

newsletter

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NEW REGIME APPLICABLE TO NEW VEHICLES DEALERS: THREE DEADLINES

This newsletter aims to give an overview of the main provisions of the new regime applicable to importers of new vehicles (including cars, trailers, and heavy vehicles) with a view to selling them on the Algerian market.

The most recent measure derives from Law No. 15-15 of 15 July 2015 ("**Law 15-15**"), which amends and adds to order No. 03-04 of 19 July 2003, and sets in place a specific importer licence system that is similar in type to that of the World Trade Organisation. Its executive decree No. 15-306 of 6 December 2015 sets out the application terms and conditions for the merchandise import and export licence regimes.

On 13 January 2016, the Ministry of Trade published a notice on its website that targets certain specific types of vehicles subject to the quota-based non-automatic import licensing system. This notice seems to fall within one of the objectives of Law 15-15, namely the safeguard of the "*exterior financial balance*"¹.

The notice in question indicates that the quota of certain vehicles used for the transport of people, merchandise and for tourism (designated according to their tariff heading) is of 152,000 units, it being specified that other vehicle categories may be concerned by such licensing system, and that the information should be soon published on the Ministry of Trade website.

Law 15-15 specifies that, during the licence distribution phase, prior imports made by the applicant will be taken into account.

Automotive dealers concerned have from 14 January to **3 February 2016** to file a 6-month licence request application with the Trade Directorate of the territorially competent Wilaya. For further details, please see the Ministry of Trade website <http://www.mincommerce.gov.dz/>

To better understand the quota of 152,000 vehicles, it is worth recalling here a few figures of vehicle imports in Algeria. In 2014, 370,549 vehicles were imported², totalling some 4.8 billion dollars. In the first 11 months of 2015, imports fell 37%, with some 255,236 units imported, totalling 3 billion dollars³.

This downward trend can, in particular, be explained by the Government's general policy for the past two years, since it is under the influence of the Finance Law for 2014, of the executive decree No. 15-58 dated 8 February 2015 setting out the terms and conditions for exercising the activity of new vehicle dealers, and of the new specifications set by the order of 23 March 2015 issued by the Ministry of Industry and Mines, that vehicle imports dropped considerably from 2015.

¹ Article 6 bis of Order 03-04 from Law 15-15.

² Source: APS, Monday 24 August 2015.

³ Source: APS, Tuesday 22 December 2015.

The new requirements deriving from the specifications provided by order of 23 March 2015 imposed on dealers of new vehicles and constituting *de facto* import restrictions, include:

- increased security standards on imported vehicles that must conform with those of the Algerian legislation, or at least to standards that are internationally recognised but that are not beneath those in place in the manufacturing country of origin; it being specified that a compliance inspection must be carried out in the port infrastructures prior to the customs clearance of the vehicles in question;
- increased demands in terms of distribution network, with the dealer being able to demonstrate appropriate storage and after-sales infrastructures and a distribution network that covers at least Algeria's four regions (East, West, South, North);
- increased scrutiny over the dealer contract, which shall provide for a three-year minimum term and compulsory statements;
- the obligation to import vehicles directly from the manufacturer (licensor) and the restriction of imports to the makes of vehicles indicated in the specifications document.

In order to maintain their dealer licence, the Ministry of Industry and Mines indicates that the existing dealers have until **8 February 2016** to file with the competent services of such Ministry the documents evidencing that the latter comply with all the new provisions of the specifications, which are immediately applicable. In particular, they shall file a new dealer contract (or an amendment to the existing contract) with a three-year minimum term, entered into with the manufacturer and providing for the compulsory statements indicated in the order.

At the same time, and with the purpose of developing the Algerian automotive industry and national manufacturing, the above-mentioned decree No. 15-58 has confirmed the obligation (introduced by the Finance Law for 2014) for new vehicle dealers to invest in an industrial/semi-industrial activity in Algeria, or any other activity having a direct link with the automotive sector (on the mechanical sector as regards dealers of new machines and equipment).

Existing dealers have a maximum of three years from 1 January 2014 (i.e. until **1 January 2017**) to comply with this investment obligation. For new dealers, this three-year period runs from the date of delivery of the final agreement.

Information regarding this investment obligation, which could materialise via the implementation of assembly activities, is unclear, and a number of questions remain as regards, for instance, the type of products assembled, the rate of integration of the project locally, the minimum investment amount, etc.

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