

# CENTRAL EUROPE AUTOMOTIVE REPORT

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COVERING THE  
CENTRAL EUROPEAN AUTOMOTIVE INDUSTRY

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## FEATURE COUNTRY

# SLOVENIA

### Slovenian Market Highlights:

#### Summary:

- Hella purchases 50.5% of Saturnus
- Renault/Revoz factory has record year
- Brake-maker Sinter building new factory
- Donit supplies air filters to Audi
- New joint venture to produce buses
- Customs duty taxes lowered on EU cars, raised on monobox cars
- Summit launches Ford Ka

**In February, German components manufacturer Hella KG Hueck & Co. purchased a 50.5% stake in headlight maker Saturnus AO d.d.** [for more on this story, see Profile interview on page one]

**Renault/Revoz ended last year with record production.** "We beat the production and export figures last year," said a company spokesman. In Novo Mesto they produced

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- ✓ 50 Best Selling Cars in Slovenia: p. 13

89,229 cars, up from 87,513 units in 1995. The bulk of the production (80,565 units) was exported to Germany, 31% was exported to Italy, and exports to France accounted for 27% of production. Revoz's

yearly capacity is about 100,000 cars. Since July of last year, the Slovenia factory produces only the Clio model.

**High performance friction material and brake pad manufacturer Sinter is building a new factory near Ljubljana.** When completed at the end of 1997, the company will have 8,000 m<sup>2</sup> of space at its disposal. [for more on Sinter see Opportunity Spotlight on page 10]

**In December of 1996, Donit Filter started delivery to Audi of air filters for the A4 model.** Donit is also developing an oil filter for the new 1-liter Skoda engine being developed for the whole VW Group. Donit's sales in 1996 were DM 18.5 million, down from over DM 20 million in 1995. One month of production in 1996 was lost while the company installed new machines for its spin-on oil filter line. The new machines will allow for more automatized production.

**Cimos, the Slovenian spare parts maker for Citroen and BMW, is still in financial difficulties.** Some of the company's major creditors have pulled out of the company, seriously disrupting production.

**Avtotehna GVTO, Avtomontaza bus, and Iveco are cooperating to manufacture long distance and tourist buses.** By the end of this year, the group expects to produce 12 buses,

## Slovenia

# PROFILE

### Saturnus: New Foreign Partner & New Life for Headlight Maker

*Years of negotiations finally have borne fruit for Slovenian lighting equipment manufacturer Saturnus AO d.d. In February 1997 a purchase agreement was signed between Saturnus and German component manufacturer Hella KG*



Andrej Lazar

*Hueck & Co. The agreement gives Hella a 50.5% interest in Saturnus, with the possibility for future share purchases.*

*Established in 1921, Saturnus started exporting to European car*

*factories in the 1960's. Main customers include Volkswagen & BMW in Germany, Renault/Revos in Slovenia, and Swarco-Niox in Austria. Saturnus's union with Hella will enable it to continue to supply these European manufacturers, as well as take advantage of supply opportunities with Hella's worldwide network of 134 factories. Saturnus registered a turnover of DM 38 million in 1996.*

*Andrej Lazar is currently the Deputy General Manager and Commercial Director of Saturnus. He joined Saturnus in 1989. Mr. Lazar is also President of the Slovenian Automotive Component Manufacturers*

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**Feature Country Continued From page 1**

each selling for an average price of DM 257,000. The buses will eventually be exported to Western and Eastern European countries.

\*

**On January 1, 1997, Slovenian customs duty taxes on cars from the EU were lowered.**

For most cars, the rate was decreased from 27% to 18.9%. For cars with petrol engines under 1000cc and diesel engines under 1500cc, duties were reduced to 0%.

\*

**On December 1, 1996, the tax on monobox cars imported into Slovenia was changed so that they will be treated as passenger cars, not commercial vehicles.** For models up to 1.8-liter, the tax rises from 5% to 20%, and for models above 1.8-liter the tax is 32%.

\*

**In 1996, 60,181 new cars were registered in Slovenia, down 1.7% from 1995.**

**Slovenia Facts & Figures**

Government: Parliamentary Democracy  
President: Milan Kucan  
Capital: Ljubljana  
Land Area: 20,256 sq. km.  
Coastline: 46.6 km.  
Boundries: Austria, Italy, Hungary, Croatia  
Ports: Koper  
Population: 2.0 million  
Labor Force: 752,709  
Language: Slovene  
Currency: Tolar (USD 1 = SIT 150)  
Road Traffic:  
Passenger km (millions) 2,595  
Freight ton km (millions) 1,935  
Trade Agreements: EU Association Agreement, CEFTA member  
Key Trading Partners: Germany, Italy, Croatia, France, Austria  
Hourly Labor Costs (incl. tax, contributions, other costs)  
Industrial sector: DM 10.5  
Whole economy: DM 11.5  
Govt. Economic Forecasts for 1997:  
GDP Growth: 4%  
Unemployment: 13.3%<sup>1</sup>  
Nom. LT Int. Rates 18%  
Nom. ST Int. Rates 17%  
Consumer Prices 8%<sup>2</sup>

<sup>1</sup>Standardized by ILO definitions: 7.3%  
<sup>2</sup>Average annual growth rate

\*

**In January 1997, there were 3000 new registered cars in Slovenia, down 30% from January 1996.** Renault sold 556 cars in January, compared with 1,450 units sold a year earlier. Volkswagen sold 412 cars in January, slightly higher than sales in January 1995, and Fiat sold 329 cars, compared with 174 in January 1995. The best selling car in January 1997 was the Skoda Felicia with 285 units sold, second was the Renault Clio (231), and third was the Volkswagen Polo (229).

\*

**Renault launched the Megane in February 1996 and sold over 4,700 units in 1996.**

Renault is expecting the Megane to improve its position in the middle-class model segment.

**In 1996, Renault sold 100 cars in Bosnia.**

The company has established eight dealers in the market and spare parts are delivered once a week. In 1996, Renault also sold 2000 cars in Croatia, 220 in Macedonia, and 100 in the Federal Republic of Yugoslavia.

\*

**In February, Summit Motors Ljubljana launched the Ford Ka city model.** "Interest all over Slovenia is very big," said General Manager Pavel Noc. "We expect this to be very successful." The Ka sold in Slovenia will be manufactured in Spain. According to Noc, 96% of the Fords sold in Slovenia are manufactured in Germany. [for more on Summit see Opportunity Spotlight on page 10]

**In the second half of 1998, Summit will offer the new Ford Escort.** Last November, Summit started selling the new Ford Mondeo. In 1996, Summit sold a total of 3,858 Ford models.

\*

In September 1997, **Hyundai Avto Trade** will start selling Hyundai's 9-passenger H-1 mini van in Slovenia. Production of this vehicle in Korea will start in July 1997. [for more on Hyundai see Opportunity Spotlight on page 10] ■





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### **Profile** *Continued From Page 1*

*Association. The CEAR interviewed him at his Ljubljana office.*

#### **CEAR: How much is Hella investing in Saturnus?**

**Lazar:** Half of the value of the factory. I don't want to mention a figure. The factory was evaluated by international standards and that was the base for the price. It was a very honest price. It wasn't cheap. Hella bought our shares from different government funds. It was extremely complicated, so much that even the German lawyers said it was the most complicated job they had accomplished.

#### **CEAR: How will Saturnus benefit from the Hella venture?**

**Lazar:** We're going to get new technology, new markets, and fresh capital. That's important for us. All three elements. And what is important for the government is that they get an honest price and also that

Hella guaranteed a certain number of employees. Jobs are secured. What's important nationwide is that some Slovenian suppliers are going to be [supplying] the Hella group. That's important.

#### **CEAR: How many Slovenian suppliers will become Hella suppliers?**

**Lazar:** Right now, we're negotiating with three to supply certain parts for the Opel Astra project. But later on, I'm sure, they will be involved in some other projects. Here in Slovenia there are some suppliers who are quite cheaper than German suppliers.

#### **CEAR: What specific plans does Saturnus have for the new capital infusion?**

**Lazar:** The fresh capital is mostly going to be used for a new project with Opel that will start in December of 1997. Hella [won] 100% of the production of headlights for the Opel Astra. Production will be divided between three places—1/3 at the Hella factory in Great Britain, 1/3 at Hella in Lippstadt, and 1/3 at Saturnus. Exactly

the same technology will be [used] at these three locations, the same machinery, same procedures, everything will be the same. The value of this project is quite large. We expect nearly DM 20 million in sales to GM.

Hella is [also] going to use Saturnus and our development engineers to be more deeply represented at the Fiat factory in Turin. That's one of the main goals. We are already working together with Hella engineers on some [other] new projects. We're now developing headlights for the Fiat Multiplat, a six seater passenger car. It'll be on the market in 1998. It's a new concept for a car, only 4 meters long.

Last year we [won] by ourselves some new small orders from Volkswagen, Audi, and Seat. We'll keep those. Right now, the volume of orders is not a problem. Perhaps in the future we'll make specialized products such as fog lamps or lighting equipment for the agriculture industry. These are just ideas. In any case, the

*Continued on page 14*

# LEGAL ADVISOR

## DOING BUSINESS AS A SLOVENIAN LIMITED LIABILITY COMPANY



Janko Arah

The limited liability company form ("LLC") is used by the majority of companies operating in Slovenia, including importers and distributors of foreign automobiles.

### The Basics

A Slovenian LLC may have a minimum of one and a maximum of 50 shareholders (natural or legal persons), or more shareholders with ministerial approval. An LLC is established by a notarized agreement on incorporation signed by all shareholders. The agreement of incorporation may be signed by a proxy, with a notarized authorization attached.

The agreement of incorporation must contain:

- a list of all shareholders with the name and address or name and seat of each shareholder;
- the name, seat, and activities of the company;
- the amount of formation capital and list of particular shareholder contributions;
- the eventual liabilities of shareholders against the company, other than contribution payment and liabilities of the company against the shareholders.

**Establishing an LLC** A limited liability company may be established with foreign capital (joint ventures and wholly foreign-owned companies) or by share acquisitions of existing socially owned companies. It acquires legal status upon registration with the local court.

The application for court registration of the LLC must be filed by the managing director and must include:

- the name, seat, and address;
- the act of incorporation;
- a list of shareholders and value of their shares;

- a report on contributions in kind;
- a bank certificate of capital contributions to the temporary account; and
- an authorized accountant's report on the value of contributions in kind.

**Capital Contributions** The minimum formation capital of an LLC must be at least 1.5 million Slovenian tolar (Approx. USD 10,000), with the minimum contribution from each shareholder of 10,000 Slovenian tolar. At least one third of the capital must be contributed in money. Before registration at least 25% of the amount of the capital stock of each shareholder's contribution must be paid up. The sum of all founding shares contributed in money must be at least 750,000 Slovenian tolar (USD 5000).

Shares may belong to one or more persons. If a share belongs to several persons, they jointly exercise the rights and jointly account for the liability. Shares may be alienated and inherited. A shareholder who intends to sell his shares must advise the other shareholders in writing of his intention and of the terms of sale. He must, within a month, inform potential buyers among the shareholders of his decision to sell. A partner may sell his share to non-partners if the partnership agreement allows such a transfer.

**Shareholders** The shareholders have the following rights and responsibilities:

- enforcement of the company claims against directors or partners in connection with indemnification for damage caused during the formation or in the conduct of the business;
- representation of the company in legal proceedings against the directors and other matters provided for by the Law or the incorporation agreement;
- adoption of the annual balance sheet;
- return of subsequent payments;
- division and termination of business shares;
- appointment and recall of directors;
- measures of inspection and control of the work of directors;
- appointment of sales and business representatives.

**Management Structure** A limited liability company has one or more managing directors appointed for a 2-year renewable mandate. The company agreement may provide that the directors be appointed for a definite term which may not be less than 2 years. The same person may then be reappointed as director. There is no maximum time limitation for the term of a director. *If, however, the company agreement does not specify the terms of office, a term of 2 years applies.*

*The managing director must be a citizen of Slovenia. If there is more than one managing director, the majority must be citizens of Slovenia.*

The management right of shareholders is usually provided for in the incorporation agreement. In the absence of such provisions, the rights of shareholders are provided by the Company Law.

The main governing body of a limited liability company is the shareholders' meeting. According to the Law, each shareholder has one vote for each 10,000 tolar of founding shares that he owns, but the agreement on incorporation may grant otherwise. The agreement may also provide for establishing a supervisory board.

**Debentures** A limited liability company may issue debentures with or without guaranty. Non-transferable bonds may be issued to employees.

**Rights of Minority Shareholders** The Company Law also determines specific rights of minority shareholders. Shareholders whose investment represent at least one tenth of the equity capital can demand that a shareholders' meeting be convened. They can similarly demand a particular question be put on the agenda of an already convened shareholders' meeting. However, the minority shareholders have to demand the meeting through the manager. If the manager does not proceed in accordance with the proposal of the minority shareholders, then the minority shareholders can convene the meeting themselves or put an issue on the agenda.

**Accounts and Annual Returns** A limited liability company must maintain double-entry bookkeeping. The executive management is responsible for timely and accurate preparation of accounting state-

*Continued on page 5*

ments and business reports. The annual accounting statements of large limited liability companies must be audited by an independent auditing firm within 6 months from the end of the business year.

The annual year report must consist of accounting statements and the business report. The accounting statements must include:

- balance sheet, showing the assets and liabilities and sources of funds at the end of the business year;
- a profit and loss statement, showing income, expenditure and financial results in the business year; and
- a statement on the profit use and loss coverage.

Business reports must contain:

- an explanation of the assets, financial position, and source of funding;
- information concerning development and the results of business operation;
- an estimate of possibilities for future development; and
- information on the issue and purchase of own stocks or shares.

**Cancellation** A limited liability company is dissolved:

- upon expiration of the term of duration;
- by shareholders' decision adopted by a two-thirds majority vote;
- by invalidation of court registration;
- by bankruptcy; and
- by merger, amalgamation, or transformation to another corporate form.

*Janko Arah, an attorney, is a consultant specializing in matters related to investment in Slovenia, including mergers & acquisitions, company formation, and licensing agreements. ■*

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*The Slovenian suppliers of automotive parts and components listed below are potential suppliers, material buyers, or joint venture candidates.*

<u>Company</u>	<u>Product</u>	<u>Contact</u>	<u>Phone/Fax</u>
1. Dekorativna	decorative textiles	Rudolf Vardijan	tel: (386 61) 159-2316 fax: (386 61) 573-141
2. Johnson Controls-NTU	seats	Dusan Grabnar	tel: (386 602) 431-48 fax: (386 609) 426-09
3. Saturnus Orodjarna	plate-forming tools, injection molds	Bozider Zajc	tel: (386 61) 140-2055 fax: (386 61) 442-081
4. Eled	car fuses	Viktor Drame	tel: (386 62) 825-059 fax: (386 62) 825-807
5. Elba Avto Trzin	distributor caps, rotors, switches	Alojz Zupancic	tel: (386 61) 712-087 fax: (386 61) 712-093
6. Emteks d.o.o.	plastic components	Ivan Podpecan	tel: (386 63) 715-163 fax: (386 63) 714-113
7. SZ Stroji	metal parts	Milan Svajger	tel: (386 602) 211-31 fax: (386 602) 208-26
8. Klemos	electrical connection parts	Milan Oberlajt	tel: (386 62) 723-044 fax: (386 62) 723-043
9. Konus Koterm	plastic components	Avgust Gorinsek	tel: (386 63) 754-212 fax: (386 63) 754-331
10. TKG	small parts, security belts	Irena Zajc	tel: (386 61) 168-1161 fax: (386 61) 349-621
11. Sava	tires, rubber products	Janez Korbar	tel: (386 64) 222-241 fax: (386 64) 221-145
12. Sinter	brake parts	Joze Krapez	tel: (386 61) 268-268 fax: (386 61) 268-262
13. Tab	lead acid starters, traction & stationary batteries	Mirko Auprih	tel: (386 602) 371-01 fax: (386 602) 371-03
14. TUS-Prevent	seat covers	Joze Kozmus	tel: (386 602) 414-21 fax: (386 602) 410-51
15. Unior-Atras	homocinetic joints, drive shafts	Franc Oresnik	tel: (386 63) 762-122 fax: (386 63) 760-042
16. Oz Unitehna z.o.o.	fuel & diesel pumps, exhaust pipes & mufflers	Karel Rebernik	tel: (386 68) 442-18 fax: (386 68) 449-47
17. Unitech Lth-OI	aluminum die castings & tools	Mirjam Jan-Blazic	tel: (386 64) 624-197 fax: (386 64) 624-176
18. Vesna	batteries	Franc Piberel	tel: (386 62) 221-316 fax: (386 62) 222-826
19. Webasto	heaters & air conditioners	Zdravko Steger	tel: (386 61) 553-161 fax: (386 61) 554-072
20. Tom Oprema	seat parts	Miran Uhan	tel: (386 68) 470-30 fax: (386 68) 492-42
21. Avtogalant	exhaust pipes	Joze Novak	tel: (386 68) 322-278 fax: (386 68) 323-585
22. Cerjak	cardan shafts	Cerjak Matjaz	tel: (386 608) 616-62 fax: (386 608) 616-64
23. IMP Livar	iron casts	Derganc Izidor	tel: (386 61) 778-122 fax: (386 61) 777-381
24. KTM Ljubljana	rubber-technical parts	Kersic Belizar	tel: (386 61) 1404-040 fax: (386 61) 443-995
25. Agis Tap	mirror, heaters, other equipment	Janez Sebela	tel: (386 62) 771-345 fax: (386 62) 772-472

*The information contained in this list of Slovenian suppliers of automotive parts and components was obtained from the best available sources. Omissions, typographical errors, and number changes, however, may occur. Please send any corrections to CEAR at the address listed on page 2.*



## To Our Readers:



Ronald F. Suponcic, Jr.  
Publisher



Jeffrey A. Jones, Esq.  
Editor-in-Chief

Slovenia's small market and unattractive labor prices have kept many investors away from its automotive sector. If you're looking for cheap labor and want to set up a greenfield site, Slovenia may not be the place for you. Better bargains are easier to find in Hungary, the Czech Republic, and Poland. Slovenia, however, should not be overlooked. Opportunities do exist.

One fresh example is Hella's purchase of a majority interest in Slovenian headlight maker Saturnus. This month's Profile of Saturnus's Commercial Director Andrej Lazar, the company's first interview since the inking of the deal, reveals how mutually beneficial investments can be made in the Slovenian auto industry.

To successfully invest in Slovenia a company must take advantage of the country's relatively inexpensive engineering expertise. When Slovenia's highly skilled development engineers are combined with moderately priced workers and an established business, a profitable deal can be struck.

And as noted by Lazar, Slovenian component manufacturers are actively looking for foreign partners.

\*

On January 1, Slovenia lowered its customs duties on cars imported from EU countries. This expected lowering of rates resulted in poor sales at the end of 1996 as customers put off purchases until 1997.

The automotive industry is now waiting to see how the Slovenian government will recoup the revenue lost from the lower duties. Some insiders expect new taxes on fuel or consumption, or an ecological tax.

\*

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## 1996 New Car Registrations in Slovenia Compared with Registrations in 1995

Brand	1995		1996		Change	
	Units	Share	Units	Share	Units	Share
Renault	15,562	25.55%	15652	26.03%	0.00%	1.90%
Volkswagen	6771	11.05%	7003	11.64%	3.40%	5.40%
Hyundai	2299	3.75%	4391	7.30%	91.00%	94.60%
Fiat	6429	10.49%	3951	6.57%	(38.50%)(	37.40%)
Opel	3851	6.29%	3785	6.29%	(1.70%)	0.10%
Ford	2896	4.73%	3602	5.99%	24.40%	26.70%
Skoda	3332	5.44%	3414	5.68%	2.50%	4.40%
Seat	2719	4.44%	2025	3.37%	(25.50%)	(24.10%)
Lada	2647	4.32%	1930	3.21%	(27.10%)	(25.70%)
Peugeot	1659	2.71%	1608	2.67%	(3.10%)	(1.20%)
Daewoo	1990	3.25%	1531	2.55%	(23.10%)	(21.60%)
Suzuki	1118	1.82%	1308	2.17%	17.00%	19.20%
Audi	1285	2.10%	1247	2.07%	(3.00%)	(1.10%)
Honda	438	0.71%	1088	1.81%	148.40%	153.10%
Kia	735	1.20%	1002	1.67%	36.30%	38.90%
Citroen	1538	2.51%	740	1.23%	(51.90%)	(51.00%)
Rover	929	1.52%	731	1.22%	(21.30%)	(19.80%)
Mazda	358	0.58%	668	1.11%	86.60%	90.10%
Nissan	646	1.05%	600	1.00%	(7.10%)	(5.40%)
Volvo	337	0.55%	337	0.56%	0.00%	1.90%
Other	3413	5.57%	3526	5.86%	3.30%	5.30%
<b>TOTAL</b>	<b>61272</b>	<b>100.00%</b>	<b>60139</b>	<b>100.00%</b>	<b>(1.80%)</b>	

Source: Revoz

## 1996 Sales in Slovenia of Lower Middle Class Category Cars

Model	Units	Share in Category	Model	Units	Share in Category
Renault Megane	4709	16.99%	Daewoo Racer	611	2.20%
Skoda Felicia	3414	12.32%	Rover 200/400	657	2.37%
Hyundai Accent	2966	10.70%	Mazda 323	574	2.07%
VW Golf	2675	9.65%	Peugeot 306	531	1.92%
Opel Astra	1617	5.830%	Suzuki Baleno	467	1.68%
Hyundai Lantra	1263	4.56%	Renault 19	414	1.49%
Lada Samara/1300/1500	1141	4.12%	Kia Sephia	410	1.48%
Seat Cordoba	1081	3.90%	Nissan Almera	266	0.96%
Ford Escort	1075	3.88%	Others	1246	4.50%
Honda Civic	985	3.55%			
Fiat Bravo/Brava	835	3.01%			
Daewoo Nexia	780	2.81%			
			<b>TOTAL</b>	<b>27717</b>	<b>100.00%</b>

Source: Revos



## 1996 New Registrations of Light Commercial Vehicles in Slovenia

Model	Units	Share in Category	Model	Units	Share in Category
Peugeot Boxer	545	12.95%	Fiat Fiorino	115	2.73%
Volkswagen Transporter	360	8.56%	Ford Transit	105	2.50%
Renault Express	355	8.44%	Iveco 35	87	2.07%
Volkswagen Caddy	283	6.73%	Mercedes-Benz Vito	83	1.97%
Mercedes Sprinter	218	5.18%	Mazda 2200	67	1.59%
Citroen Jumper	268	6.37%	Volkswagen 70	64	1.52%
Fiat Ducato	192	4.56%	Opel Corsa Combo	62	1.47%
Hyundai H 100	201	4.78%	Toyota Hiace	52	1.24%
Renault Trafic	209	4.97%	Renault Master	26	0.62%
Renault 5 Societe	156	3.71%	Others	441	10.48%
Skoda Pick Up	161	3.83%	<b>TOTAL</b>	<b>4207</b>	<b>100.00%</b>
Seat Inca	157	3.73%			

Source: Revos

## 1996 Sales of Monospace Vehicles in Slovenia

Brand/Model	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Volkswagen Sharan	5	28	22	72	46	43	22	12	35	46	102	25	458
Chrysler Voyager	12	12	41	42	28	37	37	24	15	24	78	7	357
Renault Espace	5	10	8	3	7	1	4	2	3	3	12	3	61
Citroen Evasion	11	6	2	3	5	4	3	3	5	3	11	2	58
Peugeot 806	4	3	4	9	3	4	3	2	6	1	5	1	45
Fiat Ulysse	2	3	2	0	1	5	0	2	3	5	9	1	33
Lancia Z 2.0	0	2	2	1	1	2	2	4	4	5	8	5	36
Ford Galaxy	3	4	6	4	0	5	2	0	2	0	2	1	29
Pontiac Transport	5	4	6	1	1	2	0	1	0	0	1	3	24
Others		1	2	3	1	3	4	1	4	2	3	25	2 51
<b>TOTAL</b>		<b>48</b>	<b>74</b>	<b>96</b>	<b>136</b>	<b>95</b>	<b>107</b>	<b>74</b>	<b>54</b>	<b>75</b>	<b>90</b>	<b>253</b>	<b>501152</b>

Source: Revos

# OPPORTUNITY SPOTLIGHT

*This month's Opportunity Spotlight features four Slovenian companies involved in component manufacturing and vehicle distribution. Opportunities exist for cooperation with these entities in the form of supply, purchase, and distribution agreements.*

**Company:** Sinter

**Contact:** Joze Krapez, General Manager

**Business:** Friction Materials & Products

Founded in 1969, Sinter produces high performance friction materials and brake pads, mainly for the automotive industry. Sinter also manufactures products used in farm machines, elevators, electric engines, and other industrial applications, and also renovates drive clutches.

Sinter is a private company and its headquarters and two factories (one is under construction) are located in Ljubljana. The company has 32 employees and yearly turnover per employee is DM 250,000 (approx. USD 167,000).

**Export Markets** Ninety-percent of Sinter's production is exported. Sixty-percent is exported to Italy and 25% is sold in the Czech Republic. Exports are also made to Germany, Austria, and Slovakia. "We are always looking for new markets," said General Manager Joze Krapez. "This is one of the factors that has helped expand the company." He added that Sinter is seeing an increase in demand for their products from Switzerland, France and Spain.

**Know-How & Engineering Exports** Not only does Sinter export final products, but it also exports advanced know-how technology and offers complete engineering for high performance friction and brake materials production. According to Krapez, more than 3,000,000 brakes are produced under Sinter's technology.

**Main Customers** Sinter's main customers in Italy are go-kart manufacturers. Sinter covers 80% of the world go-kart brakes market and, according to Krapez, is the leading company by quality in this area.

**Foreign Production Plants** Sinter is a co-owner of production plants in Iran, Austria, Russia, Egypt, and China. By the year 2000, they plan to have 4 plants in China. Their China factory, co-owned with the Chinese government and military, is the newest factory and has 160 employees. Equipment from the Slovene company **Litostroj** is installed in this factory.

Sinter is also the founder of **Sinter Sarajevo** in Bosnia. All income at this factory is currently reinvested into production capacities. Sinter also has plans to open a factory in the Czech Republic.

**Company Strengths** According to Krapez, Sinter's strengths are its research, development, and brake production and engineering. "We are constantly adapting ourselves to the new requirements of the automobile industry," said Krapez. The company produces over 450 types of disc and jaw brakes.

Sinter's biggest advantage is its knowledge of friction material production. Krapez noted that one of the unique aspects of their product is the excellent "fading" between the temperature drop and friction ratio. He added that the company is fortunate to be located in a country that has highly educated people and relatively low labor costs.

**Increasing Capacity with New Factory** Sinter's new production plant will increase its production capacity by 200%. Current demand for their products is outstripping production. Krapez said that he recognized that today only investments in software bring real profit, "but first you have to have the hardware to build it in." He noted that investing in knowledge is always his "first priority."

**Suppliers** Sinter buys its supplies on the world supply exchange market, where they find the bidder that offers the best quality for the lowest price. They buy supplies directly from the manufacturer to avoid extra broker costs.

**Greatest Challenge** "The greatest challenge everybody in this business is facing is to invent friction material that would be better than anything [currently available]," said Krapez. "This can be only achieved by knowledge, experiments, and experience."

**Key to Success** The key to survival in this market is knowledge and investment into knowledge, said Krapez. "It is really important that you have a chance to test your products in extreme conditions, such as in races." Sinter brakes are used in Indy Light races and in Go-kart races, and Sinter is the main manufacturer for Opel Lotus in Formula 3 races.

**Company:** Tesnila

**Contact:** Ladislav Pecnik

**Business:** Gasket Manufacturer

**Tesnila** is a privatized, worker owned, manufacturer of gaskets and gasket materials for cars, trucks, buses, and tractors. Non-asbestos gaskets are produced to specification for OEMs and cheaper asbestos gaskets are manufactured for the secondary market. Sales to OEMs account for 20% to 25% of total sales.

**Turnover Increasing** Tesnila's turnover is approximately DM 12 million. From 1994 to 1995 Tesnila's sales increased 20% primarily due to new product programs, better pricing, and maintaining high quality standards. The company is ISO 9001 certified.

**Capacity/Special Runs** Monthly gasket production capacity is 100,000 pieces, and the company currently operates at full capacity. Tesnila uses its own technology and can produce small batches of gaskets for buyers, even if they don't have a program for that particular gasket, said Tesnila's Ladislav Pecnik.

**Exports/Competition** Eighty-percent of Tesnila's production is exported to Russia, Romania, Poland, Hungary, Slovakia, ex-Yugoslavia, France, England, and Africa. The gasket market is competitive since the number of producers entering the market is increasing and better manufactured engines require fewer gasket changes.

According to Pecnik, Tesnila faces competition from high quality German-made gaskets, as well as from low price, low

quality gaskets from Turkey. The low-priced Turkish gaskets are popular in countries such as Russia and the former Yugoslavia where buying power is low.

Tesnila is trying to increase its exports to the former Yugoslavia. Pecnik thinks that when that market fully opens to trade, German and Italian gasket makers will be strong competitors.

**Raw Material Supplier** Tesnila imports all its raw materials. Asbestos is imported from Canada, non-asbestos paper is purchased from Italy, and steel and silicone are imported from Germany. With gasket prices dropping, Tesnila is looking for new, cheaper supplies. "We're looking for new suppliers because gasket prices are getting lower each year," said Pecnik.

**Metal Gaskets** The company recognizes that over the next five years the use of asbestos gaskets will disappear and the use of long lasting, expensive metal gaskets will increase. According to Pecnik, metal gaskets can last about 300,000 km without changing, whereas normal gaskets must be changed after 100,000 to 200,000 km.

Metal gaskets produced by companies in Portugal and Germany are already being used in new cars. The price of these gasket is 3-4 times higher than regular gaskets, said Pecnik. Tesnila is researching the feasibility of producing metal gaskets. An investment of approximately DM 500,000 in new machinery is needed before the company can begin producing metal gaskets.

**Keys to Success** The keys to success in the gasket market are "good quality and low prices," said Pecnik. "You must have a large range of gaskets to be successful in the aftermarket." The most effective way to break into a new gasket market is "low price [and] large quantities [to establish market share]," he added.

**Company:** Summit Motors Ljubljana  
**Contact:** Pavel Noc, General Manager  
**Business:** Ford Importer

Active in the Slovenia market since 1993, Summit is a joint venture between **Sumitomo** (58%), **Ford Kaposi** (30%), and **Slovenijales** (12%). Summit is the

exclusive Ford importer in Slovenia and is authorized to import all Ford products, distribute, and set up a service and dealer network. "We are covering practically all segments of vehicle sales in Slovenia," said General Manager Pavel Noc.

**Market Share** Summit's market share is 6.2%. "Our goal is 9-10%, which is the same as Ford in Western Europe," said Noc. The company plans to achieve this goal in three to five years. In some parts of Slovenia, Summit's market share is already 10-15%, said Noc. Sales are increasing each year, with 2670 units sold in 1995, 3,858 units sold in 1996, and a goal of 5,000 units for 1997.

**Dealer Network** The company currently has 36 dealer and service points in Slovenia. The dealer service network was reorganized late in 1996. According to Noc, many dealers are investing in new facilities, including the Maribor and Koper dealers.

**Spare Parts** A central warehouse for spare parts is maintained in Ljubljana. Parts are distributed from this warehouse to 20 locations in Slovenia. Some 80% of spare parts orders can be immediately filled from available stock, while the other 20% can be filled in 2-3 days.

**Financing & Leasing** Noc noted that in 1992, about 20-25% of car sales in Slovenia involved some form of leasing or financing, with the rest of sales made in cash. Today, however, only 20-25% of sales are made in cash. According to Noc, consumer trust in leasing dropped significantly when some of the old, private leasing houses went bankrupt. There's higher trust in those leasing houses who are connected with good banks.

"The biggest problem with financing is the price," said Noc. "Rates of 18-19% are too high." He noted that in order to bring rates down, inflation must be reduced and the productivity of Slovenian banks must be improved.

**Future** Although Slovenians are currently investing heavily in cars, Noc noted that in the future money will go to other economic investments. He thinks yearly

auto sales will peak out at around 58,000 to 61,000 units.

**Company:** Hyundai Avto Trade  
**Contact:** Iztok Vrcon, Marketing & PR Manager  
**Business:** Hyundai Importer

Hyundai Avto Trade started selling Hyundai's in 1990 and sold 4,600 units in its first year. To date it has sold some 20,600 units in Slovenia. Hyundai is the third best selling car brand in Slovenia. According to Marketing and PR Manager Iztok Vrcon, Hyundai is popular in Slovenia because "the price is very acceptable [and] Hyundai changed their models." He noted that the new Accent is "very interesting for Slovenians, especially young families." The Accent is the fifth most popular model in Slovenia.

**New Ownership** In 1997, a 51% share of the state-owned Hyundai Avto Trade will be purchased by Hyundai. The other 49% will be retained by Hyundai Avto Trade.

**New Models** "We sell all the models," said Vrcon, including the Accent, Lantra, Coupe, and Sonata. The new Coupe and Sonata were both introduced in September 1996. The 4x4 Galoper models will be introduced in February 1997. The Galoper is sold under license from Mitsubishi.

<b>Hyundai Avto Trade's Sales in Slovenia</b>	
<b>Year</b>	<b>Units Sold</b>
1990	4,674
1991	5,255
1992	994
1993	1,039
1994	1,485
1995	2,558
1996	4,643
<b>Total</b>	<b>20,648</b>
Source: Hyundai Avto Trade	

Continued on page 18

# New Polish Engineer Survey Sheds Light on Salaries

The recent surge of investment and construction activity in the Polish automotive sector is putting pressure on the Polish engineer market. A study of the engineer market was conducted by the Warsaw office of Personnel Select, a human resource firm specializing in the automotive industry.

The study produced a number of interesting findings:

-According to the study, the average salary of engineers in Poland varies in different regions. The highest monthly salaries are in Warsaw, where the average is PZL 1,570

(approx. USD 525). Salaries of engineers in bigger cities such as Katowice, Poznan, and Wroclaw are slightly lower at PZL 1,300-1,400. Salaries in small cities such as Siedlce and Wyszkwow are about PZL 100-200 lower than in the bigger cities.

-According to the survey there is no correlation between professional experience and salary. The two important factors that do have an influence on salary are knowledge of a foreign language and management responsibilities. The salaries for this category of engineers varies from PZL 2,000 to PZL 3,500.

-The salaries of engineers in Poland are low in comparison to the finance and banking sectors.

-Engineers seem willing to relocate for a 30-50% increase in their current salary.

-Within the next 3 years, around 31,300 new engineers will graduate in Poland.

*Below is a table of the average monthly salary expectations, in PZL, of engineers in different regions of Poland:*

	<i>Warsaw</i>	<i>Katowice</i>	<i>Wroclaw</i>	<i>Poznan</i>	<i>Bielsko Biala</i>	<i>Kalisz</i>	<i>Siedlce</i>	<i>Tychy</i>
<b>Mechanical engineers</b>	2470	2304	2096	1700	1900	1857	n/a	2200
<b>Automatics engineers</b>	1767	1450	n/a	2500	3000	n/a	n/a	n/a
<b>Production engineers</b>	2365	2640	1750	1713	1700	1325	1833	2209
<b>Metallurgists</b>	2833	1989	2000	2500	2000	n/a	1500	2353
<b>Building engineers</b>	3250	2600	2850	1000	n/a	n/a	n/a	n/a
<b>Chemical engineers</b>	1858	1743	1833	1567	n/a	n/a	1034	n/a
<b>Electronics engineers</b>	2450	2160	2000	n/a	n/a	1600	n/a	4500
<b>Electrical engineers</b>	1900	2020	n/a	n/a	1500	n/a	n/a	1500
<b>Computer scientists</b>	1833	2067	3000	2450	2250	n/a	1800	n/a
<b>Constructors</b>	2236	1860	1930	1650	1950	2540	2505	2033
<b>Test Specialist</b>	2340	1740	2000	n/a	n/a	n/a	n/a	n/a
<b>Others</b>	2279	2600	2486	2000	1870	3500	1600	n/a

## Central & Western Europe In 1997

1997		April	
Jan. 16-19	<b>Salzburg, Austria</b> Auto Show	May 7-11	<b>Ljubljana, Slovenia</b> Fair of Farm Vehicles & Supplementary Equipment
Jan. 18-26	<b>Brussels, Belgium</b> Commercial Vehicle Auto Show	May 21-25	<b>Torino, Italy</b> Automotor
Feb. 6-16	<b>Amsterdam, Netherlands</b> Auto Show	May 20-23	<b>Bologna, Italy</b> Autopromotec
March 4-7	<b>Budapest, Hungary</b> Int'l Metalworking & Machine Tool Exhib.	May 27-31	<b>Nitra, Slovakia</b> Int'l Fair of Machines, Tools, Devices, & Technologies
March 6-8	<b>Helsinki, Finland</b> Auto & Korjaamo '97	June 7-12	<b>Budapest, Hungary</b> Industrial Hungary
March 6-16	<b>Geneva, Switzerland</b> Auto Show	Sept. 3-7	<b>Brno, Poland</b> Auto Show
March 25-April 3	<b>Belgrade, Yugoslavia</b> Auto Show	Sept. 11-21	<b>Nitra, Slovakia</b> Int'l Exhib. of Passenger Cars, Trucks, Utility Cars, & Accessories
April 5-13	<b>Stockholm, Sweden</b> Auto Show	Sept. 17-23	<b>Frankfurt, Germany</b> Autotechnica
April 18-23	<b>Brussels, Belgium</b> Autotechnica	Oct. 14-19	<b>Bucharest, Romania</b> Int'l Exhib. for Motor Vehicles, Spare Parts, & Accessories
April 25-30	<b>Poznan, Poland</b> Int'l Fair of the Automotive Industry	Nov. 15-23	<b>Bucharest, Romania</b> Int'l Technical Fair (incl. automotive companies)
April	<b>Celje, Slovenia</b> Car & Maintenance Fair		<b>Athens, Greece</b> Auto Show

## 50 Best Selling Passenger Car Models in Slovenia in 1996

Brand/Model	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Renault Clio	647	517	454	420	632	533	618	316	349	368	246	255	5355
Renault Megane	28	555	745	645	643	415	354	186	368	371	212	186	4708
Volkswagen Polo	215	310	357	475	350	331	338	151	307	286	196	155	3471
Skoda Felicia	208	249	437	387	321	291	304	219	232	214	265	292	3419
Hyundai Accent	257	377	300	248	222	214	214	249	324	330	141	93	2969
Volkswagen Golf	156	149	228	357	390	278	278	179	223	237	117	91	2683
Renault R5	435	336	327	308	377	196	300	129	122	60	42	25	2657
Ford Fiesta	24	95	132	264	242	371	314	220	131	102	61	54	2010
Fiat Punto	93	149	275	133	159	162	215	146	143	116	71	74	1736
Opel Astra	105	150	201	238	142	137	190	127	89	121	86	50	1636
Renault Laguna	161	131	133	113	104	165	167	58	81	89	62	64	1328
Hyundai Lantra	91	118	166	197	157	102	83	48	88	135	58	20	1263
Opel Vectra	45	160	195	115	173	160	123	66	63	55	54	17	1226
Renault Twingo	39	44	68	53	97	100	111	104	121	164	127	64	1092
Ford Escort	86	123	121	170	95	72	85	49	52	69	104	62	1088
Seat Cordoba	74	126	106	119	91	109	144	113	54	43	56	48	1083
Honda Civic	29	35	60	154	128	95	105	118	59	145	30	29	987
Lada Samara	78	106	162	129	115	76	87	27	41	45	46	32	944
Fiat Uno	3	0	0	59	40	72	260	152	79	147	65	39	916
Audi A4	41	52	90	81	92	110	112	61	42	67	42	32	822
Peugeot 406	44	84	116	128	68	77	65	37	44	32	57	37	789
Lada Niva74	97	82	77	52	40	62	48	58	81	59	54	784	
Daewoo Nexia	39	52	77	91	73	144	140	40	35	33	28	31	783
Opel Corsa	63	85	105	85	70	73	80	40	43	42	21	12	719
Seat Ibiza	31	60	63	36	64	58	103	89	53	60	45	20	682
Daewoo Racer	93	89	159	158	80	19	8	2	1	2	0	0	611
Mazda 323	23	47	81	76	74	82	45	43	32	37	17	17	574
Peugeot 306	50	33	45	50	65	69	50	31	26	40	42	31	532
Ford Mondeo	16	33	67	46	33	42	61	71	63	28	13	17	490
Suzuki Baleno	7	41	64	74	47	31	42	29	35	48	25	25	468
Volkswagen Sharan	5	28	22	72	46	43	22	12	35	46	102	26	459
Kia Pride	43	51	59	69	44	26	39	36	61	9	11	9	457
Fiat Brava14	17	47	48	42	53	44	31	46	30	28	35	435	
Maruti 800	83	37	44	66	33	16	37	28	26	18	16	14	418
Renault R19	131	96	71	44	34	16	13	6	3	2	1	0	417
Kia Sephia	24	27	42	51	31	49	47	33	31	39	23	15	412
Fiat Bravo	21	23	46	37	31	50	50	25	25	34	26	36	404
Rover 2XX	40	37	30	9	2	23	29	40	29	60	31	40	370
Chrysler Voyager	12	12	41	40	28	34	38	24	15	24	74	6	348
Suzuki Swift	33	48	54	22	13	15	25	33	33	16	16	15	323
Volkswagen Passat	17	6	10	17	29	35	33	21	26	29	50	36	309
Rover 4XX	3	14	17	18	40	29	37	25	21	35	25	23	287
Nissan Almera	9	26	28	32	27	18	26	31	18	25	18	8	266
Seat Toledo	10	31	36	38	17	31	21	20	18	17	11	14	264
Fiat Panda	29	22	29	28	45	18	21	21	12	19	10	4	258
Audi A6	19	28	26	32	26	25	22	10	9	19	16	23	255
BMW 5XX	2	8	33	35	19	11	27	31	9	16	26	18	235
BMW 3XX	26	26	19	23	24	20	23	17	13	16	11	12	230
Peugeot 106	14	3	5	35	20	18	35	30	28	23	14	5	230
Citroen AX	17	28	25	26	19	10	15	7	8	43	14	2	214

Source: Hyundai Avto Trade

## Registered Road Motor Vehicles & Trailers in Slovenia

Type	1991	1992	1993	1994	1995	1996
Passenger Cars	594289	606820	632563	657287	698211	700040
Buses	2855	2676	2527	2486	2467	n/a
Lorries <sup>1</sup>	30772	31281	32167	34121	37739	n/a
Comb. Vehicles <sup>2</sup>	8595	8911	9130	9964	11403	n/a
Special Vehicles <sup>3</sup>	8592	8391	8456	8751	9262	n/a
Agric. Tractors	96280	97314	98125	40430	45835	n/a
Trailers	23982	24842	25916	17163	19811	n/a

<sup>1</sup>Including Road Tractors

<sup>2</sup>Station Wagons/Light Vans

<sup>3</sup>Including Service Vehicles

Source: Statistical Office of the Republic of Slovenia

intention of Hella together with us is to double our turnover in the next 6-7 years. It's not a desire, we must.

**CEAR: What strategies will you use to double turnover?**

**Lazar:** New technologies and more markets. With Hella we'll get new markets and new technology. And, of course, we'll increase productivity with better organization and better discipline.

**CEAR: What's different about this joint venture when compared to other similar ventures in Central Europe?**

**Lazar:** We're not just going to be a production plant, but we'll be a development and production plant. That's in our agreement. That's important. [This joint venture] is not just to take advantage of the cheaper workers here because the workers are not cheap in Slovenia. So then if you don't put together engineers and workers, you'll not get a profit out of Slovenia. That combination Hella understood. Not just the workers because they could get cheaper workers in the Czech Republic, for example. But the combination of development and production. When you put those together, you get a good result.

What is quite exceptional [about this joint venture] is that there will only be Slovenian managers. There will be no German managers here. Of course, we get all necessary support from Hella, [such as] technical know-how and training. Whatever we need we can get, but there will be no constant presence of Hella managers here.

**CEAR: Was that difficult to negotiate?**

**Lazar:** Not really. It's even cheaper for Hella. We're cheaper than German managers.

**CEAR: Was this a requirement from the beginning of negotiations?**

**Lazar:** It was a mutual understanding from the beginning. There were no requests from the other side regarding this. It was a mutual understanding.

**CEAR: What was the biggest challenge to overcome during your negotiations with Hella?**

"We're not just going to be a production plant, we'll be a development and production plant. That's in our agreement. That's important."

**Lazar:** That's not an easy question. Practically, the problem from the beginning was the mentality of our workers and certain Slovenian government offices. [We had] to convince all the parties that it's truly good to be part of a technological leader.

A lot of people didn't understand that our factory alone could not survive. That a concentration of capital and know-how is essential for the future. Most of the people were convinced that Saturnus was an extremely good factory and that it could survive alone, could supply everybody globally. They don't understand that globalization and concentration is the [future]. You're in or you're out. There's no middle way, so that's why we decided to go in and stay alive.

So convincing the people that we wouldn't harm the future of the factory if we [joined] with a technology leader, that was probably the hardest.

**CEAR: How did you overcome that mind-set?**

**Lazar:** A lot of meetings and contact with people at other factories. We went to see a **Valeo** factory, an **ITT** factory, and [this] gave the people the chance to see what's going on [with other foreign-owned factories].

**CEAR: What are the essential traits a supplier must have today to be successful?**

**Lazar:** In the car industry today, if you want to be a supplier there are two basic [requirements]. First is financial strength and second is development capability. When you are asked [about] financial stability, it is difficult to give a positive answer to the car factory if you don't know who is the owner [of your company]. How can you guarantee to the factory that you will be alive in 15 years if you don't know who is the owner?

That was the case with the **Renault** factory here in Slovenia. That's why we couldn't get the orders from Renault. We couldn't prove our financial stability.

And the second is development capability. You have to prove to the factory that you are able to put on the market for each new generation of cars some new technology, some new improved product. Every

four years there's a new car. You must come out with new ideas.

You need a critical number of engineers and critical amount of capital to produce new ideas and new products. If you're small you don't have enough capital and enough human resources to do that. That's why you can't be accepted as a system supplier.

Together with Hella we're going to get orders from Renault in Slovenia again. They are checking again our possibilities. Now they feel secure coming to Saturnus.

**CEAR: What's the most exciting part of this new venture with Hella?**

**Lazar:** First of all, that we will stay a system supplier to most European car factories, like Fiat, Renault, VW, and Opel. Otherwise, [without this partnership] we would lose that status.

[The venture] also means that all of the working relations will be secured. It's important that the jobs are here, that salaries will be regularly paid, and at the end of the year there probably will be enough profit for investments. In the last four years our investments were extremely poor. We survived but investments were poor.

**CEAR: To which customers will future production at your factory go?**

**Lazar:** Next year, 1/3 will probably go to Opel, 1/3 to VW, and the rest will be split between different factories. Mostly European factories.

**CEAR: Will the company continue operating under the name "Saturnus"?**

**Lazar:** Right now, we'll [remain] Saturnus [but a part] of the Hella Group. We may in the future change the name to Saturnus Hella, but that is only for practical reasons. Otherwise, the Saturnus trademark will stay.

**CEAR: What is your biggest advantage as a competitor?**

**Lazar:** We have the right quality for the right price. The right combination

between inexpensive and very skilled engineers and the right price. Slovenian workers are not extremely cheap but in combination with our engineers, that's the advantage.

Engineers and workers. That's the package. If you take it separately, just the workers, you are out. If you take just the engineers, you're out. So that's why in Slovenia you can be successful if you take advantage of certain development skills. Not basic development, but technological development. You have to take advantage of the cheap engineers.

**CEAR: In what kind of after-market activities will Saturnus be involved?**

**Lazar:** Saturnus will be involved in the after-market business covering Slovenia and ex-Yugoslavia. Here in Slovenia we have our after-market network but for our products only. In the future we'll cover Slovenia with Hella products. We're negotiating to cover ex-Yugoslavia and maybe some other countries.

We'll use both names, Saturnus and Hella. It all depends on the market strategy. We'll use our established network in ex-Yugoslavia but we have to increase our activities there because some of the network has been destroyed.

**CEAR: Where is Saturnus buying its supplies?**

**Lazar:** We buy most everything in Europe. Unfortunately, 80% is bought from outside Slovenia.

**CEAR: Do you see that changing anytime soon?**

**Lazar:** No. Not really. Slovenia has different commercial agreements with all European countries. That's why we can get raw materials from other parts of Europe without paying any customs duty. We can look for the best supplies all over Europe without worrying about customs duties.

**CEAR: As head of the Slovenian Automotive Component Manufacturers**

**“Engineers and workers. That's the package. In Slovenia you can be successful if you take advantage of certain development skills. Not basic development, but technological development. You have to take advantage of the cheap engineers.”**

**Association, what do you think is the biggest challenge for Slovenian suppliers who want to get involved in the global components market?**

**Lazar:** First of all, most Slovenian suppliers will have to follow the Saturnus way. Not all of them. But most of them will have to get more involved with technological leaders [if they want] to remain systems suppliers.

Otherwise, they'll just be second or third tier suppliers.

[Next], what is very important for Slovenian suppliers is to increase their productivity. Productivity is still less here than in other countries of the world.

Also important is new investments. All Slovenian suppliers have a lack of inexpensive new capital. They need new investment to increase productivity. That's a problem. Cash flow is extremely poor at all of these factories. Extremely poor. Payment delays are a problem.

**CEAR: What are some of the major industry trends affecting your members?**

**Lazar:** The pressure to reduce prices is tremendous so profits are not very high. Our members complain about the overvalued Slovenian Tolar. They are not happy with the high interest rates on loans. They are not happy with the expensive labor. What's really bothering our members is payment discipline in Slovenia. Nobody is paying their bills. For all of our members, maybe 20% of their office time is spent on collecting [accounts receivables]. Here we expect our government to be more [active].

**CEAR: Are Slovene suppliers actively looking for foreign partners?**

**Lazar:** They are trying to but the process takes time. It's not easy to find a foreign partner that can [satisfy] all its investment interests. We cannot offer new markets because Slovenia is so small. You don't get cheap workers. [The investor must be interested in] buying

the engineer [expertise] and in an established organization.

If you want a greenfield, it's cheaper to go to some other place. To find a motive to buy a Slovenian factory is not easy. Not easy. That's why the investments [here] are not very high.

Also, the government has to help. The government has to provide inexpensive capital, and it must [control] the cost of labor [through better labor union agreements]. The cost of labor is not right. Right now, the salaries are growing faster than productivity. That is a key factor.

**CEAR: What other kind of government help would you like to see?**

**Lazar:** What would be good is to have on the government level legislation that will stimulate car factories to buy spare parts in Slovenia. If you remember, last year in Slovenia we had legislation that reduced the custom duty [on cars exported to Slovenia] by 40% if the export is covered with the import of parts from Slovenia.

This year, because of the decline in customs duties, our association's [goal] was to increase the custom duty deduction to 60%, but we got 50%. So now, after the first of January you pay only one-half the duty if you buy parts in Slovenia.

We have to prepare a new suggestion for the government [about how] we can stimulate [purchases of Slovenian parts by foreign companies]. The base for such stimulation cannot be customs duties because customs duties are becoming lower and lower. We have to find something else.

We're thinking about the VAT tax. Maybe decrease that tax if the car exporter is buying from [Slovene suppliers]. We have to study some of the stimulation programs [used by other countries] and see if [they will work here]. ■

To report news of acquisitions, joint ventures, sales contracts, new offices, or job changes write to Opportunity Spotlight, CEAR at 4800 Baseline Rd. Suite E104-340, Boulder, CO 80303 USA, or E-Mail to cetmllc@ibm.net.

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## Executive Changes at ITT Automotive Europe

On February 3, 1997, Dr. Jurgen M. Geisinger was appointed Chairman of the Management Board by the Supervisory Board of ITT Automotive Europe, effective from February 1, 1997. Geisinger will also have worldwide responsibility for ITT's Brake & Chassis Division.

ITT Automotive Europe has factories throughout Central Europe and is the largest subsidiary of ITT Automotive in Auburn Hills, Michigan. The company had an annual turnover of approximately DM 5 billion in 1995.

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*For more information, contact Infolink at the Chamber of Economy of Slovenia, Slovenska cesta 41, SI-1504 Ljubljana, Slovenia; tel: (386 61) 223-157, fax: (386 61) 219-536, e-mail: [infolink@hq.qzs.si](mailto:infolink@hq.qzs.si)*

**Opp. Spotlight** Continued From Page 11

According to Vrcon, 30% of Slovenian sales are 4x4 vehicles and Hyundai plans to target the military, police, and general customers for Galoper sales. "We think about 2% of our sales in Slovenia will be Galopers, a little more than 100 cars," said Vrcon.

"We are expecting next year, maybe February 1998, a new small model with a 1-liter engine," said Vrcon. This model will compete with the Fiat Uno and Cinquecento, Renault Twingo, and other similar cars. "This is important now because these [small] cars have the lowest taxes and insurance," he said. The cars will sell for around DM 12,000.

**Spare Parts** Hyundai plans to open a warehouse for spare parts in Brussels in January 1998. "Normally we have enough spare parts but in the case of emergencies, [delivery can take] 10 days," said Vrcon. "For customers this is not good."

**Customs** Since customs duties on cars from EU countries are dropping (18.5% for EU countries vs. 27% for non-EU countries), "we will change prices so [we can stay competitive]," said Vrcon.

**Challenges** "We have a quite good dealer's organization but still we must look inside to make a better organization," said Vrcon. "Next year all dealers

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must have workshops, showrooms, and exclusivity." Avto Trade currently has 30 dealers in Slovenia.

**Port of Koper** All Hyundai cars arrive in Slovenia through the Adriatic port of Koper. The vehicles are stored in a duty-free zone at the port until needed by distributors. Also passing through Koper

are Hyundais bound for the Czech Republic, Hungary, Slovakia, Poland, Croatia, and Macedonia. "We cooperate very well with [the port]," said Vrcon. ■

## Production of Renault Cars at Revoz Plant in Novo Mesto, Slovenia\*

Year	TOTAL	Clio	Renault 5	Renault 4
1996	89,229 (80,565)	72,507 (66,893)	16,722 (13,672)	
1995	87,513	46,583	40,930	
1994	73,990 (65,740)	22,280 (18,630)	51,710 (47,110)	
1993	58,367 (45,563)	12,677 (6,864)	45,690 (38,699)	
1992	83,534 (74,267)		61,862 (55,147)	21,672 (19,120)
1991	75,190 (52,441)		48,871 (35,629)	26,319 (16,812)
1990	67,964 (48,765)		28,432 (19,877)	39,532 (28,888)

\* figures in parenthesis represent the number of exported vehicles

Source: Revoz d.d.

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\*CzechInvest is the Czech Government agency responsible for the attraction and negotiation of foreign direct investment into the Czech Republic.

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