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PRESS RELEASE

**Construction Equipment Industry in Russia:
Prospects and Developments in the Current Economic Realities**

The open event of the Construction Equipment Committee of the Association of European Businesses “Construction Equipment Industry in Russia: Prospects and Developments in the Current Economic Realities” took place on 22 April 2013 in Moscow. The event was dedicated to market overview, its investment attractiveness, as well as the latest regulatory changes.

Foreign and Russian construction equipment manufacturers, representatives of the Ministry of Industry and Trade and Russian construction equipment and builders associations took part in the event.

The participants had an opportunity to learn about activities of the Committee in 2012 and its statistics programme. Committee Chairman Andrey Komov described the market situation as follows, “After the significant market decline in the second half of 2012, by the end of the first quarter of this year the market has stabilized. We believe that market fluctuations would depend, like last year, on the macroeconomic factors. In the meantime, market participants are worried by the plans to introduce disposal fee on all construction equipment machinery, which will inevitably have a negative impact on the market as a whole. The fact that the potential disposal fee rates are unknown causes significant concern. Practice in the application of the fee is quite negative – introduced from 1 September 2012, the disposal fee on articulated haulers and dump trucks has economically unviable value for the market. Its rate equals from 2.5 mln rubles or 24% of the price of the machine, while actual recycling cost equals 0.4-0.5 mln rubles. Consequently, the unreasonably high fee significantly increases the cost of production (roads, construction sites, mining and processing of raw materials), reduces competitiveness of the Russian companies and has negative impact on the economy as a whole”.

In the frameworks of the panel discussion the Head of Automobile and Agricultural Engineering Department of the Ministry of Industry and Trade Timur Mikaya told about the latest policies of the Russian Government in the construction equipment industry. Participants discussed the introduction of the disposal fee on dump trucks, which concerns both producers and consumers of the construction equipment. The Chairman of the Russian Association of Fertiliser Producers Dmitry Strezhnev says: “Due to specifics of the use of mining dump trucks and since enterprises are located in the regions difficult to access, the disposal fee becomes an additional unjustified financial burden on mining enterprises, and in the short-term perspective it should be reduced and then cancelled. Dump trucks consumers should be motivated to recycle dump trucks using their own resources.”

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President of Caterpillar Eurasia Mumin Azamkhuzhaev told participants of the event about the localization experience: “Making a decision about localization depends on many factors. The main one is competitiveness of the local production in comparison with an imported product. In its turn, competitiveness of production depends on such factors as cost and availability of raw materials, human resources, electrical energy, as well as efficiency of logistics, availability and development of the supply chain, and finally, on the efficiency of production itself. Our more than 15 years of production experience shows that Russia’s competitive advantage in many basic elements, like cost of human resources, raw materials and energy is much lower today than 15 years ago, when we made a decision to place our production facilities in Russia. Thus, the pre-requisite for the successful development and deepening of localization is constant work, aimed at increasing efficiency (labor productivity), supply chain development, improving logistics, etc. In doing so we still fall behind other developing regions, such as Eastern Europe, Asia and Latin America. Given that we do not expect competitiveness improvement of the basic economic factors which I mentioned earlier, we believe that all of us (industry and government) should focus on improving efficiency of production operations, logistics, supply chain development and simplification and transparency of the regulation”.

The Association of European Businesses represents the interests of more than 600 European companies conducting business operations on the territory of the Russian Federation. The AEB works actively to improve the country’s investment climate and bolster the status of Russia as one of the world’s leading business centres. The Association has more than 40 committees and working groups, representing companies from various industries and serves as an efficient mediator in the dialog between government and business.

The Construction Equipment Committee began activity within the AEB in February 2008 and is composed of ten members: Bell Equipment Russland OOO, Caterpillar Eurasia LLC, CNH-KAMAZ Commerce, Doosan Infracore Co. Ltd., Hitachi Construction Machinery Eurasia Sales LLC, JCB Sales Limited, John Deere Agricultural Holdings, Inc., Komatsu CIS, Liebherr-Russland, Volvo Vostok ZAO.

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