

Cuba flexibilizes commercial car trade

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Transport in Cuba: Three years with minimum investment come to an end (Source: Marcel Kunzmann)

The economic crisis of recent years has not only affected the supply of goods and energy, but has also caused a massive slump in the transportation sector. Last year, for example, only 1.5 million passengers were transported in Cuba, about a quarter fewer than before the pandemic.

Transportation Minister Eduardo Rodríguez Dávila gave an insight into the state of the sector Wednesday on the television program "Mesa Redonda" ("Round Table") and presented new reforms related to the import and trade of vehicles that will take effect March 1. For the first time in Cuba, the import of electric vehicles will be specifically promoted.



The lack of vehicles leads to creative solutions in Cuba (Source: Marcel Kunzmann)

Transport in Cuba: a sector in crisis

In Cuba, the effects of the "advanced deterioration of all transport capacities and infrastructures during the last three years" were just beginning to show, Rodríguez said. With the border closure and lockdown in the spring of 2020, not only was traffic at a standstill for many months, but funding for spare parts and new acquisitions in the transport network was reduced to a minimum for three years. The result is the slump in transport numbers mentioned at the outset, which is making itself felt all over the country in the form of long waiting lists, packed buses, and reduced timetables.

Another problem is fuel availability, which has become more acute as a result of the tighter U.S. sanctions initiated under Donald Trump. The minister reported that at times Cuba has had to buy not only cargo but entire oil tankers because owners refused to unload paid-for supplies due to the sanctions. Havana's entire public transportation system requires 80,000 liters of diesel every day. As Rodríguez acknowledges, "some days just half of that" is available. In the provinces, the fuel supply is often even worse. Despite increased autonomy, state-owned companies have no opportunity to purchase additional fuel because ticket prices are heavily subsidized. The private sector, on the other hand, provides a higher-priced service based on cost-covering prices, but only part of the population can use it.

These contradictions are not fundamentally new; they have characterized Cuba's transportation system for years. In order to slowly fight its way out of the crisis, the ministry is planning some larger and smaller measures this year.

For example, similar to the transportation crisis of the 1990s, state-owned vehicles are once again required to pick up passengers at bus stops. Anyone driving with blue (=state-owned vehicle) license plates and driving emptier than necessary risks a fine. Another step is the now implemented option for state-owned companies to rent out parts of their vehicles to private companies. Regarding the increase in the vehicle fleet, Rodríguez expressed his gratitude for a donation of 104 buses from Japan and Belgium, which will be used to reinforce municipal bus routes in Havana and elsewhere. The last major new purchases at its own expense took place in 2019, and the Island of Youth is soon to receive a new ferry to connect with the main island, with space for 400 passengers.



Cuba's e-rickshaws and e-scooters are manufactured on a modular basis in Havana (Source: [Naturaleza Secreto](#)).

Furthermore, a new e-rickshaw system could be put into operation in Havana with the help of the United Nations, which thanks to local manufacturing can be extended to other provinces in the coming months. Since the factory began operations in 2020, Cuba has produced a total of 23,361 electric scooters and tricycles, most of which ended up in foreign exchange stores. The manufacturer is the Cuban-Chinese joint venture Caribbean Electric Vehicles (VEDCA). Cost for an e-scooter with 25Ah: from 1400 US dollars. Four-wheeled electric microcars, with ranges of up to 100 kilometers and a top speed of 50 km/h, are now also part of the manufacturer's range. The technical platform comes from Chinese manufacturer Haibao, and costs less than 2000 US dollars to produce. According to VEDCA, the first kit imports began last November for testing purposes.

Commercial trade and electromobility

There are two major changes regarding trade in private cars and other vehicles. This was first introduced in Cuba in 2014, but at lunar prices. For example, a new Peugeot 206 cost around 91,000 CUC (=USD). Other cars were also around four to seven times more expensive than the international norm. At the time, the Cubans considered the prices to be disrespectful, and nothing has changed so far. The background to the pricing model was a special tax for a fund to finance local transportation.

Clase	Hasta 5 años	Más de 5 años hasta 15 años	Más de 15 años
Motos, ciclomotores y triciclos de combustión	265 000,00	132 500,00	66 250,00
Motos, ciclomotores y triciclos eléctricos	132 500,00	66 250,00	33 125,00
Auto	2 040 000,00	1 020 000,00	510 000,00
Auto rural	280 000,00	1 340 000,00	670 000,00
Camioneta	2 930 000,00	1 465 000,00	732 500,00
Panel	3 505 000,00	1 752 500,00	876 250,00
Microbús	4 265 000,00	2 132 500,00	1 066 250,00
Ómnibus	8 135 000,00	4 067 500,00	2 033 750,00
Camión	8 055 000,00	4 027 500,00	2 013 750,00
Cuña	9 960 000,00	4 980 000,00	2 490 000,00
Arrastre	1 790 000,00	895 000,00	447 500,00

Reference prices for the sale of vehicles to commercial customers (Source: [Gaceta Oficial No. 16/2023](#))

Now, the existing laws on car trade are being superseded by a new "Decree 83" that, among other things, allows the sale of new and used vehicles to both state and private companies, cooperatives, and foreign firms at wholesale prices, which includes commercial vehicles such as heavy trucks and buses. In addition, all economic actors are now allowed to trade vehicles among themselves. New car imports and used purchases are still settled in foreign currency (MLC), and state-owned enterprises can buy in pesos "depending on availability and the quantities established in the plan." Sales among the various players are also likely to be in pesos. From micro-enterprises to large construction cooperatives, this means that for the first time all new economic actors in Cuba will be able to access the full range of the fleet.

The profit margin has been reduced to 30 percent. The calculation of the reference prices is based on the old prices, but depending on the exchange rate, the final prices are significantly lower (see table). For example, a car up to five years old must cost at least two million pesos. With the state exchange rate of 24:1, one comes back to a similarly high minimum sum of 85,000 US dollars. However, if one takes the exchange rate of 120:1, which applies to the population, cooperatives and private companies, this corresponds to 17,000 US dollars. This would be an amount that could correspond to the realistic current value including a 30 percent profit margin.



Parking lot of a state-owned car dealership in Cuba (Source: [Cimex/CC](#)).

As the minister explained, current market prices were taken as a reference. According to this, a vehicle more than 15 years old must still fetch at least \$4,250 at a state-owned dealership, which corresponds to the actual prices of many such vehicles. A 30-year-old Lada in good condition even trades for three times that amount on the used market. The table is to be updated once every six months. The first dealers have already announced new offers for March 1.

The special tax for the development of the transport sector is now only due when more than two vehicles are purchased, but then it hits hard again: the third vehicle is taxed at 150 percent, the fourth at 200 percent and from the fifth vehicle onwards, 250 percent public transport tax is due. The situation is different for electric vehicles: here, the tax scales between 10 and 30 percent, i.e. a factor of 10 less, which means that Cuba is providing targeted incentives for the purchase of electric vehicles for the first time. Large commercial importers must provide charging infrastructure for their electric fleet based on renewable energies, while at the same time the subsequent conversion of e-vehicles into internal combustion engines is prohibited. Rodríguez announced that the state is working "at full speed" to build e-charging infrastructure based on renewables. The replacement of the bodywork is now allowed for all types of vehicles "under compatible brands." This means that the de facto legalization of many domestic tinker solutions, which has already taken place, takes on the force of law.

In addition, the direct import of motorcycles and e-scooters is simplified for natural and legal persons. The previous restriction of 1000 watts for electric scooters will no longer apply, and sidecars can also be imported in the future. This should continue the boom in electric scooters that has been observed on Cuba's roads for several years. Another innovation is that rental vehicles purchased by the state for tourism that are not used for their intended purpose for more than one year must be put on the market after this period.

There is a restriction for private SMEs: they may only sell vehicles to natural persons if the same were previously brought into the company by a company owner. Commercial vehicle sales to private individuals are thus reserved for state-owned enterprises, joint ventures, and foreign companies. This is apparently intended to prevent private companies from acting as commercial car importers. The private sales and donations between natural persons (which also includes foreigners with permanent residency) legalized in 2011 remain unaffected.

Conclusion: The future is electric, also in Cuba

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E-small car manufactured in Cuba. Currently being tested, in the future an affordable alternative for private transport? (Source: [Vedca](http://vedca.cu))

With the latest set of measures, the vexed issue of transportation and cars in Cuba has received a new impetus after many years. Rather than being a big shot, the law is a gradual step in the right direction. The targeted promotion of e-mobility while thinking along the lines of energy sources for charging infrastructure makes sense, but targeted policies and effective support programs are still lacking.

Prices for state-owned car dealerships remain high, but not as prohibitive as before. Private companies and cooperatives will gain much broader access to the car and commercial vehicle market, while state-owned enterprises can generate additional revenue through rentals and sales. This could lead to an increase in imports, which should also benefit second-hand prices in the long term. Their astronomical price level makes the acquisition of their own car an unrealistic dream for most Cubans, which will extend the life cycle of many vintage American and Russian cars for years to come. However, for households without their own vehicles, the facilitation of the purchase of e-cars and scooters could be interesting. The latter have the potential to become more widely accepted as an affordable solution for private mobility - especially since a local production line already exists that can manufacture 39,000 vehicles per year at full capacity.