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INDEPENDENT NEWS FROM RUSSIA

Car Ownership Easier, More Expensive

By Lena Smirnova

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A typically busy day on Moscow's Garden Ring. **Andrei Makhonin**

With new rules simplifying registration of automobiles going into effect Tuesday, the country's rapidly growing number of motorists will find the time and paperwork it takes to buy and sell a vehicle greatly reduced, while cost of ownership is on the increase.

From Oct. 15, motorists no longer need to go to the traffic police to deregister a vehicle being sold and remove its license plate — this will now move with the car to its new owner. Car buyers can register their purchase with any branch of the traffic police, not only the one where they are registered, Kommersant reported.

But a car owner in Moscow needs to budget on average 80,000 rubles ($2,480), annually for this privilege, 10 percent more than the ancillary costs associated with car ownership in 2012 and greater than similar expenses in many other developed countries, according to the Committee for the Protection of Drivers' Rights.

In the long term, experts predict soaring costs will push more Muscovites to embrace public

transport. But so far, the rush to buy cars continues unabated.

Russia is set to overtake Germany to become the largest car market in Europe by 2020 and the fifth largest market in the world by then, according to a report that Boston Consulting Group released in July. There are currently 290 cars per 1,000 Russians, but the market is expected to grow by 6 percent each year through 2020 to reach annual sales of $4.4 million, Reuters reported.

Fuel and insurance are the largest expenses, though drivers who need to park daily in the city center may see their costs double thanks to the fees for parking within the Garden Ring that went into effect as of June 1.

Gasoline prices range from 30 to 35 rubles per liter, depending on the octane level, which is about 6 percent more than a year ago. Diesel fuel prices have jumped even more significantly in recent years: from 17.8 rubles per liter in January 2010 to 30.8 ruble per liter now.

A car that completes a 20,000-kilometer run would thus burn 60,000 rubles in fuel, said Alexei Dozorov, chairman of the drivers' rights committee branch in the Moscow region.

Fuel prices are expected to increase another 6 to 10 percent in 2014, Deputy Prime Minister Arkady Dvorkovich said Monday, Interfax reported. This increase would be similar to the one in 2013. However, LUKoil president Vagit Alekperov forecasted last month that fuel prices will increase 10 to 15 percent next year.

Mandatory insurance costs from 11,200 rubles per car but can go up to 15,894 rubles if more than one driver is covered. Voluntary additional insurance for increased liability coverage, theft and greater compensation for damages can cost 10 percent of the vehicles' book value. Car owners also have to pay 720 rubles to get their vehicle inspected, which is a requirement for getting the insurance.

Insurance costs are growing and will continue to grow, Sergei Litvinenko, senior manager at PricewaterhouseCoopers said. Research published by the consulting firm earlier this year concluded that the high costs of owning a car in Russia are limiting the growth of the local automobile market.

Moscow and St. Petersburg residents pay even more than residents of other cities for the privilege of having a vehicle. Car owners in these cities tend to have higher insurance and parking fees.

Traffic fines in the two cities are also twice or triple what they are in the regions. To make matters worse, there are more traffic monitoring cameras in Moscow and St. Petersburg, so rule-breaking drivers have an increased chance of getting caught, Litvinenko said.

But for those who work in Moscow's city center it is the newly introduced parking fees that put the biggest dent in their finances.

It costs 50 rubles per hour to park inside the Garden Ring as of June 1. Parking fees are higher in other countries, but Dozorov said that even with the lower price, a person working in the city center would have to pay about 100,000 rubles per year to have a daily space.

Towing fees were also introduced last month. It will now cost drivers 3,000 to 7,000 rubles to get their car back on the first day, depending on the horsepower of the vehicle.

These measures will not necessarily convince people to switch to public transportation, Litvinenko said, but gradually private vehicle ownership will become expensive enough for people to consider daily car commutes a luxury.

"As car ownership becomes more expensive, it may be only the wealthy who can afford driving cars in the city center every day," he said. "Others will only use their cars on the weekends to go outside the city or to a shopping center."

Most Muscovites already use their cars only on the weekends, said Aleksander Shumsky, head of the Moscow Center for Combating Traffic Jams. The city's legendary traffic jams, however, practically have no effect on the demand for cars among potential new owners.

"In Moscow it is relatively easy now to collect 1 million rubles and buy a car while it is still hard to buy an apartment," Shumsky said. "So you get a car."

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