

# Avtotor, Magna Join Forces in a Plan to Build 21 Plants

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Kaliningrad-based car plant Avtotor already assembles automobiles for international car brands including KIA Motors, BMW, General Motors and Opel. **Maxim Stulov**

AVTOTOR PLANT, Kaliningrad Region — The country's biggest maker of foreign-branded cars, Avtotor, on Thursday joined forces with Canada's Magna in an effort to provide more local components for the vehicles.

In a deal they signed, Magna agreed to compose a plan for Avtotor and foreign manufacturers of cars and their components to build 21 plants worth an estimated 84 billion rubles.

The arrival of Magna on board could bolster the chances that the plan will materialize.

"We found a very good base for automotive production here," Gunter Apfalter, president of Magna Europe, said before sitting down to put his signature on the deal. He added that it had taken a year and a half to negotiate the agreement.

Magna will do the work in exchange for the option to buy 49 percent of the future Avtotor company that will manage the project if it takes off.

Apfalter and Vladimir Shcherbakov, chairman and majority owner of Avtotor, signed the deal in the end-of-the-line section of Avtotor's assembly plant amid red Chevrolet Lacetti cars and as workers — on a break from their daily grind — looked on.

As a result of the broader plan, Avtotor and yet-unidentified partners will build six plants to assemble at least 250,000 cars per year. The makes include Kia, Land Rover, Subaru, BMW, Hyundai and GM.

Magna, GKN, Johnson Controls, Eberspächer, Lear and Fagor could build plants to produce components such as fuel tanks, bumpers and noise insulation.

"Nobody else in Russia is implementing projects that are so big," Timur Mikaya, a representative of the Industry and Trade Ministry, said at the ceremony.

Kaliningrad region Governor Nikolai Tsukanov said the path to the deal with Magna was full of hurdles.

"There were many people who wished to stop this work by Avtotor," he said at the ceremony. "Nevertheless, this agreement will be signed."

He didn't elaborate, saying only that President Vladimir Putin's support had been essential for the project to advance.

The other automakers that assemble foreign models in Russia include Sollers, run by the son-in-law of former Industry and Trade Minister Viktor Khristenko, who left the ministry in February. Billionaire Oleg Deripaska's GAZ intends to start producing foreign brands next month.

Avtotor expects to produce 251,000 cars worth 5 billion euros this year, Shcherbakov said.

The planned assembly plants will replace the existing ones and be able to house equipment for the latest technology, Avtotor chief Alexander Sorokin told The Moscow Times. Any future car-component manufacturers could occupy these current facilities, he said.

Avtotor estimates that the project will allow local production of 48 percent of the parts required by the project's future car assembly plants. A car has about 20,000 parts.

Avtotor assembles 32 foreign models — a world record, Shcherbakov said — for brands such as BMW, Cadillac, Kia and Opel, in addition to Chevrolet this year. The company accounted for 21 percent of the 1.1 million foreign models made in Russia last year.

Magna is the world's fourth-largest auto parts supplier.

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