

# Ford Mulls More Local Models

By [The Moscow Times](#)

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A Lada on display at this week's St. Petersburg car show. Ford and other foreign makers now produce locally. **Alexander Demianchuk**

Ford plans to launch a range of new automobile models in Russia to take advantage of an emerging middle class and hopes its new local joint venture will help eventually solve capacity constraints that are limiting output.

The Ford Focus is the fourth-highest selling model in Russia, but the group feels it needs to offer a wider range to take full advantage of a market that is expected to overtake Germany as Europe's biggest later in the decade.

"Under our current operating pattern, we don't have the capacity to offer all the Ford products we'd like to. ... Our two products Focus and Mondeo sell exceptionally well, but they don't cover enough of the market where other opportunities are," said Ten Cannis, head of Ford's joint venture with local player Sollers.

"We have other Ford products that would fit naturally there. The goal is to get as many

of those other Ford products into Russia [as possible]," he added, during a recent auto industry conference in Moscow.

Ford-Sollers was formed last year in the presence of Prime Minister Vladimir Putin and backed by a 36 billion ruble (\$1.24 billion) loan from state bank VEB.

The venture will produce and distribute Ford cars using Sollers' manufacturing capacity in the republic of Tatarstan and was created to help the U.S. firm take advantage of state incentives to encourage more local production of foreign brands.

Renault, General Motors and Volkswagen are among the other international players expanding capacity in Russia, while mainland Europe battles with an overcapacity crisis that may force plant closures.

Cannis, a jet-black haired, 45-year-old American who most recently ran a similar Ford joint venture in Turkey, said growing consumer confidence in Russia, combined with the emergence of a new middle class meant drivers were demanding more variety from showrooms.

"Now with the growing middle class, people want more diversity of choice — an SUV vs. a car. They can afford a bigger range of more expensive vehicles, with more equipment on those vehicles, than existed before," he said.

"For global manufacturers, it allows them to bring into Russia products that would fit in nicely in the rest of the world because now the segments are big enough that it justifies more volume here and local production," he added.

Ford has announced the start of production of its Transit van and Ford Explorer SUV in Russia, but Cannis would not say what the next model will be.

He said the group had its hands full converting the Sollers manufacturing sites it has inherited into Ford standard plants — a move that requires a complete overhaul.

Ford has committed to a state target for 350,000 vehicles to be produced in Russia per year by 2014, including 125,000 at its stand alone plant in St. Petersburg.

In return, customs duties on components will be waived while the local supply chain develops. The government program threatened to disrupt Russia's talks on joining the World Trade Organization, which were finally wrapped up late last year.

"Is there a risk on timing? There is always a risk on timing, [but] the entire plan is a government requirement. ... We will make the plan," Cannis said.

Russian car sales are expected to grow by about 6 percent this year to 2.8 million units, according to both government and independent forecasts, with the market seen reaching 4 million units by mid-decade.

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