

Izh-Auto Might Be Sold, Kia Production Might Be Ceased

The SOK group said it could sell the Izh-Auto plant to AutoVAZ for 12 billion rubles.

Expanding its liaisons with Renault, AutoVAZ may need new production facilities. After a B-class concept is elaborated, the demand for the novel auto will probably cause an increase in the output.

AutoVAZ also cooperates with Canada's Magna, which is helping the Russian carmaker to design a C-class concept. Thus, without buying Izh-Auto, AutoVAZ might lack own production facilities to maintain cooperation with the both companies.

Izh-Auto produces Korea's Kia Motor models (Rio, Sorento and Spectra) under a license agreement. If Izh-Auto is sold, this production might be deemed irrelevant, and AutoVAZ might want to stop it. Should this unbeneficial for Kia Motor decision be made, the company can lodge reasonable claims to the government - which is inadmissible under the conditions of creating a healthy investment environment in the assembly localization context.

If AutoVAZ decides to buy Izh-Auto, Kia can either transfer the production to some other plant or build its own facility, which would be the best solution for the Russian motorcar industry. Hyundai, by the way, did decide to launch a plant despite some Hyundai models (Accent, Sonata, Santa Fe) were manufactured at TaGAZ.

In any case, the Korean automaker will not want to leave Russia's sound motorcar market.

By Kirill Lebedev