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The prospects of Kazakhstan car assembly industry

The phrase “Kazakhstan car” is appeared since then when car assemble started in the country. Entering into the Customs Union gives a stimulus to the development of auto industry in Kazakhstan.

At the beginning of 2013 eleven existing assembly plants are registered in Kazakhstan. Totally 21,236 units of vehicles were collected by domestic car assembly plants in 2012. “AZIA AVTO” takes its leading position in car production volume and in the number of represented brands in Ust-Kamenogorsk, EKR. There is one more group of car companies «AllurAuto» and JSC «Kazakhstan Agromash Holding” in Kostanai. In the spring of 2014 the project “Industrial Engineering of Toyota» is starting in Kazakhstan. The production site for the assembly of the SUV Toyota Fortuner will be LLP “SaryarkaAvtoProm” in Kostanai.

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Keywords: cars, car production, automobile market, car assembly plant.

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Перспективы развития автосборочных комплексов Казахстана

Словосочетание «казахстанский автомобиль» появилось с тех пор, как в республике началась сборка легковых автомобилей. Вхождение Казахстана в Таможенный союз дало дополнительный толчок к развитию отечественного автопроизводства.

В республике на начало 2013 года зарегистрировано 11 действующих автосборочных предприятий. В общей совокупности ими в 2012 году было собрано 21 236 единиц автомобилей. Лидирующие позиции по объемам производства легковых автомобилей и количеству представляемых брендов занимает «АЗИЯ АВТО», г.Усть-Каменогорск, ВКО. Еще одной производственной площадкой является группа автомобильных компаний «Allur Auto» и АО «АгромашХолдинг Казахстан» г. Костанай. Весной 2014года в Казахстане стартует проект «Организация производства автомобилей марки Toyota». Собирать внедорожник Toyota Fortuner станет ТОО «СарыаркаАвтоПром» в г. Костанай.

Таким образом, отечественное автомобильное производство за последние годы существенно расширилось, и действующие предприятия не намерены останавливаться на достигнутом.

Ключевые слова: легковые автомобили, производство автомобилей, выпуск автомобилей, автосборочный комплекс.

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Қазақстанның автомобиль жинайтын кешендерін дамытудың келешегі

Елімізде жеңіл көлікті жинақтағаннан бастап «Қазақстандық көлік» сөзтіркесі қалыптасты. Қазақстанның Кеңес Одағына кіргені отандық көлік өндірісін дамытуға қосымша түрткі болды. Қорыта келгенде, соңғы жылдары отандық көлік өндірісі кеңіді және қазіргі кәсіпорындар қол жеткізген орында тоқтап қалмай, қарқынды даму үстінде.

Түйін сөздер: автожинаудың кешені, автомобиль жинайтын өндіріс, автокөліктердің өндірісі, автомобиль шығару.

The phrase “Kazakhstan car” is appeared since then when car assemble started in the country. But supported “Toyota” and “Mercedes” were very popular among the consumers than the new “Lada”

cars and other foreign brands coming off the assembly line in Kazakhstan companies. The situation changed with the creation of the Customs Union. The growth of import duties in 2010 led to higher

prices for new cars - this is strongly reflected in the auto market, which is already has been experiencing a decline in sales during the recession. However in 2011 Kazakhstan car market started to recover and in 2012 it has almost doubled. The main advantages of entering into the Customs Union are:

-an impetus to the development of auto industry in Kazakhstan. For the present it is primarily focused on the local market. But in the future with the increasing of production volume and depth of localization Kazakhstan plants are entitled to export their products to the countries of the Customs Union;

-Kazakhstan citizens have access to a large selection of quality vehicles of the worldwide brands;

-the development of a competitive sphere. Large firms entered the Kazakhstan market; they develop the service, build new dealerships.

The mechanism of development of the automo-

tive industry through the customs regulation in the world has been tested since long, for example, in Russia a few years earlier the changing of the tariff regulation for automobiles helped for renovation of the stocks of cars and the commencement of assembly of the world famous brands. Today the car brands such as Toyota, Ford, and BMW are assembled in Russian enterprises.

Launching of car production in the country with the organization of price and customs policy promotes increasing of domestic automobile sales in the domestic market, and potentially in neighboring countries, the establishment of assembly plants, stimulates the development of related businesses for the assembly of components. This means appearing of new workplaces, development of industrial base in the regions. At the beginning of 2013 eleven existing assembly plants are registered in Kazakhstan. (Table1.)

Table 1 – Car assembly enterprises in Kazakhstan (production of cars in units)

№	Car assembly enterprises	2012 year	2011 year	Growth, %
	LORRIES, total	1771	897	194,8
1	«KAMAZ-Engineering», JSC, Kokshetau, Akmola Region	918	795	115,5
2	«Hyundai Auto Trans», LLP Almaty region	755	60	1258,3
3	Enterprise of North Kazakhstan Region		3	
4	«SemAZ», LLP, Semipalatinsk, EKR	74	39	189,7
5	«Saryarka Automotive», LLP, Kostanay	24		
	CARS, total	19094	8195	233
1	«Agromash Holding Kazakhstan», JSC, Kostanay	2581	869	297
2	«AZIAAVTO», JSC, Ust-Kamenogorsk	16513	7326	225,4
	BUSES, total	191	91	171,4
3	«KAMAZ-Engineering», JSC, Kokshetau, Akmola Region	14		
4	Enterprise of Karaganda Region	1		
5	«DaewooBusKazakhstan», LLP, Semipalatinsk	141	91	154,9
6	«Saryarka Automotive», LLP, Kostanay	35		
	SPECIAL AND SPECIALIZED CARS, total	180	135	133,3
1	«KAMAZ-Engineering», JSC, Kokshetau, Akmola Region	3		
2	«URALSKOGROREMMASH», JSC, West Kazakhstan Region	38		
3	«Petropavlovsk Heavy Engineering Plant», JSC, NKR	139	135	103

As the results of 2012 showed the Kazakhstan market reacted to the changes concerned with the creation of the Customs Union. This was reflected in sales increase of new passenger cars and commercial vehicles. Totally 21,236 units of vehicles were collected by domestic car assembly plants in 2012, including 19,094 units of passenger cars (2.3

times up as compared to 2011) and 1771 units of trucks (1.9 times), 191 buses (1.7 times) and 180 units of special equipment. During the 12 months of 2012 trucks -875 pcs., 16,855 pcs. of cars, 145 pcs. of buses, and 176 pieces of specialized vehicles are shipped.

“AZIA AVTO” takes its leading position in car

production volume and in the number of represented brands. The plant produces 26 models of four brands - KIA, Skoda, Chevrolet and Lada. In the 22nd of January of 2013 the 50000th car came off the assembly line "AZIAAVTO". Totally up last year 16,500 cars were produced at the facilities of the plant to the amount of \$ 50 milliard. Under the "Business Road Map-2020" JSC "AZIAAVTO" will produce the expansion of its facilities. The implemented project in the East Region includes facilities for stamping, welding, painting car bodies, producing components and finished vehicles of up to 120 thousand units a year. JSC "Azia Avto" implements the initiative to create a cluster with the support of the Government of Kazakhstan and akimat of East Kazakhstan region. Under this new building city administration has allocated 155 thousand square meters of land in the area of business development "Orken". The railway, electricity and running water is laid to it.

The future industrial complex is a part of the accelerated industrial and innovative development of Kazakhstan for 2010-2014 and it is listed as a project of national importance. Total investment of the project is estimated at \$ 514 million. The planned production capacity will require the creation of 12 thousand new jobs. The project will provide an additional \$ 68.6 million in annual payments to the budget, and more than a milliard of export earnings.

At the site of another manufacturer Kazakhstan SUVs assembly plant groups of car companies «AllurAuto» and JSC «Kazakhstan Agromash Holding» Kostanai, 2581 SsangYong cars were collected last year. The plant produces 6 models of SsangYong - Kyron, Rexton, New Actyon, Actyon Sports, and Chairman. In the fourth quarter of 2013 a SUV-SsangYong Nomad goes into production, which will be made by CKD (Complete Knock Down - "pol-norazborniy"). It is planned that the delivery of this model will be implemented in 8 markets in the near and far abroad. "We understand that investing of \$ 170 million investment to produce cars for the 15 millionth market of Kazakhstan is not profitable. Therefore, in the Kazakhstan market about 30% of the total output of the model will be sold. We are planning to reach the point of profitability of the production Nomad in 2015. As for entering the production capacity which is 25 000 units a year, it will be about the year 2017, although much will depend on how the Russian market will behave itself. Last year it showed the amount of 2.5 million new cars. And if the market reaches 3 million, we will be ready to

reach the highest frontiers" - said the General Director of «AllurAuto» Andrey Lavrentiev.

In March 2012 the plant JSC "Agromashholding" Kostanay started production of inexpensive cars brand of Chance, previously known as DaewooLanos. ZAZ Chance became one of the best selling cars of domestic assembly. Only in 2012 it sold 1,477 cars. ZAZ Chance is assembled by CKD. Enlargement of production this year will increase the amount of "popular" car 4 times, which is 3,000 cars, and the level of local content reaches 28.1%.

In July of 2013 JSC "AgromashHolding" will launch a project to produce cars Peugeot. Car assembly of Peugeot will be implemented by technology DKD (Disassembled Knock Down), it means that cars will come to Kazakhstan for more than half assembled. Initially the annual production capacity will be about four thousand cars, the first of which will come to market in July of 2013. In future Peugeot plans to increase the "Kazakhstan" volumes up to 10,000 cars a year. The project will create over 300 new jobs in France and 150 in Kazakhstan.

In the spring of 2014 the project "Industrial Engineering of Toyota" is starting in Kazakhstan. The production site for the assembly (the method of CKD - including welding and painting bodies) of the SUV Toyota Fortuner will be LLP "SaryarkaAvtoProm" in Kostanai. The project is planning to produce 3000 cars in a year. The cars will come into the Kazakhstan market, with increasing the production the export of this model will be possible that is being sold with success in the South East Asia, Central America and the Middle East.

Now the plant "SaryarkaAvtoProm" in Kostanay produces three models of passenger and all-metal minibuses, but soon they will be seven, including the lorry Iveco Daily. To present day Iveco cars at the "SaryarkaAvtoProm" was produced by SKD («SemiKnockDown»), which means "a skeleton". That is, the products in the form of SKD is delivered for CKD and it is something fully assembled major components of the car (fully assembled engine, assembled cab, ready-assembled chassis and etc.), and the final assembly is made at the plant. Now the cars will be collected by the technology of CKD according to it completely disassembled frames and chassis will come to the plant.

In addition to the Italian car brand Iveco, «SaryarkaAvtoProm" produces serial SKD assembly of Russian UAZ. Potential production capacity is 18,000 vehicles per year.

Thus the domestic car production has increased significantly recently and the operating companies do not intend to stop there. According to experts in condition that the costs of imported second-hand cars increase so that they cease to be available to the masses means of transportation and new imported cars get very luxury and the cars assembled in Kazakhstan should become the very option which will be an optimal combination of price and quality. And the producers understood it themselves.

Not by chance in a number of models assembled at the facilities of domestic enterprises occupy a significant share of cars that are competitive in its price. And the fact that the cost structure of cars assembled in Kazakhstan pledge customs charges which positively affects the price.

On the other hand the official dealers the structures of which are automobile companies have other tools of the pricing policy. The group "BIPEK AVTO" which included works "AziaAvto" introduced a program of pre-orders, according to which the customers can choose a complete set, other characteristics of the vehicle as well as a guarantee of its fixed costs regardless of the change of exchange. In

addition, the foreign partners have met the company setting the Kazakhstan market more attractive prices than similar models in the Russian regions.

"Last year we were able to ten-fold increase in sales of SsangYong cars not least because of the attractive cost. We basically did not consider offers from some companies to attract valuable brands in the line AllurAuto, deciding to focus on passenger cars, SUVs, commercial vehicles, which will occupy the mass segment. Speaking of cars it is worth up to \$ 12 500. These vehicles are in demand in Kazakhstan, almost everyone can get them" - said General Director of AllurAuto Andrei Lavrentiev.

Still it will be difficult to have a conversation about the widespread availability of cars, including manufactured by domestic enterprises as long as not earn credit programs. The producers should engage dialogues with the banks because of the implementation of the state subsidies policy of purchasing of Kazakhstan cars buyer will win for which auto will become more accessible and the industry as the demand for domestic cars will stimulate production. The winners will be the banks because the volume of car loans today is still far inferior to the pre-crisis.

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