

Geely To Put \$900M More Into Volvo

BEIJING (AP) — Chinese automaker Zhejiang Geely Holding Group expects to spend hundreds of millions of dollars beyond the \$1.8 billion purchase price for Volvo Cars to make the Swedish car company profitable, Geely's chairman said Tuesday.

Geely is projecting a total tab of \$2.7 billion for its takeover of Volvo, with money beyond the purchase price to be spent on expanding production, chairman Li Shufu told reporters.

Li said three quarters of the total financing would come from Chinese banks and overseas capital markets while the rest would come from Geely.

In studying Volvo, Geely found the company's biggest problem was high research and development costs despite the fact that it makes cars on a much smaller scale than high-end rivals Daimler AG and BMW AG, said Li.

"We will find a way to let Volvo's technology play a better role and to expand their scale in order to lower the costs," said Li. He did not elaborate.

Geely's acquisition of Volvo from Ford Motor Co. has been heralded as a breakthrough deal for China's auto industry, giving one of its most ambitious automakers a well-known, prestigious global brand and access to top-tier technology.

Li said Geely would not seek to impose its own corporate culture on Volvo but rather find ways to let the Swedish company exploit its strengths.

"Geely is Geely; Volvo is Volvo. Geely will not produce Volvo, and Volvo will not produce Geely," Li said. He compared Geely's and Volvo's relationship to two brothers, not to a father and son.

As part of the deal, Volvo brings with it ownership of critical technologies and other intellectual property, including some that was developed under Ford's ownership, said Zhao Fuquan, Geely's chief technology officer. Zhao said Geely will have the right to use many of these technologies, though he did not say if they would be used on Geely branded models.

Volvo's labor unions, initially critical of the deal, ultimately backed the acquisition, said Li.

Geely, meaning Lucky in Chinese, has been looking for a critical edge in China, which is the world's biggest auto market and one in which foreign brands often dominate. At the same time Geely has coveted a solid foothold in Europe. Geely was earlier rumored to have been bidding for Opel and Saab.

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Geely's push abroad comes as the Chinese government has been encouraging companies to "go out" and take advantage of the global financial downturns. But earlier this year, Tengzhong Zhonggong, a heavy industrial equipment maker in southwestern China, failed to win government approval to buy the Hummer brand from General Motors Co.

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