

New Volga might turn too expensive

GAZ intends to produce a new low-cost auto based on some foreign model. With the plant capacity of 300,000 cars per year and construction scheduled to be complete in 2.5 years, the payback term is estimated at 6 years. The new car is expected to cost 300,000-500,000 rubles (\$12,800-21,500).ⁱ

It's hard to say which foreign automaker will license production of new Volga's based on some of its car models. GAZ's first experience of the like was not a success: the project was to produce a car based on the Lacetti model, but the business plan prepared by GM revealed that the new car would be too expensive.

This time the estimated price is also too high for new Volga cars to compete with the most popular autos in the low-cost car segment. For example, Logan is priced at \$11,600-15,500, Lanos - at \$11,000-12,600 and Daewoo Nexia – at \$10,800-12,800.

If the new GAZ auto will be sold at the pre-estimated price, it will hardly make a serious rival to foreign-made cars. Also, the plant is unlikely to enjoy high sales in Moscow. Judging by the Daewoo Nexia experience, the city's population's incomes are growing, so people can afford more expensive cars. Thus, there is likelihood that when the new auto is unveiled, it will be sold in the regions mostly.

By Kirill Lebedev

ⁱ According to the Russia's Central Bank exchange rate effective on July 28, 2008