

GM launches production of unpopular car models in Shushary

The world's number one vehicle manufacturer, General Motors, launched a \$400 million assembly plant in Russia with a capacity of 70,000 units per year. This is the fourth non-domestic car manufacturing site in Russia (preceded by Ford, Toyota and Volkswagen plants) and the third in the St. Petersburg region. The Kaluga region-based VW plant is Russia's largest (manufacturing 115,000 units per year) and most expensive car assembly plant (construction of its first stage cost \$650 million).

Before the financial crisis struck, many large carmakers considered launching domestic plants in Russia efficient. With personal incomes growing and state and private banks offering a wide selection of car loans, the high-volume growth Russian market appeared very attractive. Under the circumstances of a deep crisis, when the 'big three' suffer billions of losses in the third quarter of 2008 and require \$50 billion of government money (up from the intended \$10 billion), GM sales dropped 45% and overall car sales in the US are expected to fall 50%, GM badly needs support from the Russian market.

Although the Ford car assembled in the St. Petersburg region is the best selling model, it is still too early to report GM's success.

The new plant in Shushary will produce only three models: Chevrolet Captiva and Opel Antara (based on Chevrolet Captiva), and as of 2009 – an all new Chevrolet Cruze model. Chevrolet Captiva and Opel Antara are not very popular in Russia due to their high price (dealers sell Captiva at 800,000 RUB and Antara - at 897,000 RUB). These models look alike and compete with each other.

The new Cruze model might become popular, but so far it is a 'dark horse'. On the one hand, it boasts a cutting-edge design in the Lancer X, Mazda 6 and Honda Civic style as well as a wide selection of varieties. On the other hand, its price has not been unveiled yet. Hopefully, it will be reasonably priced like all Chevrolet sedans.

GM's current model range may appear unsatisfactory for the Russian market however. The concern should consider production of more popular models including Opel hatchbacks - Opel Corsa and Opel Astra. The latter is available in a sedan body style; this is expected to compensate for low sales of Opel Vectra, the oldest and most expensive car in the Opel family.

GM confirmed earlier that it could produce these models in Russia.

By Kirill Lebedev