

GAZ Siber: Almost Handmade

Five-hundred experimental GAZ Siber cars will be produced in March 2008, but Siber will be available for sale only in June. The new GAZ car will be based on the Chrysler Sebring model that was bought in 2006 together with the Sterling Heights plant tooling. The required investment totals \$150 million, and the plant is expected to put out around 20,000 cars in 2008. The estimated value of the car is \$18,000-25,000.

Although a new foreign car production plant was launched, the positive effect on the Russian economy is likely to be very small.

First, Chrysler has not sold pressure tooling to GAZ, although the seller was committed to provide the Russian plant with car parts for ten years at the minimum.

Secondly, GAZ signed agreements with another car parts producer, Magna.

The GAZ group is not worried about expenses that the company would incur for transportation of parts from the US. The transportation fee is estimated at around \$2,000 per car. Besides, GAZ is obliged to pay a \$200 license fee per car until it manufactures 250,000 cars.

Since no local part production plants are planned so far, and the plant will use 100% imported parts, the added value created in Russia will be small. Due to the provisions of the agreement the Siber price will be raised by \$2,200. With the previous generation Chrysler Sebring being unpopular in Russia, the license returns are likely to be delayed.

By Kirill Lebedev