

Courtesy: Forbes

Global 2000

Tata in Tacoma?

Jonathan Fahey 04.16.07

The name "TATA" in this article refers to India's Tata Motors (part of one of India's largest Industrial houses "Tata & Sons).

The cheapest new car available in the U.S. is the Korean-made Chevrolet Aveo. It sports a sticker price of \$10,560, quadruple what Tata Motors is aiming to hit in India. The consultants at Roland Berger argue the Aveo's not cheap enough, leaving an underserved American market. They estimate sales of cars priced under \$10,000 could grow by 65% in the U.S. by 2012.

So, will U.S. burger-flippers be able to run to a dealership anytime soon and roll home in a brand-new Tata? Not likely.

Roland Berger estimates it would cost as much as \$4,000 on top of Tata's \$2,500 to engineer the car to meet U.S. safety and emissions regulations, transport it, pay tariffs, market it, pay lawyers and offer warranties. The same would hold true to meet European or Japanese standards.

Meanwhile, Tata would have to compete, too, with a used-car market that turns over 43 million cars a year. A quick Web search shows that \$6,500 could buy a 1998 Cadillac Seville with a V-8 engine and a leather interior, or a 2002 Dodge Caravan that seats seven.

Would a little wagon with 30hp really figure in that equation? "It wouldn't attract Western consumers; it is designed for pure mobility needs," says Erkut Uludag, an author of a recent Roland Berger study of low-cost cars. "It may be cheaper to start from scratch and build a new car specifically for export."

Indeed, Tata, though it says it has no plans to export the People's Car beyond developing countries, may be able to leverage what it learns from designing and producing the world's cheapest car. For all the attention China attracts from those fearful of an auto onslaught, it may be India--and Tata--that lead the way.

"They are on a steep learning curve; I am very impressed with the company," says Jeffrey Liker, a lean-manufacturing expert and professor at the University of Michigan. According to Roland Berger, Indian quality is superior to Chinese quality in general. "Somewhere the next Hyundai is out there, working from a low-cost base," Liker says.

Remember the sneers about Hyundai when it first arrived in the U.S.: It couldn't compete with used cars. Hyundai now sells 450,000 autos a year in the U.S.