

GM To Double China Production Despite Sales

Didi Tang, Associated Press

BEIJING (AP) — General Motors Co. chairman Dan Akerson said Monday the automaker plans to open 600 dealerships in China this year, and nearly double production capacity despite a slowdown in sales growth.

China is the world's biggest auto market by vehicles sold but sales growth slowed from 35 percent in 2010 to just 2 percent in the latest quarter. Demand has been blunted by government credit and investment controls aimed at slowing an overheated economy.

"We fundamentally believe in the strength of the Chinese market," Akerson said during the Beijing auto show.

GM will expand its dealership network from 2,900 last year to 3,500 by the end of this year, Akerson told reporters.

GM also plans to boost its production capacity in China to 5 million cars a year by 2016, Akerson said. That would be nearly double the 2.55 million cars and trucks GM and its Chinese partners sold in China last year.

The company's luxury Cadillac unit plans to introduce one new model a year in China, said Joseph Liu, executive vice president of GM China. He said the unit hopes to raise annual sales from 30,000 last year to 100,000 by 2016.

For this year, it will be the all-new XTS sedan, and GM announced Monday it produce the model in China.

Asked by a reporter whether GM would set up a dedicated factory to produce Cadillacs in China instead of sharing production with other GM models, Akerson said, "yes," but gave no details.

GM expects to complete a deal to restructure its venture with its main Chinese partner and restore a 50-50 shareholding balance "in the near term," Akerson said.

The American auto giant sold Shanghai Automotive Industries Corp. 1 percent of their venture in 2009 before going through a restructuring in U.S. bankruptcy court. That gave SAIC a controlling 51 percent stake and the right to record the venture's revenues on its own books.

GM says the latest deal calls for the two sides to create an operating unit that will be owned 50-50. A separate sales unit will be created, with SAIC holding 51 percent, allowing it to continue recording sales revenue on its own books.

Akerson declined to say what GM was paying to recover equal ownership. The

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company said in 2009 the 1 percent stake sold then was valued at \$85 million.

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