Ford To Spent $490m On Chinese Factory

Elaine Kurtenbach, AP Business Writer

SHANGHAI (AP) — Ford Motor Co. said Friday it plans to spend $490 million on building a third assembly plant in China, ramping up production to meet surging demand in this fast-growing market as the U.S. automaker expands in Asia.

The factory, to be built in the central Chinese city of Chongqing, will make the next-generation Focus compact car, which Ford plans to sell globally.

The announcement from Chongqing came the day after the Dearborn, Michigan-based automaker unveiled a made-in-India compact car — part of a plan to boost sales in Asia, a region the U.S. automaker has hardly dented but is counting on to drive growth.

"Today's announcement reinforces our commitment to the further expansion of our China operations to meet the continued rise in demand from Chinese consumers for world-class Ford products and services," Ford chief executive Alan Mulally said in a statement.

In India earlier this week, Mulally said he expects a third of global car sales to come from Asia in 20 years, a third from the Americas and a third from Europe and Russia.

China is proving a lifesaver for all the big automakers, helping offset miseries elsewhere.

Total sales in January-August surpassed those in the U.S. for all but two months, rising to 8.33 million units, up nearly 30 percent from a year earlier, according to the China Association of Automobile Manufacturers.

Sales should soar to 12.6 million units this year, up 35 percent from 2008, boosted by subsidies that the industry is lobbying Beijing to extend, Xu Changming, a senior economist with the Cabinet's State Information Center, said at a seminar Friday in Beijing.

The government is due to decide by mid-December, Xu said, if it will continue the subsidies, which are aimed at promoting energy-efficient vehicles.

"If the policy is extended to next year, rapid growth of auto sales will be sustained," Xu said. "Otherwise, it will fluctuate, and it's hard to predict the degree."

The Chongqing plant, part of Ford's joint venture Changan Ford Mazda Automobile Co., is the third for Ford in China and its second in Chongqing, an industrial hub of 30 million people sprawled along the upper reaches of the Yangtze River.

Slated for full completion by 2012, Ford said the plant will be equipped to make other small cars on the company's global C-car platform in addition to the Focus.

Ford lags behind other automakers in Asia, capturing only 2 percent of auto sales there, compared with nearly 15 percent in North America and 10 percent in Europe.

Ford currently produces 450,000 vehicles in China annually. The new Chongqing facility will initially be able to manufacture 150,000 cars per year, with the capacity to produce 600,000 by 2012 when the plant is at full capacity, the company said.

Other foreign automakers are also expanding their investments in China, while China's domestic automakers are shopping overseas for big brand names and advanced technology.

Wolfsburg, Germany-based Volkswagen AG recently said it plans to spend euro 4 billion ($5.8 billion) in China between now and 2011 on new products and expansions at its plants in Nanjing and Chengdu.

On Thursday, General Motors Co. announced it was setting up a new technology research laboratory in Shanghai.

"China is one of the few markets worldwide which still keeps growing this year. It's obvious any automaker would like to set up plants here," said Zhang Xin, an analyst at Guotai Junan Securities, in Beijing.

Ford says it plans to introduce four new vehicles in the Chinese market in the next three years.

The four-door "Figo", which is Italian slang for 'cool', will go on sale in India during the first quarter of next year, Ford executives told a press conference Wednesday. There are also plans to export the low-cost car to other Asian countries.

The next-generation Focus, scheduled to debut in January at the North American International Auto Show, represents a shift toward C-segment vehicles that Ford says it expects to account for nearly 28 percent of global sales by 2013.

Ford's current plant in Chongqing makes the Ford Focus, Ford Mondeo and Ford S-MAX. Its plant in Nanjing, in eastern China, makes the Ford Fiesta.

Changan Ford Mazda Engine Co. also has an engine manufacturing plant in Nanjing with an annual capacity of 350,000 units — one of the largest in China.

Ford's other partner in China, Jiangling Motors Corp., makes commercial vehicles, including the popular Ford Transit van.

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AP Auto Writer Kimberly S. Johnson and Associated Press researchers Bonnie Cao in Beijing and Ji Chen in Shanghai contributed to this story.

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