

Fuji Heavy To Shelve Plan For China Auto Plant

The Associated Press

TOKYO, April 10 (Kyodo) — Fuji Heavy Industries Ltd. is considering shelving a plan to build an automobile factory in China, company sources said Monday.

While the envisioned entry to local production in China has been the pillar of Fuji Heavy's growth strategy, the maker of the Subaru brand cars has not been able to get a permission from the Chinese government, the sources said.

Fuji Heavy will not scrap its goal of eventually building a factory in China, but will put priority on boosting production capacity at its existing factory in the United States, where demand is strong, they said.

Without a factory in China, Fuji Heavy currently sells its vehicles in the Chinese market by exporting them from Japan. As China heavily taxes car imports, Fuji Heavy had planned to team up with a local maker, Chery Automobile Co., to build a factory in the country aiming to start production there in 2013.

But the Chinese government has recently changed its policy to strictly regulate the entry of foreign manufacturers out of concerns for overproduction and also to protect local manufacturers.

"No matter how long we wait, we cannot get a favorable reply," said a senior Fuji Heavy official, apparently referring to the company's intention to shelve the plan.

Fuji Heavy will instead divert its fund to strengthening its U.S. factory, the sources said. In the United States, demand for the company's vehicles, including the new Impreza, is strong, with some models being backordered.

The company will also modify its medium-term business plan through fiscal 2015 that ends in March 2016, the sources said. Originally, Fuji Heavy had planned to triple annual sales in China between fiscal 2010 and fiscal 2015 to 180,000 units on the assumption of local production, but will trim such a target.

The automaker will also lower global sales target which had been set at 900,000 units for fiscal 2015, according to the sources.

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