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MAN to Build Heavy Trucks in New St. Petersburg Plant

By The Moscow Times

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MAN, seeking to challenge Daimler in the fast-growing Russian heavy truck market, could announce plans to build a factory in St. Petersburg as early as next week, three people familiar with the matter said.

Chief executive Georg Pachta-Reyhofen and the Russian city's governor, Valentina Matviyenko, could sign an investment agreement at a meeting April 14, said the people, who declined to be identified because the plans are still private.

The factory will be MAN's first production site in Russia as the Munich-based truck maker expands in emerging markets to take advantage of growing demand for commercial vehicles. MAN, Europe's third-largest maker of commercial vehicles, expects the Russian market for trucks weighing over 6 tons to more than triple to about 170,000 vehicles by 2020.

"Russia will be a key pillar of MAN's growth strategy," said Marc-Rene Tonn, an analyst with

M.M. Warburg in Hamburg who recommends buying MAN stock. "Local production would help MAN avoid import tariffs and tap the market's vast potential."

Pachta-Reyhofen will be traveling to Russia's second-biggest city as a member of the business delegation accompanying Bavarian Prime Minister Horst Seehofer, the people said. Along with MAN, the state in southern Germany is home to Bayerische Motoren Werke, Audi and Siemens.

"Russia is a huge market for transportation, though it's maintaining obstacles to investment," said Erwin Huber, a lawmaker from Bavaria's ruling CSU party and a former state minister. "Politics can help trigger business projects and improve market access for companies."

MAN opened a truck assembly plant in 2007 near Krakow, Poland, to lower costs and target demand in Eastern Europe with vehicles tailored to the region. The factory has an annual capacity of 30,000 vehicles.

MAN's main commercial-vehicle unit has 13 production sites around the world. Together with partner Avtomobili Rossia, MAN won an order last December for 1,700 TGS heavy trucks from Magnit, the country's largest food retailer by market value.

"Russia is an important part of our internationalization strategy," Frank Hiller, the division's sales and marketing chief, said in December.

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