

SHOWROOM

JOURNAL

China tycoon resurfaces in US with green car plan

HONG KONG - Yang Rong was once celebrated as a pioneering automobile entrepreneur who founded the first Chinese company to be listed on Wall Street. Then, seven years ago, he fled to the US fearing arrest for alleged economic crimes. Now, Yang is plotting a comeback as a hybrid car maker in the US -- a venture requiring billions of dol-

lars that could face daunting odds amid a weak economy and against competitors such as Toyota and Honda that have already invested millions in "green" technology. His Los Angeles-based startup, Hybrid Kinetic Motors, plans to offer a full-range of hybrid vehicles that run on natural gas, gasoline and electricity, with production to start by 2013.

Yang recently unveiled plans to build a massive plant in the southern US state of Alabama that he says will churn out as many as 1 million vehicles annually by 2018. To fund his bold ambitions, he announced earlier this week an equally lofty goal of raising nearly \$7.9 billion from private investors.

With the US economy in the doldrums and the hybrid car market ever-more competitive, Yang's scheme strikes some as unrealistic.

"Hybrid Kinetic ... is talking about setting up a full-fledged, full-line auto company at the bottom of the second-worst recession in US economic history," said John O'Dell, senior editor for car adviser Edmunds' GreenCarAdvisor.com. "It doesn't sound very promising to me."

A Hybrid Kinetic official acknowledged the monumental challenges facing the young company.

"What we are proposing is indeed very huge and very unconventional," Vincent Wang, a Yang associate, told Automotive News in August. "But we view this as the best opportunity to get into the US industry."

Yang, 52, who now goes by Benjamin

Yeung, may still be wanted by Chinese authorities who have accused him of committing unspecified economic crimes.

Yang has always maintained his innocence and said that jealous officials forced him out of the automaker he founded, Brilliance China Automotive Ltd.

Under Yang, Brilliance China grew into the country's largest minibus maker. With government backing, it became the first Chinese company to list on the New York Stock Exchange, in 1992. In 2001, Forbes ranked Yang as China's third-richest tycoon, with an estimated wealth of \$840 million.

One year later, Yang and his government backers fell into a dispute over who owned Brilliance China, and the government in Liaoning province, where the company was based, seized control. The company said a warrant was issued for Yang's arrest, though formal charges were never filed.

Fearing detention, Yang fled to the US in May 2002. He became a US citizen five years ago and is now living in Los Angeles with his family.

Yang has been in touch with Chinese government officials about

a homecoming, possibly within a year or two, and "hopes to return as an innocent person," according to a Yang attorney in Beijing, Wang Hai. He said it's his understanding Yang was cleared of the accusations four years ago following a probe, the results of which were never announced. However, Yang's lawyer in the US said he was unaware of any change to Yang's case and that the government has continued in recent years to accuse Yang of economic crimes.

Yang's lawyers did not make him available for a phone interview, and his company has no Web site or listed phone number.

To get investors to fork over the needed billions, Yang is targeting wealthy mainland Chinese with an unusual enticement: the chance to live in the US. He wants to capitalize on a pilot visa program that gives foreigners who make large investments in the US the opportunity to obtain permanent residency. The minimum amount if invested in regions with high unemployment or certain rural areas such as southern Alabama, where Yang wants to build his plant, is \$500,000.

That's also the venture's minimum investment. Yang is hoping to

raise \$7.9 billion through a private share placement, according to a statement his main investment company, Far East Golden Resources Group Ltd., issued to Hong Kong's stock exchange earlier this week. The money would cover the project's early expenses, including the Alabama plant, expected to cost at least \$4.3 billion, and nearly \$460 million to design and develop the cars.

His desire to keep the pilot visa program in place, as well as receive millions in federal and state government loans and funding for the venture, might help explain Yang's courting of powerful US politicians.

Hybrid Kinetic spent \$120,000 last year lobbying in Washington. The company also paid former President Bill Clinton for a speech that he gave in Hong Kong last year entitled "Embracing Our Common Humanity," according to financial disclosure documents.

Wang of Hybrid Kinetic suggested the response from investors has been enthusiastic so far, with at least 2,000 people ready to buy into the project.

"A lot of people in China want to move some of their money out of China," Wang said. (AP)



AGREEMENT. In this Monday, Oct. 5, 2009 photo, Russian Prime Minister Vladimir Putin (left) meets with Renault Senior Vice President Christian Esteve (second right) in Moscow, Russia. A top Renault executive told Vladimir Putin on Monday the Russian prime minister can count on the French auto giant to assist its partner, struggling Russian carmaker AvtoVAZ, Russian news agencies reported. AP Photo/RIA-Novosti, Alexei Nikolsky, Pool

Chrysler splits Dodge brand into truck, car groups

DETROIT - Chrysler's new Italian management on Monday announced a surprise shake-up of the automaker's executive team, saying two recently appointed brand CEOs have resigned and that it was splitting Dodge into two groups, one focusing on trucks and the other on cars.

The moves marked the second management reorganization since Fiat Group SpA CEO Sergio Marchionne took control of Chrysler on June 10 when it emerged from bankruptcy protection.

Peter Fong, president and CEO of the Chrysler brand and the company's top sales executive, and Michael Accavitti, president and CEO of the Dodge brand, abruptly left the company, Fong for personal reasons and Accavitti to pursue other interests, Chrysler said in a statement.

Sales of Chrysler Group LLC vehicles, which consist of the Chrysler, Dodge and Jeep brands, are down 39 percent for the first nine months of the year. Chrysler also was caught unprepared for the government's Cash for Clunkers program and had too few small vehicles on dealer lots to benefit much from the rebates.

Chrysler sales spokesman Gualberto Ranieri would not comment when asked if the departures were related to Chrysler's sales performance.

Chrysler said that it would split the Dodge brand into truck and car groups. The truck group will be led by Fred Diaz Jr., who previously ran the company's Denver business center. The Ram brand consists of the company's new Ram pickup trucks, as well as its commercial vehicles. Diaz also will take over as lead sales executive in the U.S. for the Chrysler Group organization.

Vice President of Design Ralph Gilles will take over leadership of the Dodge car brand, which includes minivans, in addition to his current design responsibilities, the company said.

The two men replace Accavitti, who was appointed to head Dodge by Marchionne in June. Fong was replaced by Fiat executive Oliver Franco, who served as head of the Lancia brand.

Fong's departure is stunning given that only two weeks ago, he and Marchionne appeared as the public faces of the company at the Frankfurt Auto Show in Germany. Except for the show and a

few public appearances by Marchionne, Chrysler has been under a news blackout. The company plans to release its future product and business plans in November.

At the Frankfurt show, Chrysler executives said they want to make Chrysler a high-end luxury brand, while Dodge would feature performance and every day cars and trucks. Jeep would remain a brand with off-road and sport utility vehicles.

Gary Dilts, a former Chrysler sales executive who is now senior vice president of global automotive operations for J.D. Power and Associates, said Fong and Accavitti clearly did not leave the company on their own after serving only three months.

Chrysler must move quickly to keep its current buyers and try to stop its market share erosion, Dilts said. Marchionne must not have been satisfied with the company's performance in those areas, he said.

"Something went wrong here," Dilts said. "Marchionne has a different plan, a different formation. Whatever was happening there wasn't in balance with what he was looking for."

Dodge, he said, used to be a big nameplate in cars but has withered over the years.

"One thing Chrysler has to do is get back into the everyday car business," Dilts said.

Splitting Ram trucks from the Dodge car brand was in the works for several months, he said.

Separating Dodge into trucks and cars will make it easier to sell the Ram brand, said Aaron Bragman, auto industry analyst for the consulting firm IHS Global Insight. The Ram and Jeep brands are the only parts of Chrysler that currently have value, he said.

"It's a better way for them to eventually divest the brand," he said. "If they need to liquidate, it will be easier to do, but that doesn't instill confidence in many people."

Ranieri, however, said splitting the brands follows Fiat's successful management structure in which Marchionne separated Fiat commercial vehicles from passenger cars.

"It strengthens the focus on the car aspect and the truck business," Ranieri said.

Meanwhile, Michael Manley remains as president and CEO of the Jeep division. (AP)

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