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State Subsidies Follow on the Heels of Domestic Car Utilization Fee

By The Moscow Times

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The Industry and Trade Ministry has developed a plan for allocating subsidies to domestic car manufacturers, a measure that officials hope will keep the sector competitive.

The amount of subsidy will depend on the quantity of cars made and their ecological and performance characteristics, Vedomosti reported Friday.

The maximum payout for maintaining jobs is 9 billion rubles ($281 million) a year for a company producing 400,000 cars annually. Subsidies for research and development can be up to 500 million rubles a year and for energy expenses 250 million rubles per year.

The subsidies are to be disbursed every three months from the Industry and Trade Ministry's budget. The government has set aside 99.3 billion rubles for development of the automotive industry next year, while from 2015 to 2016, the proposed amount is 106 billion rubles. This year, only 9.5 billion rubles were allocated.

Vladimir Bespalov, an analyst with VTB Capital, said the proposed measures were likely designed to compensate expenses that car producers would face next year when a new utilization fee comes into effect.

On Oct. 21 President Vladimir Putin signed a law requiring vehicle manufacturers to pay the disposal fee following complaints from the European Union about the levy, which has only been applicable to imports.

AvtoVAZ spokesman Igor Burenkov said the state support is needed because introduction of disposal fee for all cars produced in Russia would change the market situation, affecting the volume of sales.

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