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G.M. to Close Hummer After Sale Fails

By NICK BUNKLEY FEB. 24, 2010

DETROIT — General Motors said on Wednesday that it would shut down Hummer, the brand of big sport utility vehicles that became synonymous with the term gas guzzler, after a deal to sell it to a Chinese manufacturer fell apart.

The buyer, Sichuan Tengzhong Heavy Industrial Machines, said in a statement that it had withdrawn its bid because it was unable to receive approval from the Chinese government, which was trying to put a new emphasis on limiting China's dependence on imported oil and protecting the environment.

Tight financial markets also hurt the deal. When the commerce ministry did not bless the transaction, the well-capitalized Chinese banks became reluctant to lend money to Tengzhong, even though it tried to set up an overseas subsidiary to buy Hummer. That left Tengzhong trying to borrow money from Western banks that have been curtailing their lending even to established borrowers, much less a little-known company from western China.

A spokesman for Hummer, Nick Richards, said G.M. had no specific timetable for completing its wind-down, but left open the possibility that G.M. would be open to new bids.

"We just reached this decision today, so we're just beginning the process," Mr. Richards said. "Typically, winding down a brand can take several months. If there are viable alternatives for part of the brand or all of the brand during the process, we'll consider them."

G.M. had been trying to sell Hummer for nearly two years, and struck a preliminary deal with Tengzhong in June. The two companies had planned to complete the $150 million deal by the end of January, then delayed the deadline by a month in the hopes of receiving approval from China.

“We have since considered a number of possibilities for Hummer along the way, and we are disappointed that the deal with Tengzhong could not be completed,” John Smith, G.M.’s vice president for corporate planning and alliances, said in a statement. “G.M. will now work closely with Hummer employees, dealers and suppliers to wind down the business in an orderly and responsible manner.”

Over the years, Hummer shifted from a brawny status symbol that drew attention on the road into an automotive pariah. Gov. Arnold Schwarzenegger of California helped the brand become popular and once owned a fleet of Hummers, but more recently, he described the brand as prime evidence of the Detroit automakers’ failings.

Still, dealers and fans were optimistic that Hummer could live on.

They expected to see smaller, more fuel-efficient models introduced under Tengzhong that would help the brand “get away from people just thinking it was a big gas hog,” said Danny Hill, the general sales manager at Classic Hummer in Grapevine, Tex.

“It is a great, great vehicle that really does anything you want it to do,” Mr. Hill said. “It had a great concept to it. It’s a real shame that it’s going away, because the people who own Hummers, they just love them.”

It was the third time since G.M. emerged from bankruptcy protection last year that a deal to sell one of its unwanted brands collapsed. The company is shutting down Saturn, and it began to halt operations at Saab after a deal with Koenigsegg in Sweden was called off. G.M. later reached an agreement with a Dutch company, Spyker Cars; that deal was completed on Tuesday.

G.M. is also closing Pontiac, but it never tried to sell that brand. The carmaker is focusing on its Buick, Cadillac, Chevrolet and GMC brands as it works to recover from bankruptcy.

G.M. said it would honor Hummer warranties and provide service and parts to Hummer owners worldwide. Hummer has nearly 400 dealerships globally, including 153 in the United States.

The announcement was celebrated by environmentalists, who have long pressed G.M. simply to kill the brand, which was born from military Humvees in 1992. G.M. acquired it in 1999.

“Closing Hummer simultaneously improves the health of G.M., China and the planet,” said Daniel Becker, director of the Safe Climate Campaign at the Center for Auto Safety in Washington. “Hummer should rest in pieces.”

About 3,000 jobs in the United States could be affected by the shutdown, including positions at G.M. and dealerships. A factory in Shreveport, La., that builds the Hummer H3 and H3T, as well as other G.M. trucks, already was scheduled to close by 2012.

The larger H2 was built for G.M. by A. M. General in Mishawaka, Ind., until December, when production was temporarily halted to allow the sale process to conclude.

Mr. Richards said Hummer dealers in the United States had about 2,500 vehicles in their inventories. In January, the brand sold just 265 units in the country. Hummer sales plunged 67 percent in 2009, to a total of 9,046.

The deal would have made Tengzhong the first Chinese company to sell vehicles in North America, though it planned to keep Hummer’s operations in the United States.

“Tengzhong worked earnestly to achieve an acquisition that it believed to be a tremendous opportunity to acquire a global brand at an attractive price,” Tengzhong said in its statement.

Its bid for Hummer was an audacious move, particularly by Chinese standards. The company is privately held, so it did not have the connections that many government-owned enterprises enjoy; by contrast, government agencies own part or all of China’s 10 largest automakers.

Tengzhong concluded the initial deal with G.M. in June and was supposed to close the deal by September. Some in Detroit were furious that the Chinese review process then dragged on for eight months, during which the American auto industry showed few signs of recovery and the potential value of Hummer continued to decline.

The timing of Tengzhong's bid was bad from the beginning. High oil prices in the summer of 2008 led to a broad move by the Chinese government to improve energy efficiency and limit oil imports.

Keith Bradsher contributed reporting from Hong Kong.

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