

Geely Considers Shanghai For Volvo Headquarters

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SHANGHAI (AP) — Chinese automaker Zhejiang Geely Holding Co. may locate the China headquarters and factory for Volvo Cars in Shanghai once its takeover of the Swedish company is finalized, an official said Monday.

The plan, reported in the state-controlled newspaper Economic Observer, calls for Volvo to set up its headquarters in the Shanghai suburb of Jiading, home to Volkswagen AG's joint venture with local carmaker Shanghai Automotive Industrial Corp.

"It's still under discussion. We cannot provide more details," said an official in the news department of the Jiading Industrial Zone. Like many Chinese officials she would give only her surname, Xu.

Geely officials did not immediately respond to requests for comment on the plan.

Shanghai is the latest of several Chinese cities, including Beijing, named as possible locations for a Volvo factory once Geely completes its \$1.8 billion acquisition, announced late last month.

The city has relatively high wages but as home to both major VW and General Motors Co. joint ventures it has a ready base of suppliers and a large pool of skilled labor. Geely already has factories in Shanghai producing its Maple brand cars and London Taxis.

"Shanghai is an option, considering its convenient location for sourcing auto parts and also exporting vehicles," said Zhang Xin, an autos analyst at Guotai Jun'an Securities in Beijing.

But Zhang said Geely has yet to win central government approval for the plan or even for the acquisition of Volvo.

The report suggests that Geely's financing for the Volvo takeover is not yet finalized.

According to the Economic Observer, which cited unnamed officials close to the deal, the proposal would involve a minimum initial investment of 20 million yuan (\$2.9 million) in Geely Zhaoyuan International Investment, a Geely holding company set up to run Volvo in China.

The local industrial zone and government assets committee would contribute a combined 12.35 percent of the registered capital, with Beijing Geely Wanyuan,

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another Geely subsidiary, taking 87.65 percent, the report said.

Eventually, Geely Zhaoyuan's registered capital would rise to 8.1 billion yuan (\$1.2 billion), with Geely contributing 4.1 billion yuan (\$600 million). An investment fund of the local government in Daqing, an oil production base in northeast China, would contribute 3 billion yuan (\$439 million) and Shanghai Jiading-Volvo Investment Co., the local government backers, would put up 1 billion yuan (\$150 million) in funding, it said.

Geely has so far provided limited information about the exact structure of financing for its Volvo acquisition, saying that three-quarters of the money will come from Chinese banks and overseas capital — some of that from a Geely-backed fund, and the rest from Geely.

Apart from the \$1.8 billion acquisition price, Geely has said it has prepared another \$900 million to help pay for expanding Volvo's production capacity.

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Associated Press researcher Ji Chen contributed to this report.

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