



Automotive Sector in Romania Newsletter - December 2007

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**For further details, please contact:
Jackie Bojor, Director of Business Development
FRD Center, Bucharest, Romania –
www.frdcenter.ro
tel: +4021 411 1460; fax: +4021 411 1461
e-mail: europa@frdcenter.ro**

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Slatina becomes investment pole in auto components

Slatina town located in southern Romania became a new production centre of auto components, after Craiova, already attracting investments worth 250 million euros.

Crowding industrial parks in western Romania and lack of manpower in the area motivate foreign auto component makers to opt for location in the production centres in southern or eastern Romania still availing of unexploited potential.

The newest auto component manufacturer in Slatina is the German company Honsel International Technologies that recently announced an initial investment worth 36 million euros to build a factory to put out aluminium auto components for Volkswagen and Audi.

The factory is expect to put out 500,000 cylinder heads annually by 2011, and the investors announced to create about 900 new jobs and allocate 140 million euros to the unit's development.

Pirelli continues to be the biggest investor in Slatina with over 170 million euros invested in a tire-maker expected to double its investments given the demand in tyres to grow in Central and Eastern Europe.

Pirelli Tyre Romania will number 1,000 employees whereas Cord Romania, a factory manufacturing metal cord that Pirelli built in cooperation with German Continental maker, totals about 400 employees.

Cord Romania investment grossed 40 million euros. The four investors in Slatina could double their investments in the years ahead when the long-running development plans are achieved.

Romania, largest automotive market in Central and Eastern Europe

The number of new vehicles sold in the Romanian market advanced by 23.1% over the first nine months of the year, up to 228,877 units, bringing Romania on the top position among the largest automotive markets in Central and Eastern Europe, according to a survey conducted by company Jato Dynamics.

The next ranks Poland, with 217,412 vehicles sold in nine months, up by 24% against the corresponding period of 2006, and Hungary, with 128,958 units sold, but down by 5.9%, according to the data supplied by the research company.

At the level of the whole region, the sales of new vehicles have advanced, over January – September, by 14%, to 981,052 units.

Regarding the Q3, Romania is still leading the Central and East European rankings, with 20.5% advance in the sales of new vehicles, compared to the same time period of 2006, up to 82,585 units.

Romanian-made Dacia Logan was the car that sold best in Central and Eastern Europe, in the third quarter-year, when there were 24,000 buyers for this within a market where more than 325,000 sold in total, based on the survey.

Logan, with 24,171 units sold, outpaced Skoda Fabia (for which there were 17,641 buyers) and Skoda Octavia (with total sales of 16,015 units).

The top-five best selling cars in Central and Eastern Europe is closed by Opel Astra, with 8,492 units and Ford Focus, with 8,116 units.

As a whole, 325,062 cars were sold in Central and Eastern Europe in the third quarter, which stands for 14.9 percent advance compared to the corresponding time period of last year. Following the sales made, Dacia Logan has 7.43 percent market share.

Delphi: Iasi plant will be run by Romanian managers

American automotive components producer Delphi, which is hiring over 10,000 people in the two plants it owns in Timis and Arad, has already recruited 34 employees of the first 300 to be hired at Delphi's third facility, based in Iasi, which will produce diesel engine components.

They have started recruiting for the Iasi-based plant as early as May this year, and so far, they have 34 employees on the new team, who are being trained abroad, in Delphi facilities.

The personnel training depends, according to Delphi representatives, on the employee's job description, and in the case of a university graduate, the initial training can take around two weeks. The initial course is followed by a 2 to 4-month training in one of the group's plants, and, after the plant is completed and production starts at the Iasi-based plant, there will be further on-the-job training.

Delphi has already recruited 9 future Romanian managers, around which the extended team of Romanian managers will form, which will eventually take over the management of the plant in 3 years' time.

To start with, the management team will be a mixture of local and expat managers, but the target is for all managers to be local within a three-year period.

In order to make sure we have an educated recruitment pool, the company will be involved in collaboration programmes with local education centres, such as the partnership closed with Gheorghe Asachi University in Iasi.

The Romanian auto industry will need between 10,000-12,000 employees in 2008 to meet the demand

According to the Romanian Automobile Constructors Association there is a need for qualified people. About 8,000 for the components industry, 3,500 to increase production at Automobile Dacia, and 800 for Renault Technologies Romania.

According to the same sources, the evolution of Daewoo Romania following its takeover by Ford cannot be estimated until the conclusion of the European Commission investigation.

Some 110,000 people work in the auto industry in Romania, most of them in car parts production.

Foreign auto parts makers have come to Romania in recent years, attracted by the relatively inexpensive work force and the fact that the country has joined the European Union. According to the quoted source, their revenue will amount to €3,68 billion in 2008, 50 percent more year-on-year.

Foreign investments in the car parts industry amounted to €2.7 bln. The auto industry is still attractive to foreign investors, despite a significant increase in wages and the work force crisis registered in 2007.

There are several companies in Romania with production lines, including INA-Schaeffler, Hutchinson, Trelleborg Automotive, Brose, and Calsonic Kansei.

The first 10 months of 2007 saw total demand of some 300,000 units, with sales at 258,224 units. Imported cars rose by 51%, to 165,8884 units.

EC investigation could impede Ford plans to produce new car in Romania

An investigation by the European Commission into the sale of local car producer Automobile Craiova to U.S. manufacturer Ford could impede the latter's plans to produce a new small car in Romania.

This September, the U.S. automotive giant agreed to buy 72.4 percent of the Craiova factory for €57 mln, following a buyback by the Romanian state of a 51 percent stake in the company from South Korean Daewoo carmaker for €43 mln.

However, the European Commission (EC) launched an investigation on possible state subventions granted to the Craiova car manufacturer in the privatization process, and has asked Romania to suspend any illegal subsidies until the investigation is finalized. Moreover, Romania allegedly changed the privatization terms during the process, which could mean more state subventions, according to the EC.

According to company sources, it all depends on how long it takes. They are assisting the Romanian government by providing comprehensive responses to the questions of the Commission.

Soon after the deal for Automobile Craiova was concluded with the Romanian government, Ford of Europe's General Manager, John Fleming, said the group was planning to start producing a new car model in Romania by the end of 2008. Ford experts have already visited the Craiova factory, but have not yet taken control of it.

According to company sources, the investigation will delay the official takeover.

Plastic Engineering UK will be expanding in Romania

A British plastics company is expanding its manufacturing base in Romania after a successful start to its operations in eastern Europe. Plastic Engineering, which employs 180 people at its factory in Leamington Spa, is moving to a larger site in Transylvania early next year.

Plastic Engineering is investing three million euros in the factory which will enable it to more than double production. The precision plastic moulder, which makes a variety of components primarily for the automotive market, has had a working factory in the town since July.

But the plant, which is shared with one of the company's German customers has proved too small for its operations. Plastic Engineering will be leasing a complex which was formerly part of a Romanian switch gear manufacturer. Many Romanian manufacturers have shrunk in recent times, so there is a space in their factory which the British will be occupying.

According to the company representatives, Romania is a lower cost country than the UK while the skills level is very high indeed and everyone speaks English. Many of their customers have migrated to eastern Europe and they have had to follow them. Three of their main customers have factories in Arad, Brasov and Brad in Romania and thus they are located ideally to supply them.

In many ways they are ahead of the game. There are not many third tier suppliers in Romania yet. Plastic Engineering is a second and third tier supplier which specialises in making plastic safety components which go in to seat belts, pressure sensors and windscreen wiper parts. The company has nine employees in Romania at present, but will have 20 by next year.

Bucharest car fleet to be larger by 60 percent in 2012

The car fleet in Bucharest will exceed 1.6 million vehicles in 2012. It will be by 60% larger than the current number of cars, according to a study made by the Directorate for Driving Licences and Vehicle Registration. According to the same source, the car fleet in Bucharest is estimated at 1.09 million vehicles at present, car leasing considerably favouring motorcar purchase.

In February it was introduced a gateway of car registration online, by means of which about 12,000 cars have been registered so far and some 15,000 vehicles are estimated to be registered online next year.

Seven leasing companies, among which Porsche and Unicredit, joined this system that is meant to simplify the specific procedures.

The British producer of auto components Wagon Automotive will invest 7 - 8 million EUR in an assembling plant located in Pogoanele, Buzau county. The production will start in May, next year.

The company leased 2.8 hectares of land on a period of 49 years and started the plant construction. The first stage of the project, which represents the construction of a production hall, will be finalized in May 2008, when about eight persons will be employed. In the second stage, two halls or one bigger hall will be constructed and over 500 persons will be employed until the end of 2008 – the start of 2009.

The British producer will manufacture in Pogoanele plastic material accessories for the auto producer Audi, the investment being estimated at 7 - 8 million EUR. Wagon Automotive, with the headquarters in England, is a Group that has as object of the activity the design and production of bodies, closing and comfort systems for auto industry.

Dacia sales up by over 60% in France, till November

Dacia sales in the French automotive market advanced by 60.4% over the first eleven months of the year, to more than 28,000 units, whereas Renault sales decreased by more than 6%, according to the data provided by the Committee of French Automotive Constructors (CCFA).

Over Jan. – Nov., as many as 28,232 Dacia Logan cars were registered in France, by 60.4% more than over the same time span in 2006.

Assembly line project for Roman trucks in UAE

Dubai Investments Fund plans to finance an assembly line with a capacity of 10,000 Roman trucks in the United Arab Emirates, allowing Brasov (center) made trucks to enter, starting with next year, on the Middle East and African markets.

Talks between representatives of Dubai Investments Fund and Ioan Neculaie, the businessman who controls the Brasov-based company are advanced and the signing of a contract is likely to take place next year.

The workers are to be trained in the country, and the projects for the general assembly line designed in Romania, after which all the parts are put into containers and sent to the United Arab Emirates, to be assembled.

Brasov-based truck maker regained notoriety after, in 2005, won a tender organized by the American army for providing trucks to its units stationed in Iraq. Last year, more than half of the entire truck production in Brasov was bought by the US Army. In 2006, the value of deliveries to the USA stood at almost 75 million dollars, in the context of an overall production value of 100 million dollars.

HTI High Tech Industries from Austria starts production in Romania

The Austrian company HTI High Tech Industries entered the Romanian market and set up a subsidiary in Brasov that will produce interior and exterior auto components and also standard products.

HTI High Tech Industries SRL will produce in the first stage plastic materials and after six months the unit will be expanded through the construction of a casting line of injection plastic and rubber articles.

The subsidiary, set up at the beginning of November, will have initially 20 employees. The decision of the Austrian company to enter the Romanian market marks a new stage of the expansion process in the Eastern Europe.

Kolbenschmidt Pierburg (KSPG) from Germany invests in Romania

The German producer of auto components Kolbenschmidt Pierburg (KSPG) will invest over 100 million EUR in the next three years in the Industrial Park Dej, Cluj county, in the production of block motors for the deluxe producers Porsche and Mercedes-Benz.

The German company will sign a concession contract on a period of 50 years for a surface of 15 hectares of land.

In the first stage of the project about 100 persons will be employed.

The German Group includes five divisions and the unit specialized in the production of block motors will be transferred in Romania. For the auto sector, the company produces marks for the admission and exhaust systems, filters, electric pumps for cooling system, pistons and block motors.

Sustained growth pace in spare parts industry of Arad

The spare parts industry has brought the largest greenfield investments in Arad County (western Romania), with the labour force still being cheap in the region and with the logistics possibilities being excellent. Thus, recently, the German company Schneider&Oechlesler International inaugurated a car wiring and sub-assembly facility in Lipova (34 km far from the Arad municipality). The company is to produce here also small and large-sized electric motors, various junction boxes and electric wiring and inject plastics. The German concern Bosch, one of the main shareholders in Schneider GmbH, is to be among the beneficiaries of the products made at the Lipova facility.

Moreover, British company Thermopol, producing silicon rubber tubes for most types of cars, is to build a new production hall, with the number of employees to reach 1,000, in Chisineu-Cris (43 km far from Arad).

In its turn, the public administration of the Pecica town (23 km far from Arad) is expecting the local branch of the Italian company Sil Met, a producer of car bodies and accessories to start production in the town in a few months. The company has already concluded contracts with Audi, BMW, Bentley, Ferrari and Alfa Romeo.

Also operating in Arad County are branches of Alcoa (in Nadab, network cable assemblies used in the electrical distribution systems of the Ford, Audi and Volkswagen cars), Nexans (in Chisineu-Cris, a supplier of wiring for rolling stock, for power circuits, command and control for engines, trams, passengers vans, subway trains).

Moreover, US company Delphi produces wiring systems for Ford PAG, Hyundai, Kia, PSA Peugeot Citroen, Renault-Nissan, Suzuki and DaimlerChrysler in Ineu (57 km from Arad).

German automotive components manufacturers in Romania expect good 2007 results

The German BOS Automotive Products SCS Romania, the branch of the German BOS GmbH&Co.KG, a world leader on the shading device segment and inside subdivision systems for the automotive industry, estimates 60 million euros in the 2007 turnover, with the company's customers being Renault, DaimlerChrysler, Ford, VW, BMW, Porsche, Opel, Audi, Toyota, Land Rover and Fiat.

The Germans chose Arad because of the local tax incentives, as it is a free zone.

German company Marquardt Schaltsysteme SCS, a producer of gearbox components, estimates turnover worth 30 million euros this year, almost 6 times higher than last year, when production began at the Sibiu plant.

Company representatives believe that in 2008, when the Sibiu-based plant starts to operate at full capacity, domestic turnover will stand at around 100 million euros.

Our main market is Germany, but in the future we intend to find new clients in Eastern-Europe.

Next year, they will continue to develop the plant in Sibiu, until it reaches the production capacity for which the building was designed. According to company sources, overall investments in constructions and equipment will stand at around 20 million euros by 2008.

The plant has a total surface area of 6,000 square metres. Marquardt Romania will have 350 employees by the end of this year, with the number of employees set to reach 500 by the end of next year. This year, the German company invested around 6 million euros to develop the Sibiu plant.

Renault sales up 40 percent

Renault's sales in Romania will reach 32,000 units this year, up 40 percent compared to 2006.

According to the Commercial director for Renault and Nissan imports in Romania, Renault will launch new models on the market in 2008 and REMAT programme will have a significant contribution to boosting sales.

The best-sold models over January-October were Renault Symbol with 11,200 units, Megane Sedan with 8,550 units and Clio III with 2,300 units.

The most important launching of Renault in 2008 will be the new generation of Laguna, the medium class model of the French constructor being expected in March. A second launching will be the new SUV Koleos.

Renault-Nissan Romania will report a 486 million euro turnover this year from car sales. Renault Romania has 52 sale centers. Auto Europa, dealer Renault in Timisoara, inaugurated this year a new sale center after a 3.2 million euro investment.

Dacia's market share goes up

According to APIA, the market share of Dacia, the main local builder, exceeded 30%, selling 87,508 units in the January-November period of this year. Dacia's market share went up to 30.4% in the first 11 months of the year, and to 32.2% in November, up by almost 3% against the previous month.

The market share of the Renault-Nissan group, which includes the Dacia, Renault and Nissan brands, went up to 40.7% in November, from 38.8% in the preceding month. In the first 11 months of the year, the market share of the French group stayed at a steady 40.3%.