Hummer's Chinese Buyer A Newcomer To Industry

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(AP Photo/Alexander F. Yuan)

BEIJING (AP) — Hummer owners are an unusual breed, but a little-known Chinese company's surprise purchase of the American maker of gas-guzzling, military-style SUVs is audacious even by their standards.

Sichuan Tengzhong Heavy Industrial Machinery Co., which said Tuesday it was buying the General Motors Corp. unit, is four years old and has just 4,300 employees. It makes vehicles, but they are cement mixers and tow trucks, not passenger cars.

Tengzhong is based in China's mountainous southwest, far from the east coast heart of China's auto industry.

"I had never heard of this company," said Yale Zhang, a veteran auto industry analyst for CSM Worldwide in Shanghai.

Tengzhong, which is keeping production of the Hummer in the United States, will face daunting hurdles in reviving the vehicle, known in Chinese as "Han Ma," or Bold Horse.

Soaring gas prices have battered sales of the boxy vehicles, which roar along on oversize tires and can weigh up to five tons.

And there is the image factor. Hummers are based on U.S. military vehicles that

gained fame during the 1991 Gulf War — a link that fuels their macho appeal. It is unclear whether buyers who love their attention-grabbing looks and ability to drive over boulders will be as gung-ho if their maker is from communist-led China.

Shanghai entrepreneur Jun Jinru, who revels in his status as one of China's tiny handful of Hummer owners, had mixed feelings when he learned the producer of his beloved H3 model had been sold to a Chinese company.

"I think all Hummer-owners in China will think their cars are downgraded," said Jun, who bought the H3 through a specialty importer last year for 900,000 yuan ($130,000).

"From the point of view of supporting Chinese products, we are very glad a Chinese company is capable of buying the brand," he said. "From a selfish point of view, I don't really want this to happen."

Tengzhong plans to invest more in research and development to bring more fuel-efficient Hummers for the U.S. market, CEO Yang Yi said in a statement Tuesday. Yang said Hummer's headquarters and operations will remain in the U.S. and the company will continue to be led by its existing management.

Hummer's CEO, James Taylor, said the company wants to launch an "aggressive global expansion." The company said it expects to expand its dealer network, including to China.

Tengzhong gave no other details and spokespeople did not respond Wednesday to requests for more information about its plans and the company's background.

Tengzhong's Web site says the company is privately owned, though that status can be murky in the Chinese system. Comments posted Wednesday on Chinese Web sites for car lovers asked whether China's military financed the Hummer takeover.

GM and Tengzhong gave no financial details of the deal. Tengzhong has not released details of its sales and profits but said earlier it broke ground in October on a 3.5 billion yuan ($500 million) factory to make oil field equipment.

Acquiring and reviving a troubled foreign brand is an established strategy for Chinese automakers that want to speed their development. One leading manufacturer bought Britain's MG-Rover brand in 2006. Another makes London-style taxis with a British partner.

But those Chinese companies already made cars. Tengzhong says its strengths lie in producing construction vehicles, power equipment and building materials.

The communist government is encouraging Chinese enterprises to expand abroad to diversify the economy. Companies have invested in foreign banks, oil companies and mines. Beijing-based personal computer maker Lenovo Group expanded into Western markets by acquiring IBM Corp.'s PC division in 2004. But Beijing is warning buyers not to be too hasty or to attempt overly ambitious takeovers that carry with

them debts and other costly obligations, and government-owned banks are unlikely to finance deals that are considered too risky.

China's booming auto market could help to revive Hummer, said Zhang, the analyst.

Monthly auto sales have surpassed those of the United States so far this year and set a record of 1.15 million units in April. Sales of SUVs and other luxury models are growing at double-digit rates. That is despite sticker prices that exceed the lifetime income of the average Chinese worker.

"If they come to China and manufacture here, lower the price and improve the fuel efficiency, then there should be a market here," Zhang said.

If the new owners stick to the United States, "you cannot grow," he said. "In the U.S. market, the customers' attitude is very clear. They want to shift to more fuel-efficient vehicles."

California Gov. Arnold Schwarzenegger said he expects the Chinese company to make improvements to his beloved Hummer brand. Speaking Wednesday outside the state Capitol building at a promotion for an alternative-fuel vehicle, he said he thinks the Chinese will probably convert the 15 mpg Hummer to one that gets 30 or 40 mpg in a short time.

Schwarzenegger helped popularize the brand among civilians after falling in love with it in 1991. The actor-turned politician has since become an unlikely environmental champion. His two remaining Hummers have both been modified to operate more fuel efficiently. Last week, he held a photo-op in front of a Hummer with an electric battery.

He says he's saddened that American car companies have fallen so far behind when it comes to fuel efficient technology.

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