



## **G.M. To Develop Electric Cars With Chinese Partner**

**By KEITH BRADSHER**

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HONG KONG -- General Motors said Tuesday that it would develop electric cars in China through a joint venture with a Chinese automaker, and would transfer battery and other electric car technology to the venture.

G.M., which is already the largest foreign maker of conventional vehicles in China, is keen to help define the emerging generation of green-energy automobiles here. And the state-controlled Chinese auto industry is just as eager for expertise from G.M., an acknowledged global leader in car manufacturing.

Tuesday's announcement was being made as the Chinese government was putting heavy pressure on foreign automakers to transfer electric car technology to joint ventures in China. But G.M. took pains to say that its joint-venture agreement was not connected to its plans to begin importing its new American-made Chevrolet Volt plug-in electric hybrid to China this year.

"They are not linked," Stephen J. Girsky, G.M.'s vice chairman, said in a telephone interview after G.M.'s first board meeting in China, held in Shanghai on Tuesday.

Mr. Girsky said that the Chinese government had not requested the transfer to China of specific technologies from the Volt, and that G.M. understood that the Volt would not be eligible for the generous consumer subsidies China offered buyers of clean-energy cars.

Instead, he said, G.M.'s decision to develop electric cars in China would be part of the company's effort to improve the technical capabilities of its joint ventures in China, as the country's car buyers become more demanding. G.M. holds minority stakes in manufacturing joint ventures in China that sell more cars each year than G.M. sells in the United States.

"This is not a political decision today," Mr. Girsky said. "It's a business decision."

The new electric car development effort will be through a 50-50 joint venture that G.M. already has with China's biggest auto company, the Shanghai Automotive Industry Corporation.

The joint venture is the Pan Asia Technical Automotive Center, which is in Shanghai and has already helped develop the Buick LaCrosse eAssist now on sale in the United States and China. The LaCrosse is a so-called mild hybrid, in which electric motors help increase the fuel economy of a vehicle that still relies mainly on a gasoline engine.

G.M. has been a pioneer in electric car technology, as many other automakers have been more interested in hybrids. The company gained expertise that practically no automaker in Europe or Japan can match, much less in China, by pouring large sums of money into the development of the

EV1 electric car in the early 1990s, and it has continued to invest since.

G.M.'s EV1, a predecessor to the Volt, was a technological advancement when introduced in 1996 but failed to catch on as a mass-market product. G.M. restricted the car to leasing, rather than sales, partly to discourage foreign automakers from buying it and shipping it home to disassemble and copy.

But critics have long contended that G.M. did not commit the marketing and financing muscle, or the large-scale manufacturing, that might have been necessary to make the EV1 a commercial success.

The new Chevrolet Volt, made in Hamtramck, Mich., is G.M.'s biggest bet on a commercial plug-in hybrid car. (It also has a gasoline engine that powers the electric motor for extended range between charging.) And the fact that the Beijing government has erected high hurdles to the Volt's catching on in China irritates G.M.

"We'll bring it up in every conversation we have" with the Chinese authorities, Raymond Bierzynski, the executive director of electrification strategy at G.M. China, said in a recent interview.

Electric cars and other "new energy vehicles," as the Chinese government calls them, are eligible for generous national and municipal subsidies in China totaling up to \$19,300 a car. But for foreign makers' cars, that money is not available unless the maker has transferred important parts of the technology to a joint venture in China. Chinese automakers are not supposed to use technology from joint ventures for their own cars without permission.

The lack of subsidies will place the Volt, which retails for \$41,000 in the United States, at a distinct disadvantage if G.M. sticks with plans to start importing it from the United States for sale in China by the end of this year.

World Trade Organization rules effectively prohibit local content requirements for eligibility for subsidies. The organization also discourages mandatory technology transfer as an eligibility requirement, although those rules are not as clear-cut, trade specialists said.

Mr. Girsky said that G.M. intended to sell only small numbers of the Volt in China and many other markets to test consumer interest. "We knew going in it would not qualify" for the subsidies, and Tuesday's announcement does not represent an attempt by G.M. to change that, he said.

Michael Dunne, a longtime auto consultant in Asia, said that conducting joint electric car development in China could allow G.M. to retain more control over its technology than manufacturing the Volt here would.

"I don't think they're going to put the crown jewels into China, and that's why they'll keep the Volt an import," he said.

As part of the agreement to expand Pan Asia into an electric car development center, Mr. Girsky said that G.M. would transfer battery technology and technology for inverters -- devices that control the transfer of electricity between batteries and the motor.

Shanghai Automotive will also contribute technology to Pan Asia, and has made cash contributions to the joint venture in recognition of G.M.'s technology contributions over the years, Mr. Girsky said.

Nissan, in China, has taken an approach similar to G.M.'s. Nissan is jointly developing an electric

car with its Chinese partner, Dongfeng Motor. But it has decided not to build its new electric Nissan Leaf in China.

Similarly, Toyota has announced that it will build and sell in China the current generation of the Prius gasoline-electric hybrid. That car is not eligible for most Chinese government subsidies, anyway, because it is not a plug-in vehicle.

But Toyota has said that it has no plans to build or sell the plug-in version of the new Prius in China. It would be eligible for Chinese subsidies -- but only if Toyota transferred core technologies.

PHOTO: Hu Maoyuan of S.A.I.C. Motor and Daniel Akerson of G.M. announced a joint venture Tuesday. (PHOTOGRAPH BY QILAI SHEN/BLOOMBERG NEWS)