Jeep Cherokees — not to mention the Asian made-horde that includes **Toyota's** RAV 4, **Suzuki's** Vitara, and newcomer **Ssang Yong**.

Hyundai Looks Ahead

Although it must cope with the heavily entrenched **Daewoo**, **Hyundai** continues to be optimistic about its presence on the Romanian market. It is rumored that this optimism is due to both the company's association with the successful Romanian businessman Ion Tiriac and to ongoing negotiations with **Dacia**.

By the end of 1996, Hyundai had invested some $4 million in Romania, primarily in its Bucharest headquarters building and in the development of a countrywide network of 11 dealers and specialized maintenance and repairs centers.

Hyundai recently launched a one-year

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Slovakia's Ailing Engineering Industry Strategic Partners Essential

Opinion Makers: VW Bratislava's Jozef Uhrik

There are several weak spots in Slovakia's economic development in the first 9 months of 1997: deficits in the foreign trade balance and the state budget, a growing lag in labor productivity compared with wage growth, as well as depleted sources of financing for rational production and investment.

Individual industries and other sources of national income continue to enjoy an unhealthy stability. What is even more unnerving is that, after being flat for four years, our manufacturing industries, which are supposed to churn out the bulk of national income, have in fact lost some of that share in 1996's GDP at 26.3%, compared to 29.2% in 1993.

Now, we have no choice but to swallow the economic measures tailored by the Slovak cabinet to restore economic growth. After all, you cannot let economic drifts go untended and possibly drive inflation out of control. But what can really breathe new life into our economic structure? I am convinced that a stepping up of engineering production must play an important role.

Unless our machinery manufacturers can export SK 400 billion ($12 billion) worth of merchandise in the next three years, it will be very difficult to straighten out the balance of trade with all its ailments.

Engineering Industry Needs Markets & Capital

What is wrong with our engineering structure today? I believe it lacks markets, as well as capital to brace up for competition and improve the quality of production, which is indispensable in today's cutthroat global competition.

Given the structure of Slovakia's engineering, which relies heavily on auto wheels, tractors, forest tractors, forklifts, forest machinery, and the related production of engines, transmissions, chassis, and electronics, we need to attack the problem in the rational sale of these products.

Our old-time foreign trade establishment has lost its face today. We no longer have large organizations keeping up an extensive network of outlets based on up-to-date trade relations, stable importers, and foreign dealers. This is where our businesses are stranded. Prices can no longer be planned, and products hinge on a viable marketing network, if they are ever to beat the fierce competition.

Our leading machinery makers are facing a recurring dilemma of whether to try to break through alone or join a strategic partner. True, producers of machine tools, custom-made equipment, technological devices, and complex machinery fixtures don't need any strategic partners to make a sale since the price edge in low volume and single-piece production is too great to go unnoticed.

But big-volume mobile equipment can seldom sell without a strategic partner — it's necessary to build distribution channels or use existing ones, beef up capital, and catch up to world standards of quality.

VW Bratislava, Living Proof of the Power of Strategic Partnership

Volkswagen Bratislava is a living example of how this can work. In its fifth year, our company is looking to assemble 38,000 cars, 281,000 transmissions, 6.7 million gearbox components, reach its payroll target of 3,000, invest up to SK 3 billion ($91 million) and produce more than SK 21 billion ($636 million) in 1997.

After a successful adaptation to quality and the introduction of new models, we plan to expand production to more than 60,600 cars, nearly 300,000 transmissions, and lift production to over SK 32 billion ($970 million) next year. A rise that swift must be supported by equally swift investments, which is why we intend to plow another SK 2-2.5 billion into the plant.

Volkswagen's other operation in Slovakia, **Volkswagen Electrical Systems Nitra**, also awaits expansion this year, where additional investments of SK 0.5 billion should take the personnel to 900 people and go on to 1,300 next year. Chances are that in two years from now, the two Volkswagen plants will provide jobs to more than 5,000 people.

It would be impossible to fuel all of this growth from our own coffers. It wouldn't have been possible without a reliable strategic partner that is obviously interested in expanding its production in this enticing low cost area.

Strategic Partners Must be Attracted to Slovakia

Meanwhile, the search for a fitting strategic ally may be affected by the fact that our major engineering companies remain state-owned. However, that is why we need to support the cabinet, finance ministry, and other ministries in their efforts to devise a set of measures that will help strategic foreign partners launch large projects.

Lucrative deals attracting foreign capital will not only help the engineers in their search for strategic partners, but will also help other industries following their footsteps to work up to the level of world competition, in case they conclude they can't make it alone.

Foreign investors must make analyses of the traditional suppliers of **Skoda** and **BAZ** — such as producers of gearboxes — and contact them. In this way they can begin cooperating [with these companies].

Jozef Uhrik is Commercial Managing Director of VW Bratislava. In 1991, ***Volkswagen AG*** *signed a contract with the Slovak company* ***Bratislavske automobilove zavody (BAZ)****, creating a new company — Volkswagen Bratislava, s.r.o. VW controlled 80% of the new company and 20% of the shares belonged to BAZ. Since January 1, 1995, VW Bratislava has been 100% owned by Volkswagen.*

VDO Instrument Shifting into High Gear in the Czech Republic

Czech Republic Company Spotlight

Company:
VDO Instruments spol. s.r.o.
Location:
Prague/Kbely, Czech Republic
Contact:
Dr. Thomas Schlick, Director
Business: Manufacturer of instrument panels, fuel management systems, windshield washer systems

VDO Instruments has found fertile soil for its operations in the Czech Republic. Established in 1994, **VDO Instruments spol s.r.o.** has big expansion plans, which include a new 11,000 square meter factory scheduled to be opened in early 1998.

The company has grown from 580 employees to 780, and expects this figure to rise to 1000 by 1999. Revenue has jumped from DM 9 million in 1994 to DM 75 million ($43.6 million) in 1997. "We've been really very successful," said Dr. Thomas Schlick, director of the company.

VDO Instruments is a wholly owned subsidiary of the Germany company **VDO Adolf Schindling AG**, a part of the **Mannesmann Group**. In the Czech Republic, the company operates through two locations: Kbely, just outside of Prague, and Horny Adrspach, in the north of the country near the Polish border.

In early 1998, the Kbely facility will be moved to a new facility in Brandys, 10 kilometers north of Kbely. The Kbely plant is currently located on the premises of **PAL Praha, a.s. —** VDO purchased PAL's instrument division back in 1994.

Current Production

VDO's Kbely plant is the only supplier to **Skoda automobilova, a.s.** for instrument clusters and fuel management systems for the Felicia and Octavia models. "That's why we came here," said Schlick.

The company's Adrspach plant assembles nozzles and pumps for windscreen wiper systems that are exported to European auto manufacturers. VDO also has a small assembly operation at Skoda's Felicia plant where ten VDO employees assemble instrument panels together with plastic shields and switches and deliver them just in time to the Felicia line.

VDO hoped to conduct similar assembly operations at the new Octavia plant, but the contract went to **Siemens**. "Unfortunately, we didn't get the job," said Schlick.

New Business

"At the moment, we only supply Skoda, but we have a new order from **Daewoo Avia**," said Schlick. In 1999, VDO will start supplying Daewoo Avia with light truck instrument panels.

When **GM/Opel's** new plant in Gliwice, Poland starts operations in 1998, VDO will supply instrument panels and fuel level sensors for the current Astra model. A sampling line is being moved by VDO from Germany to the Kbely plant for this contract.

And when GM and **Suzuki** start producing their joint mini car under the "Blue Macaw" project, VDO has an order to provide the instrument panel for the car. In the year 2000, VDO will start supplying the Poland-based production of the mini car, said Schlick.

Capacity Expansion

VDO plans major increases in production volumes at both plants in the Czech Republic. In 1996, VDO produced 270,000 instrument panels at the Kbely factory. "We're planning to raise it to 550,000 units by the year 2001," said Schlick. "That's booked business."

And the company's production of fuel units will rise from 240,000 pieces to 450,000 by the year 2001.

In Adrspach, VDO started with 2 million pumps in 1995 and will increase this figure to 4.8 million in 1998. Nozzle production will hit 11 million next year, up from 8 million units.

Local Suppliers

"We need Czech suppliers," said Schlick. The company has a few main suppliers in the Czech Republic, especially for plastic parts. "We give them a lot of help," said Schlick. "Because they aren't able to produce automotive quality on their own."

In addition to quality problems, some local suppliers are unattractive to VDO because of their lack of transparency. "You really don't know if [a company] has capital or not, or what its future is," said Schlick. "So I'm afraid sometimes to move some parts to a new supplier because you really don't know about the shareholders or credits." To avoid problems, VDO concentrates on those suppliers that it really knows.

Local suppliers also suffer from insufficient capital to fund research and development activities. "It's very hard for them to compete with companies such as **Valeo** or **TRW**," said Schlick. He expects that many of these local suppliers will eventually go out of business due to the stiff competition in the market.

Problems: Quality & Productivity

Mr. Schlick noted that one of the biggest problems encountered by VDO in the Czech Republic was the lack of worker motivation and getting workers to think about quality and productivity.

VDO entered the scene in 1994, when production of the new Felicia was starting. "It was really a very complicated time for the people here," said Schlick. "We introduced some new tasks: productivity and quality."

Mr. Schlick focuses on getting the employees to work together as a team and take responsibility for their work. "That's my way to solve the problem, and I think it's very successful," he said. "Teamwork, that's the way."

Continued on Page 16

***Profile** Continued from Page 1*

*second only to **SkoFIN** who controls about 27% of the leasing market.*

*Peter Engert, a native Austrian, is Executive Director and member of the board of CAC Leasing, a.s. and General Manager of CAC Leasing, s.r.o. Mr. Engert was head of the controlling and organization department of **CA-Leasing, Vienna**, the leasing arm of the **Creditanstalt Group** before he was asked by the company to take over the position of executive director of CA-Leasing's Czech subsidiary — CAC Leasing, a.s. He has worked in the Czech Republic for the last two years. The **CEAR** spoke with him in October in Bratislava.*

CEAR: What trends in the leasing industry are influencing the way CAC does business in the Czech and Slovak Republics?
Engert: Today, to own a car or to have financing for a car is not enough in the Czech and Slovak Republics. Like in the Western countries, some sort of operational leasing is coming, [involving] payment for kilometers instead of an interest rate, and offering additional services [to the customer]. The customer needs a package and he doesn't want to take care of all the things that come with a car. He wants service.

If a leasing company provides that service, they will make a deal. If you have an agent that provides all those services, he will make the deal. Leasing companies are in a good position because the two things they have are the car and the financing, and they are [familiar with] offering insurance. And all the other things can be grouped around this [core].

CEAR: How is CAC adapting to the growing importance of a car's kilometer cost?
Engert: The kilometer cost of a car will have an effect in the next few years on which cars are bought by customers. We have to be with the supplier that offers such cars, cars with low fuel usage and low emissions. Customers have become aware of the environmental cost per kilometer and we have to be with the supplier who offers "Green" cars. This will become more important in the next 1-3 years.

CEAR: What will the overall leasing market in the Czech Republic look like in three to five years?
Engert: Right now, the main leasing companies offer finance leases — full payout with insurance. This is the package at the moment. Finance leasing, however, is slowly disappearing. Operational leasing will be a big part [of future business].

"We have to be with the supplier that offers cars with low fuel usage and low emissions. Customers have become aware of the environmental cost per kilometer and we have to be with the supplier who offers "Green" cars. This will become more important in the next 1-3 years."

Many leasing companies will also disappear. At the moment in the Czech Republic, there are [almost 300] leasing companies. As some of these companies go under, this number will drop to a more normal level.

Also, I think the big car importers will have their own leasing companies.

"Most companies don't have a proper balance sheet or history and they don't have future plans. To do business without these things, that's the art of working in this market. You have to be flexible and creative."

CEAR: How will CAC adapt to this situation where the big importers establish their own leasing companies?
Engert: We will increase our good relationships with the importers. At the moment, for example, we're discussing with **Renault Credit International** about establishing a joint venture with them. So Renault will not go into the Czech Republic with their own leasing company but as a joint venture together with CAC leasing. And this means we won't lose them [as a client] but we will share the profit from the financing.

CEAR: Is this deal imminent?
Engert: The letter of intent is signed and it should start on the first of January.

CEAR: What other strategic partnerships has CAC entered into?
Engert: Of course, we're trying with other companies. It's not easy in a country like the Czech Republic to start a leasing company. A lot more work and preparation is necessary. So, whenever we hear that a company is planning to do business here, we give them detailed information about what it means to establish and own a leasing company. And maybe we can bring them together in a strategic partnership or joint venture.

CEAR: What needs to change in the Czech Republic so that CAC can develop its leasing operations faster?
Engert: For us, the biggest problem is that the privatization of companies, the development of a free money market, and the development of new branches of activities is very restricted. Not only by law, but also in the minds of people.

For example, partnerships with a foreign company or a shareholder change in a company are very hard to do in the minds of some people. This means that there is not so much money and power for restructuring.

I think it is necessary that more people understand that foreign companies are not evil or trying to steal something out of the country, but that they are trying to make business in the country. Maybe it will take a generation to change this [attitude], but it's necessary.

CEAR: What must a leasing company in the Czech Republic do to stay competitive?
Engert: Develop. We are the biggest universal leasing company in the Czech Republic. We have a 23% market share. We have a large profit and turnover. It would be very easy to say that the major work is finished and now it's time to reap

the rewards.

We are always trying to keep an ear to the market and watching what the other leasing companies are doing. We have a very strong relationship with foreign leasing companies. We try to stay on top of changes in this industry.

CEAR: What are some of the biggest changes that you've had to adapt to in the Czech Republic?
Engert: You can no longer get state guarantees to secure business, and you don't get bank guarantees. You have to find your own way to secure business. For example, most companies don't have a proper balance sheet or history and they don't have future plans. To do business without these things, that's the art of working in this market. To secure business in other ways you have to be flexible and creative.

I think this is one of the biggest problems that the major foreign companies, not just leasing companies but banks also, have in this market. They try to do it the old way: 'O.K. You want financing, give us a bank guarantee.' But that's not possible.

CEAR: How do you overcome this problem of obtaining security?
Engert: For example, you must be very close to the company that wants to do the financing. Develop together with them a plan for the future. Discuss with them the main orders they have on their books. And on the basis of this information, secure the business. This is one of the ways.

It's not easy. It's not like opening a bank account and having the right to get the money out of the account. You have to work together very close with the company. You need local knowledge of the company. You need local knowledge of the [industrial] branch they are in. And then you can do it. But you need, of course, local knowledge. It's essential.

CEAR: What do you think are the most promising sectors in the leasing market?
Engert: One is cross-border leasing. Because of the good relationships we have with the local companies, we know about their wishes to have financing for export to the East. Unfortunately, it's not to the West because that would be easier. But they want to go into Eastern countries and to create a cross border transaction from the Czech Republic, for example, to Ukraine. This is very interesting. You can earn a lot of money, of course, if you are able to secure it. That's the main question.

We're also working on partnerships with manufacturers not even in the auto industry, [such as makers of] copy machines, computers, machines for building things. This is a very good field.

"Just offering financing with an interest rate, that's not enough. Those companies that don't work on their services and ideas, they will disappear."

CEAR: Are you actively developing a cross-border leasing business?
Engert: Yes. We've had the first negotiations in Poland, Ukraine, and Russia. I think in six months, in the Spring of 1998, we'll have the first cross border lease. There are some good opportunities, even to Asia. But it's always a question for us whether there will be [repeat] business. We don't want to make the effort to find out the leasing and financing situation in, say, India, for one deal. So it should be a volume [transaction], then we can think it over.

CEAR: How will you overcome the problem of securing these cross-border leases?
Engert: There are ways, of course. There's the EGAP [Export Guarantee and Insurance Corporation] in the Czech Republic who can secure transactions that match their structures. In countries like Ukraine or Russia, you can get bank guarantees. You have to make a mix, you can't rely on one source.

CEAR: What's one of the most unique new services that leasing companies are offering customers in the Czech and Slovak Republics?
Engert: In the Slovak Republic, for example, it's new that you can get insurance from the leasing company at a lower premium than you'd get directly from an insurance company. This is nothing new in the West, but for this market it is new.

We're now working on the all inclusive services idea. In the near future, in about three years, the customer, for example, won't need money for fuel but will have a service card. This will all be a part of the leasing contract. And the customer won't pay any interest rates or financing but will pay for kilometers.

CEAR: Other than through cross border leasing, is CAC looking to expand its operations further east?
Engert: Not at the moment. We don't have the management capacity. We need the management for our own companies so there is no reason to [divert manpower] to another country to develop another product.

CEAR: What kind of leasing companies will still be around in 5 years?
Engert: Companies that focus on suppliers. Companies that focus on services. Companies that are specialized. Just [offering] financing with an interest rate, that's not enough. Those companies that don't work on their services and ideas, they will disappear.

CEAR: What's the most dynamic aspect of the leasing industry in the Czech Republic?
Engert: The most exciting thing is that everything changes. It's not like at banks where you are fixed on a credit and you give the money and never see the product. In the leasing industry, you play with the product and you have to match your financing to the product. The right structure for a computer will be different from a piece of construction machinery.

You have to [understand] the product and the financing possibilities and combine these two to find the right solution for the client, yourself, and the supplier. That's the most exciting thing in the industry — it changes all the time. If you find a new supplier, he has an idea about what financing would match to his product and you think over this idea and you find new ways to make the lease. That's really fun.■

New Products, More Sophistication, Tough Competition

Regional Special Report: Financing

Change is afoot in the automotive financing sector in Central Europe. Not only is the volume of financing transactions increasing — in Poland, 40% of new car sales in 1996 were financed, compared with 35% the year before — but the sophistication of financial instruments is growing and the range of related services is expanding. "Financial instruments are getting stronger and stronger and financing techniques are improving," said Laszlo Kovacs of **Daewoo Bank** in Budapest.

All Inclusive Leasing On the Way

In the Slovak Republic, customers can now get insurance from leasing companies at a lower premium than available directly through an insurance company. "This is nothing new in the West, but for this market it is new," said Peter Engert, General Manager of **CAC Leasing** in Slovakia. "Those companies that don't work on their services and ideas, they will disappear." (*see **Profile Interview** with Mr. Engert starting on page 1)*

According to Mr. Engert, in about 3 years leasing companies in the Czech and Slovak Republics will offer their customers packages that include all services related to the use of the vehicle, such as insurance, fuel, and repairs. Customers won't pay an interest rate but will pay only for kilometers.

Operational Leasing on the Rise

In the Czech Republic, finance leasing is still the predominant leasing instrument. Operational leasing, however, is slowly growing. "I believe that in the future, operating leasing will be one of the business opportunities in the Czech Republic," said Jiri Kubicek, Chairman of the Board of Directors of CAC Leasing in Prague. And in Hungary, 1-2 year operational leases for vehicles are now available.

Consumer Financing Growing in Importance

In the Czech Republic, the volume of consumer auto financing is still low — it is estimated that consumer leases account for only 10% of all auto leases. In Hungary, however, consumer financing is growing. "Now consumer leasing is more important than commercial leasing," said Mr. Kovacs of Daewoo Bank.

Car Manufacturers' Financing Arms Getting in On the Action

Car manufacturers' financing affiliates are entering the leasing markets in Central Europe through a number of different methods. In Poland, for example, **Daewoo** has established a leasing company through a joint venture with a local bank, **General Motors** took over a Polish bank, **Ford** has established its own bank (a subsidiary of **Ford Credit Europe**), **Renault** operates through an agreement with a bank and leasing company, and **Fiat** operates through agreements with banks.

Tough Competition

In the realm of consumer financing, these financing companies face fierce competition in Poland from major deposit banks who are using consumer financing such as car credits to attract new customers.

In late 1996, a price war erupted, with many Polish banks granting car credits with low interest rates (some below the National Bank of Poland's discount rate), resulting in a severe squeeze on margins. This harsh competitive landscape in Poland is keeping some players from realizing the full potential of the financing market.

Changes Needed

In general, the further development of car financing in Central Europe is hindered by restrictive regulations that make it difficult to offer new forms of credit and by confusing financing rules. With EU integration looming in the future for many of the Central European countries, such unwieldy rules and regulations are likely to change.

In Hungary, for example, from the 1st of January 1997, significant changes were made to the country's leasing legislation. Although the changes are not perfect and taxation and accounting confusion still exists, the new rules more closely follow established international treatment of leases. (*see CEAR™ November 1997 for an analysis of Hungary's new leasing regulations*)

Russia & CIS Watch

- **Renault** recently signed a preliminary agreement with the city of Moscow to build vehicles at the AO Moskvich factory outside of Moscow. Renault will invest $350 million for a 50% stake in the venture, which may involve production of 120,000 vehicles annually.

- Private sector experts estimate that annual car sales in Russia will reach 15 million by the year 2005 and possibly as high as 29 million by 2006.

- US exports of passenger cars to Russia from Jan-Aug 1997 was $42 million, up 17% from $36.2 million during same period in 1996.

- EU estimates suggest that exports by EU manufacturers to Russia of automotive spare parts and accessories rose from $4 million in 1995 to nearly $99 million in 1996

- US exports of parts and accessories to Russia were $6.14 million during the first eight months of 1997, up 162% compared to the same period during 1996

Important Tax Changes In The Czech Republic: Corporate Tax Lowered; VAT Changes; New Regulations for Asset & Service Valuation

Czech Republic Tax, Customs, and Finance Update

By Peter Chrenko, Tax Manager, Arthur Andersen, Prague

Recent amendments to the Czech Republic's tax legislation may be relevant to the Czech automotive industry. Most of these changes are valid from January 1998, but some took effect immediately from the date the amendments were published in the Collection of Laws.

Reduction of Corporate Income Tax Rate

No doubt, the most important change is the reduction of the corporate tax rate from 39% to 35%, bringing the Czech Republic into line with Western Europe. However, the effective tax rate is still slightly higher in the Czech Republic if we take into account the computation of the corporate tax base, as some accounting expenses cannot be treated as tax deductible items, such as foreign exchange reserves and bad debts reserves over the statutory limit.

Still No Investment Incentives

No special reliefs, incentives, or breaks have been introduced to attract more foreign investment. We will probably have to wait for a new tax reform which is expected to be introduced from the year 2000.

Nevertheless, the government is apparently more willing to negotiate some incentives (e.g. subsidies for training of employees, infrastructure, customs free imports of machinery) on a case by case basis to attract large scale investments.

Leasing

Financial leasing will most likely continue to be a growing business. The efforts of the Ministry of Finance to limit the tax deductibility of the total amount of lease payments on one car to $20,000 and to extend the minimum possible lease period from 3 to 4 years was not supported by the Parliament.

Therefore, the current regime will continue to apply. Under this regime a company can effectively depreciate passenger cars and small commercial vehicles over 3 years with no cap on the price.

Commercial vehicles can also qualify for an investment relief in the amount of 10% of the acquisition price of the vehicle in the year when the lease starts. This deduction from the tax base can be claimed in the year when the company achieves a tax profit.

"No special reliefs, incentives, or breaks have been introduced to attract more foreign investment. We will probably have to wait for a new tax reform which is expected to be introduced from the year 2000. Nevertheless, the government is apparently more willing to negotiate some incentives on a case by case basis to attract large scale investments."

Unpaid Social and Health Insurance

The current critical situation in the collection of social and health insurance caused a change in the legislation, according to which companies that do not pay the social security by the tax return submission deadline for the 1997 calendar year (March/June 1998) will have to increase their tax base by the amount due but not paid.

Mortgage and Building Loans

The good news for employees is that their employer can reduce their salary tax base by the amount of interest paid during the year on mortgage and building loans. Currently, the law does not impose any limits in this respect for the 1998 fiscal year, however, this could change in future years.

Other Corporate Tax Changes

Among other changes is the extended definition of related parties for transfer pricing purposes which is intended to stop the growing tax evasion in this area. To help companies with receivables due before 1995, the bad debt relief was increased from 10% to 20% annually, allowing companies to write these receivables off for tax purposes over the next 5 years.

What's New With the VAT?

The most significant change for consumers is the increase of VAT rates for energy (i.e. electricity, gas) to a standard 22% rate with the exception of heat which remains in the 5% category. There are no significant changes related directly to the automotive industry.

However, car owners who have converted their car engines to use propane-butane as a fuel will find that they have to spend more money to fill the tank since the propane-butane will be now subject to the standard 22% rate, not 5% as it is today.

For VAT registered persons who are entitled to claim VAT back, the effect of this change should be minimal. This measure will still leave propane-butane less than half the price of petrol or diesel due to a lower excise duty.

Refund Of Czech VAT To Foreign Entities

The news awaited by many foreign car producers concerns the ability of foreign legal entities that suffer Czech VAT on some services and goods to have the VAT refunded. Pursuant to a new provision, VAT will be reclaimable on the following qualifying goods and services:

- lubricants necessary for the operation of motor vehicles (with the exception of fuel, diesel oil, and bio-oil);
- vehicle repairs;

Continued on Page 20

Spotlight *Continued from Page 11*

The key to improving quality was instituting a quality system in which all workers know what the current situation is and what are the targets for the year. "That's our way," said Schlick. "Open availability of the quality targets and quality status."

Quality targets are set with input from the workers. When the company started implementing this system, Schlick said the employees were disappointed when they were asked for their input — they wanted to be told what to do.

"I said, no, we can discuss it," said Schlick. "'You must tell me what are the ways so that we can find together the right way.'"

The Czech Card

"You can't be happy with the situation in [the Czech Republic] because you don't get any help from the government," said Schlick. "Nothing." He noted, however, that this is chiefly a problem for small foreign companies that want to establish operations in the Czech Republic. 'The [government] doesn't realize that [small companies] need help." Of course, this becomes a problem for VDO because it needs more sophisticated suppliers in the Czech Republic.

High inflation and an inflexible tax system also create problems for VDO. "The situation is more serious than [the government] realizes," said Schlick. "A lot of things must still be improved."

Border delays also dog the company. Contending with border administration for goods moving both into and out of the Czech Republic is a problem. "It takes a lot of time and [manpower]," said Schlick. "It's very complicated."

On the positive side, Schlick has noticed a big change in the unemployment situation in the Czech Republic. The Czech Republic's low unemployment rate has kept some companies from expanding their operations.

"There are a lot of Czech companies with no future and people are [leaving]," he said. "[In the past], we had problems finding new employees, but that has changed in the last six months."

The Labor Card

The Czech Republic's low labor costs have been a key to VDO's success. "Administrative costs have increased a lot, but production costs are still very low," said Schlick.

How long will this advantage continue? "It's very problematic to find the right answer," he said. "From my point of view, more than 10 years, maybe 20."■

Show *Continued from Page 9*

leasing offer — with a 50% down payment — through its dealer network. Management hopes that the system will boost sales that stood in 1995 at 150 units and 266 in 1996. The company's 1996 turnover reached Lei 13 billion ($2 million).

By far the most successful Hyundai models at this year's auto show were the H-1 M/Bus, launched at Geneva this year, and the Coupe 2.0 DOHC FX.

Accessories And Spare Parts Importer Flying High

Based in the Transylvanian city of Targu Mures, **Paneuro Trading** is very likely to be the largest Romanian wholesale importer of spare parts and accessories. Established at the end of 1990, the company grew constantly, exceeding by March 1995 a turnover of DM 1 million per month.

The company has developed an extensive countrywide network of dealers. It works primarily with OEM companies, mainly German — **FAG**, **Hella**, **Sachs**, **Prestolite**, **Bosch** — but also with Italian, French, and American companies. The company's stand was a major attraction at the fair, exhibiting one of the latest **Maseratti** models.

Challenging The Spare Parts Leader

A newcomer on the automotive spare parts and components market, the Bucharest-based **Meteor Auto Romania** has enjoyed tremendous growth during the last two years. At this year's show, the company challenged **Paneuro Trading's** supremacy on the market.

Meteor imports budget brand spare parts from companies such as **Purolator**, **Gomma Pirelli**, **Dayco**, and **Global**. The company is currently working hard to develop its distribution network throughout the country — so far it is present in seven major Romanian cities besides Bucharest, including Constanta, Iasi, and Timisoara.

Catalin Dimofte (Bucharest)

Classifieds & Investment Opportunities

Manufacturer of driving shafts, steering shafts, steering gears, and spare parts seeks foreign investor.
Wieslaw Kosieradzki, PIAST
tel: 48-22-827-8700
fax: 48-22-826-7341
Poland

Manufacturer of centrifugal oil separators, heaters, water and oil coolers for cars & trucks, water pumps for vans, trucks, and ships seeks foreign investor.
Wieslaw Kosieradzki, PIAST
tel: 48-22-827-8700
fax: 48-22-826-7341
Poland

Manufacturer of fuel supply systems for car & van engines, compressors for pneumatic braking systems for cars, buses, & farm tractors, compressor units & pneumatic fittings, & spare parts for compressors seeks foreign investor.
Wieslaw Kosieradzki, PIAST
tel: 48-22-827-8700
fax: 48-22-826-7341
Poland

Manufacturer of hydraulic cylinders, up to 32 bars pressure, 25-160 piston diameter, up to 4,000 mm length, seeks Slovak Republic commercial cooperation, offers production to order.
Jorgen Varkonda, SNAZIR
re:Rerosa s.r.o.
tel: 421-7-5335-175
fax: 421-7-5335-022
Slovak Republic

Manufacturer of exhaust flanges, light welded steel constructions, agricultural machines, and hydraulic components under Sauer Co. license seeks joint venture partner.
Jorgen Varkonda, SNAZIR
re: Topolcianske Strojarne a.s.
tel: 421-7-5335-175
fax: 421-7-5335-022
Slovak Republic

Manufacturer of car & truck air and oil filters seeks joint venture partner for production, financial, and distribution cooperation. Monthly air filter capacity for cars of 60,000, and 6,000 for trucks.
Jorgen Varkonda, SNAZIR
re: Sandrik a.s.
tel: 421-7-5335-175
fax: 421-7-5335-022
Slovak Republic

Manufacturer of pressed parts for cars, press units, electric carriages, and machine tools seeks commercial or production cooperation.
Jorgen Varkonda, SNAZIR
re: BAZ a.s.
tel: 421-7-5335-175
fax: 421-7-5335-022
Slovak Republic

U.S. partner sought for Czech producer of crankshafts (various sizes up to 2500 mm lengths) for purpose of contract manufacturing. Company is supplier to producers of engines for trucks, tractors, ships, & stationary aggregates. 1996 turnover expected to be $20 million.
Jan Vesely, IESC
tel: 420-2-2499-3170
fax: 420-2-2499-3176
Czech Republic

Partner sought for producer of diesel injection equipment for development, production, & sale of single and multi-cylinder in-line injection pumps for all types of diesel engines, as well as for injection systems, testing, measuring, & adjustment equipment. 1995 turnover was $40 million.
Jan Vesely, IESC
tel: 420-2-2499-3170
fax: 420-2-2499-3176
Czech Republic

Manufacturer of plastic parts for Opel, Mercedes, VW, & Suzuki seeks equity partner who is engaged in plastic processing business.
$5 million Investment
Csaba Kilian, ITDH
re: Pemu
tel: 36-1-118-0051
fax: 36-1-118-3732
Hungary

Supplier of seats for Suzuki cars & spare parts for Ikarus seeks purchaser. Company undergoing privatization process.
Csaba Kilian, ITDH
re: 02/Aut/96
tel: 36-1-118-0051
fax: 36-1-118-3732
Hungary

Battery manufacturer seeks joint venture partner for processing used vehicle starter batteries.
$2.1 million Investment
Csaba Kilian, ITDH
re: Perion
tel: 36-1-118-0051
fax: 36-1-118-3732
Hungary

***Legal** Continued from Page 5*

the EU or the Czech Republic only if the value added in the EU or the Czech Republic exceeds the value of the used materials with the origin in another country participating in the system of diagonal cumulation. If this condition is not met, the products are considered to have their origin in such country participating in the system of diagonal cumulation in which the highest share of value was added.

It can be concluded from the above that if material with its origin in an EU, EFTA, or CEFTA country is used in the manufacturing of a product in the Czech Republic, such material should be considered as having its origin in the Czech Republic, provided that the above conditions are met.

If the value added in other country of the diagonal cumulation system exceeds the value added in the Czech Republic, the final product may still qualify for preferential treatment granted to that other country designated by the above method as the country of origin of the product.

Please note that the rules of diagonal cumulation are in fact more complex than is described in this article. We, therefore, recommend that a customs law expert be consulted before making any conclusions as to the application of the rules of origin to a given product.

Prohibition of Drawback or Exemption from Customs Duty For Non-Original Materials

Pursuant to Article 15 of the Protocol, non-original materials used in the manufacturing of products that acquire their origin in the EU, the Czech Republic, or in other countries of the diagonal cumulation system and that obtain a proof of the origin under Chapter 5 of the Protocol shall not be subject to drawback or exemption from customs duty of any kind in the EU or the Czech Republic.

This prohibition shall apply to any measure relating to drawback, exemption, or non-payment of customs duty or other fees with equal effect, whether total or partial, applicable in the EU or the Czech Republic with respect to materials used in production of the final product, provided that this drawback, exemption, or non-payment applies explicitly, or de facto, if the final products are exported but not if they are designated for domestic use.

Maximum Duty on the Non-Original Materials

Article 15 of the Protocol also provided a ceiling for the maximum amount of customs duty that may be charged by the Czech Republic on non-original materials. This ceiling is 5% with respect to products under chapters 25 through 49 and 64 through 97 of the harmonized system (i.e., industrial products) and 10% with respect to products under chapters 50 through 63 of the harmonized system (i.e., textile products).

If the applicable rate of the Czech customs duty does not reach the 5% or 10% levels, such lower rate of the applicable Czech customs duty will apply. The above ceilings will apply until December 31, 1998 and may be re-evaluated by mutual agreement of the EU and the Czech Republic.

Conclusion

The above described changes of customs laws may substantially influence investment decisions of foreign investors that intend to utilize schemes based on the favorable customs regime between the Czech Republic and the EU. The new rules of origin will negatively affect investors using "non-European" components in products manufactured or assembled in the Czech Republic. It should not, however, be surprising that the EU tries to protect its interests and limit benefits of association agreements to its own products.

The Czech Republic cannot stay outside of the system of diagonal cumulation and at the same time enjoy certain advantages provided to it in the Association Agreement with the EU. The Czech authorities should have, however, informed the public and particularly the most affected foreign investors at a much earlier stage of negotiation and adoption of the new rules of origin. This measure would have added to the predictability of the investment environment in the Czech Republic and prevented certain bitter feelings on the part of the affected investors.■

***Highlights** Continued from Page 4*

Ford Motor Co. is developing two low-cost "value vehicles" for sale in emerging markets such as India, China, Brazil and Russia, according to an article in the **Detroit News**. Available for sale beginning in the years 2001-02, the passenger car and compact utility vehicle will have price tags of around $8,000 to $9,000.

The passenger car may be produced at Ford's $500-million plant outside the Indian city of Madras, reports the Detroit News. The utility vehicle reportedly is being developed in cooperation with **Mazda**, Ford's Japanese affiliate.

General Motors is also developing a minicar as a part of its "Blue Macaw" project with **Suzuki**. The four-passenger hatchback will sell for around $8,000 and be sold in South America and Eastern Europe. The car is scheduled to go into production in Brazil in late 1998 and Poland in 1999.

ITT Elects New Vice President

ITT Industries announced on October 21, 1997 that its Board of Directors has elected Dr. Jurgen Geissinger Vice President of the Company. Geissinger also serves as Chairman of the management Board of **ITT Automotive Europe GmbH**, and is responsible for the Brake & Chassis systems worldwide production group.

New Name For Hayes Wheels International

At **Hayes Wheels International's** annual shareholders meeting in October the company formally approved the change of its name to **Hayes Lemmerz International, Inc**. The name change follows the company's acquisition of **Lemmerz Holding GmbH**, Europe's leading full-line wheel manufacturer, which was completed on June 30, 1997. As a result, Lemmerz became a wholly-owned subsidiary of the company.■

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2.

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***Tax, Customs** Continued from Page 15*

- spare parts and accessories;
- towing services;
- guarantee repairs; and
- services related to the organization of exhibitions, fairs, and congresses, including the lease of exhibition premises.

This new provision, however, only applies if there is a special treaty signed by the Czech Republic with the respective government. As is indicated above, the qualifying services and goods relate mainly to the automotive and transportation industries.

The current system of treaties on avoidance of double taxation, however, only relate to income taxes and property taxes. Therefore, they cannot be used for application of this new VAT relief. New treaties must be negotiated and concluded by the Czech Republic with all relevant countries.

New Definition of Taxable Supply

Under the new amendments, there will be just two main categories of taxable supplies:

- delivery of goods and the transfer of real estate; and
- provision of services.

Every activity which is not in the first category would be treated as a provision of services.

Date Of Taxable Supply For Services

In the past, a number of companies have had problems determining the date of taxable supply for the supply of services. Therefore, if a tax document was issued before the date that services were rendered, the tax authorities could have treated such document as an invalid VAT document and thus disallowed the customer's right to claim the input VAT.

The 1998 amendment changes the current definition of effecting a taxable supply with respect to the supply of services. According to the new wording of the law, taxable supply related to the provision of services is also considered to be effected on the day when a tax document is issued.

Consequently, the day of effecting a taxable supply in the case of the provision of services shall be the day when such services are rendered or paid for or the day when the tax document is issued, whichever occurs earlier.

Valuation Act

A new Valuation Act has been adopted which stipulates the methods of valuation for assets and services for various purposes, but primarily to establish a tax base when price is not determined by the parties because of the nature of the transaction (e.g. gifts, inheritance, transfer of real estate, transactions between related parties) or when property taxes are levied (real estate tax).

Apart from stipulating the valuation methods, the Valuation Act directly amends other tax legislation including the Income Tax Act, VAT Act, and Inheritance/Gift/Real Estate Transfer Tax Act, generally replacing the wording "usual price" currently used by these acts to "price determined by the Valuation Act."

Financial authorities may use this act as a tool to attack transactions between related parties, such as intercompany services, transfer of rights, industrial rights, immovable property, ownership interest and securities. Therefore, it is recommended that special attention is paid by Czech companies to this area.

Conclusion

The Czech tax system is based on relatively standard principles, but it is still not very advanced. A significant problem is the interpretation of the law which may vary from one financial authority to another.

Continued on Page 22

CEAR™ Czech Automotive Parts and Components Suppliers

COMPANY	PRODUCTS	CONTACT	TELEPHONE/FAX
ALMET	Alloy pistons (OD 33-350 mm) for motorcycles, commercial vehicles, locomotives, ships; alloy diecastings	Ing. Josef Skala Director	t: +420-49-398304 x: +420-49-35466
ATESO	Hydraulic and air brake components and devices, air suspension components, shock absorbers, electromagnetic pumps	Ing. Rudolf Hippmann Director	t: +420-428-511 x: +420-428-25559
AUTOPAL	Headlamps, alarm lights, hydraulic leveling devices for headlamps, stop-signal switches, heat exchangers	Ing. Ladislav Glogar Director	t: +420-656-780111 x: +420-656-780666
AUTOTECH PRAHA	Commercial vehicles superstructures	Ing. Petr Mrnavy Director	t: +420-2-8502320 x: +420-2-8502593
AVIA	Commercial vehicles, diesel engines, single purpose machines and tools	Kil-Su Chung Director	t: +42-2-8591820 x: +42-2-8590518
AVIA KAROSERIA BRNO	Commercial vehicles, superstructures,	Mgr. Jan Krivy Director	t: +42-5-43213836 x: +42-5-4321194
AVIA KUTNA HORA	Complete front and rear axles for AVIA light CVs and their spare parts, hydraulic jacks (2.7 and 4.5 tons), aluminum platform boxes	Ing. Vladimir Kroupa Director	t: +42-327-2001 x: +42-327-4279
AVIA STROJIRNA NOVOSEDLY	Production and sale of container carriers on AVIA and TATRA chassis, pressing containers	Ing. Jaroslav Kremecek Director	t: +42-625-925326 x: +42-625-925201
AXL SEMILY	Hydraulic power assisted steering for commercial vehicles, hydraulic components and devices	Ing. Otokar Pikora Director	t: +42-431-2341 x: +42-431-3336
BRISK TABOR	Standard spark and glow plugs for I.C. engines, sensors, engine diagnostic devices, technical oxide ceramics, protective tubes	Ing. Jan Bednar Director	t: +42-361-281055 x: +42-361-281044
BRANO	Cars locks, central unlocking system. Boot and bonnet hinges, car jacks, gray and malleable iron castings, pressing tools	Ing. Pavel Juricek Director	t: +42-653-918111 x: +42-653-911452
BSS - METACO	Semitrailers - platform, tipping, container, cooling, special	Pierre Gagneau Director	t: +42-202-804301 x: +42-202-803188
CZ STRAKONICE	Special chains, gearbox parts, dies for aluminum and zinc alloys, molds for plastics and rubber, castings	Ing. Jan Kunes Director	t: +42-342-541111 x: +42-342-5413025
BUZULUK KOMAROV	Piston rings, valve seats, car parts, machinery and equipment for plastic and rubber industry	Ing. Frantisek Devera Director	t: +42-316-572208 x: +42-316-272234
DESTA	Light commercial vehicles, hand operated pallet trucks	Ing. Marek Macourek Director	t: +42-48-28336 x: +42-48-20449
FERODO	Nonasbestos friction materials, brake system components: linings, pads, shoes, discs, clutch components	Ing. Pavel Dusil Director	t: +42-444-21801 x: +42-444-21477
GLAVUNION	Toughened and laminated safety glass for vehicles.	Ing. Jacques Dumont Director	t: +42-417-929209 x: +42-417-926931

CEAR™ Czech Automotive Parts and Components Suppliers

GUMARNY ZUBRI	Driving gear belts, accumulator casings, carpets and mud guards, rubber pressings	Oldrich Parduba Director	t: +42-651-517111 x: +42-651-57835
GUMOKOV	Rubber-metal parts for commercial vehicles, rotary shaft seals, valve stem seals, bearing seals	Ing. Jaroslav Burda Director	t: +42-49-5753111 x: +42-49-616827
GUMOTEX	Foam shaped fillings/inserts for seats and backrests for cars & trucks, headrests, sunvisors	Ing. Jiri Kaluzk Director	t: +42-627-724111 x: +42-627-21017
HAYES WHEELS AUTOKOLA NH	Disc wheels for passenger cars	Ing. Erich Zipser Director	t: +42-69-284402 x: +42-69-287434
HANACKE ZELEZARNY A PEROVNY	Leaf and parabolic springs, helical springs, stabilizers for cars and CVs	Ing. Jiri Vybiral Director	t: +42-508-412 x: +42-508-22241
HELLA AUTOTECHNIK	Lighting equipment for motor vehicles, headlamps, direction indicator lights, rear lights, headlamp washers	Ing. Oldrich Svoboda Director	t: +42-648-51622 x: +42-648-51322
IMTESO	Filters, air suspension, brake components	Ing. Milos Ptacek Director	t: +42-2-542734 x: +42-2-5813121

The information contained in the above list was obtained from the best available sources. Omissions, typographical errors, and number changes, however, may occur. Please send any corrections to CEAR™ at the address listed on page 2.

Tax, Customs *Continued from Page 20*

The current tax administration law still gives more power to the authorities, and it can be very difficult to bring authorities to account for their actions. However, this should change at least to some extent with amendments to the Tax Administration Act which are now being discussed by the government.■

Clarification

In the October **CEAR**™ Regional Special Report "Logistics & Transportation," the Austrian-based **Hodlmayr International** should have been named as the mother company of **HN-K Autotransport**. HN-K Autotransport, a subsidiary of Hodlmayr International, operates in Poland. Hodlmayr International has subsidiaries in eight countries, including the Czech Republic, Poland, Hungary, and Slovenia.

Show *Continued from Page 6*

with 1996. This is an unexpected trend, given the shaky Romanian economy, and it continues the double-digit growth seen in the last few years. Only the heavy trucks segment (over 7 tons) felt the pressure of poor economic conditions.

During the first half of the year, **Skoda** replaced **Ford** as the leading importer. The Felicia is the best-selling model, as the Octavia is still too expensive for Romanians. However, if one counts the 1,000 Ventos sold to the Romanian police, then **VW** would be the leader. Nonetheless, Ford may regain its position by the end of the year as the company promotes its aggressive low pricing policy.

Catalin Dimofte (Bucharest)

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New Car Registrations in Europe

Country	1997	1996	% Change
Italy**	1,865,900	1,349,000	38.32
Sweden	163,100	127,100	28.32
Poland*	**370,941**	**289,891**	**27.96**
Greece**	124,100	109,400	13.44
Spain**	753,000	675,900	11.41
Ireland**	115,300	106,200	8.57
Denmark**	119,700	110,900	7.94
Finland	83,600	77,700	7.59
U.K.	1,777,100	1,657,200	7.24
Luxembourg	25,300	24,700	2.43
Norway	96,700	95,800	0.94
Netherlands**	395,200	393,200	0.51
Germany**	2,703,400	2,717,300	-0.51
Belgium	318,400	323,300	-1.52
Switzerland**	215,300	218,700	-1.55
Portugal**	160,400	165,600	-3.14
Austria**	226,100	256,700	-11.92
France	1,247,800	1,650,500	-24.40

* Grey import not included
**The figures for these countries are provisional

Source: SAMAR

Top Selling Companies in Poland (YTD September 1997)

Passenger Cars

Make	Volume 1997	Market Share %	Volume 1996	Market Share %
FIAT	128,167	34.55	122,207	42.16
DAEWOO	95,057	25.63	70,102	24.18
GM - OPEL	35,430	9.55	21,041	7.26
RENAULT	17,888	4.82	18,351	6.33
SKODA	17,296	4.66	10,268	3.54
FORD	13,479	3.63	7,953	2.74
VW	11,442	3.08	7,249	2.50
SEAT	10,646	2.87	6,111	2.11
PEUGEOT	8,271	2.23	5,191	1.79
CITROEN	6,627	1.79	3,416	1.18

Commercial Vehicles

Make	Volume 1997	Market Share %	Volume 1996	Market Share %
DAEWOO MOTOR POLSKA	9,880	24.92	8,203	23.93
DAEWOO	8,936	22.54	11,564	33.73
CITROEN	4,159	10.49	2,188	6.38
FIAT	3,189	8.04	5,249	15.31
MERCEDES	2,425	6.12	823	2.40
FORD	2,364	5.96	1,443	4.21
PEUGEOT	1,502	3.79	126	0.37
SKODA	1,463	3.69	143	0.42
VW	1,402	3.54	976	2.85
RENAULT	1,003	2.53	665	1.94

Source: SAMAR

Sales of New Cars and Commercial Vehicles in Poland

					YTD September		
	1992	1993	1994	1995	1996	1997	% Change
	Passenger Cars						
Local Production	144,748	170,549	199,724	206,284	189,932	253,125	33.27
Import	54,531	71,059	50,558	58,754	99,959	117,816	17,86
Total	199,279	241,608	250,282	265,038	289,891	370,941	27.96
	Commercial Vehicles						
Local Production	19,665	18,475	21,413	27,984	28,725	30,998	7.91
Import	3,250	5,497	2,542	3,962	5,557	8,642	55.52
Total	22,915	23,972	23,955	31,946	34,282	39,640	15.63

Source: SAMAR

