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BAIC stepping up R&D investment

By Li Fangfang (China Daily)

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Light commercial vehicle maker Beijing Automotive Industry Holding Corp (BAIC) yesterday said it would invest 33 billion yuan (\$4.8 billion) over the next three years for vehicle research and development (R&D) and also hinted that it may launch an initial public offering soon.

The company's renewed R&D commitment comes after it paid \$200 million for acquiring technology, including the rights to three overall vehicle platforms and two engine technologies, from Swedish carmaker Saab, a unit of General Motors.

"BAIC is always making efforts to develop its own car brand and models. Someone said the purchase of Saab's intellectual property would shorten the development period for BAIC's own-brand passenger vehicles by four to five years," BAIC Chairman Xu Heyi said in Beijing. "And I agree with it."

Xu said BAIC posted net profit of 6 billion yuan on revenue of 116 billion yuan for 2009, selling 1.24 million vehicles.

BAIC, which has a 20 billion yuan line of credit from Bank of China, is also contemplating an initial public offering, Xu said, without providing details.

Last week the Swedish brand reached an agreement with BAIC to transfer production equipment and intellectual property related to two older Saab models, the 9-5 and 9-3, including the rights to three overall vehicle platforms, two engine technologies and two transmission technologies.

"Saab is a high-end car brand in Europe. We hope to develop models, based on Saab's technologies, for Chinese consumers through localization and further R&D," said Xu.

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completed in 2011, BAIC said.

Dutch luxury carmaker Spyker had earlier said that it was still in talks with GM to buy the Saab unit.

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An advertisement for the new Saab 9-5 automobile on display at the Saab factory in Trollhaettan, Sweden. BAIC plans to use the Saab technology for its own cars. [Agencies]

"It would be a worthy deal if BAIC not only produces models based on Saab 9-3 and 9-5 cars, but also boost its own R&D capability for the next generation and design of its own cars using the Saab technology," said Zhong Shi, an auto analyst.

BAIC aims to sell 100,000 self-developed passenger vehicles in 2011, including sedans and SUVs (sports-utility vehicles), after it starts the development and production of its new model.

The construction of a production base with annual capacity of 150,000 units of passenger vehicles will be