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JOURNAL

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New automakers use the green car movement to get in the game

DETROIT—Startup automakers such as California-based Tesla Motors and Fisker Automotive displayed cars at the North American International Auto Show in January, grabbing attention with sleek electric-drive vehicles that combine environmentally friendly chic with sports-car sex appeal. But these upstarts face an uphill road, with more and more challengers entering the green car race.

Tesla, which started in 2004, showcased its \$109,000 all-electric two-seat Roadster sports car at the Detroit show and unveiled its Model S electric car last week. Tesla has also been working with Daimler AG since late 2007 in a partnership to produce 1,000 electric Smart microcars.

"If the 1,000-vehicle fleet is a success and the economics make sense and the product is compelling, that will expand to tens of thousands of vehicles per year," Musk says. "Daimler is really looking at this as a very serious product."

Fisker showed the production version of its \$87,900 Karma plug-in luxury sports sedan, a

four-seater with solar panels and the ability to drive gas-free for 50 miles. Fisker, which expects the cars to roll off the production line in October, also unveiled the Karma S, a convertible expected in 2011.

"We really don't have any competition, at least in the next two years" in the luxury plug-in segment, said Henrik Fisker, the company's founder.

Swagger aside, the startups have plenty of doubters. Many question whether the niche companies would be able to survive the contraction of the US auto market while facing the typical growing pains of a startup auto company.

They're also competing with billions of dollars in investments by General Motors Corp. and Toyota Motor Corp. GM is hoping to bring the Chevrolet Volt extended-range electric vehicle to the market by 2010, and Toyota outlined plans in Detroit to bring an all-electric car to market by 2012.

David Cole, president of the Center for Automotive Research in Ann Arbor, Mich., said the com-



Two prototypes of the Tesla Model S all-electric sedan were unveiled last week. AP Photo by Reed Saxon

plexity of integrating electric drive into a vehicle's powertrain could not be underestimated. And even with extensive engineering teams, the large companies are grappling with uncertainties about how lithium-ion batteries will perform in the vehicles long-term.

"What (the startup companies are) finding is that it's not quite as easy to do as it is to talk," Cole said.

Jim Lentz, Toyota's top US sales executive, said the new companies likely would foster innovation and competition. "At

the price point where they're entering the market, they're at a very different place," said Lentz, president of Toyota Motor Sales USA. "It's interesting for us to look at the technologies and how they're developing their electronics." (AP)

Obama puts GM, Chrysler on short leash

by DAVID ESPO
AP Special Correspondent

WASHINGTON—President Barack Obama asserted unprecedented government control over the auto industry Monday, bluntly rejecting turnaround plans by General Motors Corp. and Chrysler LLC, demanding fresh concessions for long-term federal aid and raising the possibility of quick bankruptcy for either ailing auto giant.

Obama took the extraordinary step of announcing the government will back new car warranties issued by both GM and Chrysler, an attempt to reassure consumers their US-made purchases will be protected even if the companies don't survive.

"I am absolutely committed to working with Congress and the auto companies to meet one goal: The United States of America will lead the world in building the next generation of clean cars," Obama said in his first extended remarks on the industry since taking office nearly 10 weeks ago. And yet, he added, "our auto industry is not moving in the right direction fast enough to succeed."

with heavy government participation. That would involve concessions from its union workers and bondholders.

The administration engineered the ouster of longtime CEO Rick Wagoner over the weekend, an indication of its deep involvement in an industry that once stood as a symbol of American capitalism.

Obama's announcement underscored the extent to which automakers have been added to the list of large corporations now operating under a level of government control that seemed unthinkable less than a year ago.

Since last fall, the Bush and Obama administrations, often acting in concert with the Federal Reserve, have engineered the takeover of housing titans Fannie Mae and Freddie Mac, seized a large stake in several banks and installed a new CEO at bailed-out insurance giant American International Group.

Other presidents have forced showdowns with major industries, with mixed results. Harry Truman's decision to nationalize the steel industry on the eve of a strike in 1952 was ruled unconstitutional by the Supreme Court. But Ronald Reagan succeeded in busting the air traffic controllers' union three decades later.

The latest addition to the list, the once-proud auto industry, has struggled with foreign competition for more than a generation, then was further battered by the recession and credit crisis gripping the economy. Obama said 400,000 industry jobs have been lost in the past year alone, many in Michigan.

Chrysler, judged by the administration as too small to survive, got 30 days' worth of funds to complete a partnership with Fiat SpA, the Italian manufacturer, or some other automaker.

GM got assurances of 60 days' worth of federal financing to try and revise its turnaround plan under new management

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