McTevia Talks to the LA Times About GM's Sale of Saab Falling Through

GM's sale of Saab falls through

Swedish automaker Koenigsegg Group cancels its proposed acquisition, marking another failure by General Motors to sell off some of its automotive brands. Closing Saab is now a possibility.

By Martin Zimmerman

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General Motors Co.'s plan to sell its Saab unit to a specialty Swedish automaker has collapsed, frustrating another attempt by GM to prune its roster of automotive brands and potentially spelling the end of the Saab brand.

Koenigsegg Group said Tuesday that it had canceled the proposed acquisition of Saab because of risks created by delays in completing the deal.

GM officials said they were "very disappointed" by Koenigsegg's decision. The Swedish carmaker, which makes so-called supercars that can top 200 miles per hour, had joined with Chinese automaker Beijing Automotive Industry Holding Co. on the deal.

"We're obviously very disappointed with the decision to pull out of the Saab purchase," GM President and Chief Executive Fritz Henderson said.

"Given the sudden change in direction, we will take the next several days to assess the situation and will advise on the next steps next week."

A GM spokesman declined to comment on Saab's future. But Saab, which employs about 3,500 people and has a single factory in Trollhattan, Sweden, has been a drain on GM's finances. Saab's sales are down 61% in the U.S. this year. The unit sold only 513 vehicles in the United States last month and two weeks ago said it would slash its U.S. dealer network by 37%.

Unless another buyer emerges, there's a good chance GM will consider closing Saab rather than invest the money and staffing needed to turn it around. It's not clear whether Beijing Automotive will launch its own bid for Saab.

The agreement between GM and Koenigsegg was announced in March. A price was not disclosed, although GM had said the acquisition would be bolstered by $600 million in financing from the European Investment Bank, backed by the Swedish government.

Delays in getting the loan approved by the investment bank apparently contributed to Koenigsegg's decision to back out of the deal.

"Time always played a critical factor in our strategy for reviving the company," Christian von Koenigsegg, a member of the group that agreed to buy Saab, said in a statement. "Unfortunately, delays in closing this acquisition have resulted in risks and uncertainties that prevent us from successfully implementing the new Saab business plan."

GM has been trying to streamline its global operations and trim its stable of brands, but it has found only mixed success.

At the end of September, GM's deal to sell its Saturn brand to Penske Automotive Group fell through. GM opted to kill the brand rather than try to find another buyer. This month, GM said it would keep its European Opel unit, reversing an earlier decision to sell it.

In October, it reached a deal to sell its Hummer unit to Chinese heavy-equipment maker Sichuan Tengzhong Heavy Industrial Machinery Co. That deal is still pending.

GM, which received billions in taxpayer aid and is now a private company, is under pressure from the federal government to complete its reorganization and launch a public stock offering. The failure of the Saab sale may deal a blow to those plans, one expert said.

"It looks like it's going to take longer and longer for GM's IPO to pay taxpayers back," said James V. McTevia, founder of Bingham Farms, Mich., crisis management consulting firm McTevia & Associates.