

GM cuts price of Volt electric car by 13 percent (Update)

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General Motors is knocking 13 percent off the sticker price of the Chevrolet Volt electric car as it tries to keep pace with rivals in the U.S. market for plug-in vehicles.

The automaker said Tuesday that the 2014 Volt will start at \$34,995, including shipping—\$5,000 less than the current model. The new model is scheduled to reach showrooms late this summer.

Sales of electric vehicles are rising, but they're still only 0.2 percent of the U.S. auto market. Automakers have been forced to cut prices or offer discounted leases in order to move the vehicles off dealer lots.

Nissan dropped the price of its electric Leaf and sales soared, something GM had to notice.

"Chevrolet is undoubtedly aware of this shift in Leaf pricing, and its resulting sales spike. We all know what you're supposed to do when you can't beat 'em," said Karl Brauer, senior analyst at Kelley Blue Book.

Electric vehicles once were billed as the answer to high gas prices and dependence on foreign oil. But U.S. oil production is rising and gasoline supplies are abundant. Pump prices have remained relatively stable the past three years, while gas-powered cars have gotten more efficient, making consumers reluctant to give them up.

There's also the worry that an electric car could run out of juice on longer trips.

In practice, the price of the Volt has been lower since last year. The TrueCar.com auto pricing site said that in 2012 Volt discounts were nearly \$10,000, or 25 percent of its sticker price at the time. The discounts were more than four times the industry's per-vehicle average, according to TrueCar estimates. Discounts include low-interest financing, cash incentives to buyers, sales bonuses to dealers, and subsidized leases.

Mustafa Mohatarem, GM's chief economist, said GM doesn't know yet where the "sweet spot" for pricing and demand for the Volt.

"You're trying to build a market for this new technology," he said at an auto industry convention near Traverse City, Michigan.

Kelley Blue Book said in a report Tuesday that the average price for battery-powered and plug-in hybrid vehicles has dropped 10 percent so far this year, to \$36,922 from \$41,102.

That's before a \$7,500 federal tax credit. GM says that including the credit, the cost of the Volt could drop as low as \$27,495.

Chevrolet has sold 11,643 Volts through July, up 9.2 percent from the same period a year ago. But Leaf sales more than tripled, to 11,703, after Nissan cut some features and lowered the base price to \$29,650 including shipping.

The Volt can go about 38 miles (61 kilometers) on a battery charge, then a small gas-powered motor kicks in to power the car until it can be recharged. GM said it has cut costs as it has gained experience making electric vehicles and parts, all while adding features and increasing the car's battery range.

The sluggish sales of electric cars have dampened high expectations. President Barack Obama has said he wants to put 1 million plug-in electric vehicles on the road by 2015, but with less than two years left, the nation is far short of that goal.

LMC Automotive, a Detroit-area auto industry auto research firm, says the prospects for electric vehicles won't get much better in the near future. The company expects battery-powered electric vehicles to remain below 1 percent of the U.S. market by 2020. Even if plug-in hybrids, which also can run on gas motors, are added in, the share of the market rises only to 3 percent, LMC said on Tuesday.

Automakers generally lose money on electric cars because the technology is so new and the batteries are costly. Chrysler CEO Sergio Marchionne said earlier this year that his company will lose \$10,000 on every Fiat 500 electric vehicle it sells.

Even so, there's still incentive to build the vehicles. The U.S. government has raised fuel economy requirements for autos sold in the U.S. By 2025,

cars sold by automakers must average 54.5 miles per gallon. The Volt, for instance, gets the equivalent of 98 miles per gallon, which will help GM meet the requirements.

And Mohatarem said the technology developed for the Volt likely will be used on other GM products in the future, helping to cut costs further. Already GM has unveiled the Cadillac ELR, which uses the Volt's electric and gas power system.

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