GM: Opel Bids Still Not Finalized

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BERLIN (AP) — The chief negotiator for General Motors Co. said that there is not yet a preferred bidder for Germany's Opel, though the negotiations are "coming to a point of decision."

In a post on the company's blog, John Smith, GM's group vice president and chief negotiator on Opel, wrote that "despite media reports to the contrary, GM has NOT specified its preference for a bidder."

Smith's comments, posted on http://drivingconversations.gmblogs.com, were confirmed by GM Europe on Wednesday.

"After months of intense negotiations, we're coming to a point of decision on a bid for Opel/Vauxhall," he wrote. "To say it's been an intense negotiation would be a dramatic understatement."

GM's new board is expected to meet Monday to decide on which bid to recommend to the German government, a person briefed on the discussions said.

Chief executive Fritz Henderson and Magna International Inc. chairman Frank Stronach met Tuesday to discuss use of Opel's intellectual property, the main sticking point in the Magna offer, said the person, who asked not to be identified because the discussions are private.

At issue is GM's access to or control of Opel technology. GM's global small and midsize cars, for instance, now are built on underpinnings designed by Opel, and future vehicles are based on them as well.

GM is insisting on keeping access to the technology. Tom Stephens, GM's vice chairman of global product development, said last week there is no scenario under which GM will not have full access to Opel's intellectual property.

Smith's post said that GM is still in talks with a consortium of Magna and Russian lender Sberbank, along with another bidder, Brussels-based investor RHJ International SA.

"This is a complex negotiation and we're working with highly complex issues. Both bids being developed bring both opportunities and challenges both bids vary in how they would be implemented," Smith wrote.

"But we remain fully open to reaching a satisfactory conclusion with either bidder."

Opel employs about 25,000 people in Germany, about half of GM Europe's total work force. German politicians have been keen to safeguard jobs ahead of elections

in September, and the government is a key player in the negotiations because it is offering financial help to make a deal possible.

German government spokesman Ulrich Wilhelm said that "the talks are progressing well."

He noted that "the seller is GM, but a sale would not be sustainable without a guarantee on the part of the federal government and the four states" that have Opel plants.

"That means that everyone needs an agreement among everybody," Wilhelm said at a regular government news conference. "A simple agreement, for example, between GM and one of the remaining investors would not be enough; the federal and state governments also would have to be able to go along with such an agreement."

German officials prefer the Magna bid.

On Tuesday, Roland Koch, the governor of the German state of Hesse, where GM's Ruesselsheim headquarters is located, said that Magna was prepared to put euro350 million into Adam Opel GmbH immediately after taking a stake, rather than the euro100 million initially planned.

"Magna is more expensive in its concept, but at the same time more promising for the future, because they are saying: 'we want to enter new markets,'" Koch said.

Last week, Magna said its plan called for it and Sberbank each to take 27.5 percent of Opel, while 35 percent would remain with GM and 10 percent would go to Opel employees.

Smith said that the bid presented to it "varied from the negotiations we had in the previous weeks and contained elements around intellectual property and our Russian operations that simply could not be implemented."

He did not elaborate but said that GM "has partners in other parts of the world who have joint ownership of these assets ... we simply could not execute the deal as submitted."

"Discussions with Magna continue in earnest to resolve these challenges and to formulate a bid that can be implemented," Smith wrote.

Smith wrote that RHJ's bid was complete and "would represent a much simpler structure and would be easier to implement."

RHJ has not disclosed the contents of its bid. The third bidder, China's Beijing Automotive Industry Corp., appeared to be more or less out of the running.

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