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STARTUP TARGETS NORTH AMERICA

Will Chamco deliver the goods?

Questions swirl around distributor's plans to sell Chinese-made trucks in the United States next year

[Diana T. Kurylko](#)

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PARSIPPANY, N.J. — With the rollout of its Chinese-made trucks only a year away, Chamco — a partnership formed to import vehicles for U.S. dealers — faces troubling questions about its ability to deliver the vehicles.

China America Cooperative Automotive Inc., or Chamco, says it will begin selling a Chinese-made pickup and SUV next year — plus a car and crossover later — through a network of 75 dealers.

The company has displayed its vehicles at the Detroit auto show. The SUV is a mid-sized five-passenger vehicle about as long as a Ford Explorer, while the pickup is the size of a Ford Ranger.

Company executives brag that these vehicles will be priced so low that customers will flock to dealerships.

But questions remain about Chamco's thin capitalization, retail financing, murky corporate structure, abortive plans for a Mexican assembly plant and its timetable for vehicle imports.

-- For the second time, Chamco has delayed its launch date for sales, and has scrapped plans to display production vehicles at the New York auto show in March.

-- The company projects hefty North American sales within four years even though its Chinese partner, Hebei Zhongxing Automobile Co., sold only 36,800 vehicles last year. It's unclear whether the automaker can meet U.S. safety and emissions standards in time for the launch.

-- Chamco has temporarily abandoned efforts to build its trucks in Mexico. The company blamed the Mexican government for not living up to undisclosed promises to help it build a \$300 million assembly plant near Tijuana.

-- Corporate executives are vague about the identities of the company's founding partners and its

capitalization.

Despite all this, Chamco Chairman Bill Pollack is moving ahead with plans to recruit an additional 75 dealers. Chamco originally required dealers to invest \$300,000 in the company but is no longer making the investment mandatory.

"We are clearly making progress on all fronts," Pollack said. "I like where we are headed."

Optimists

Chamco projects these U.S. sales:

- 105,000 units in the first year of sales, from early 2009 to early 2010
- 205,000 units in 2010 with a pickup and SUV
- 360,000 units in 2011, adding a crossover and passenger car
- 475,000 units in 2012

Source: Chamco

Chamco's public face

Pollack, a 56-year-old former computer executive, is Chamco's public face. The company's founding partners recruited him in April 2006, just a few months after Chamco was formed.

As corporate executives go, Pollack is not a pretentious fellow. His headquarters in Parsippany, N.J., is a nondescript office building that doesn't even have a Chamco sign out front.

Pollack, a former general manager at Bell Laboratories, has degrees in mathematics and computer science from Columbia University. Pollack's hobby is bridge, and he is passionate about it.



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The Grand Tiger pickup is described as having the style, ride and handling of 1980s-era Toyotas.

He and a partner won the Vanderbilt Cup, a prestigious national championship. Pollack and his wife, Rozanne, won three national mixed championships in the National Mixed Teams as part of the American Contract Bridge League. Pollack says he has won three world championship medals in world bridge tournaments.

Pollack is chatty, friendly and keeps his cool, even with tough questions. And he is not afraid to poke fun at himself. During a flight last month from New Jersey to Detroit, Pollack laughed as he showed off a Rolex knockoff he had just purchased in China.

During several interviews with *Automotive News*, Pollack offered some details about the company, but was unwilling or unable to offer some basic information.

Pollack says Chamco's 13 partners put up most of the cash to launch the company, which was

incorporated in January 2006.

He identified only one of the founding partners: Dennis Chen, a former merchant banker who lives in New York. Chen was born in China and understands that country's business environment, Pollack says. Chen helped negotiate the contract Chamco signed with Hebei Zhongxing on Jan. 26, 2006.

Pollack says he wants to debunk "the prevailing wisdom that you need \$1.2 billion to \$1.5 billion to start a new car company." The idea is to find partners to handle activities such as vehicle assembly, information technology, marketing, transportation and logistics.

He says he has formed a solid executive team to oversee these activities. Corporate officers include Mario Ferla, the former president of Case IH, Fiat S.p.A.'s farm equipment company; Thomas Del Franco, a former COO of Audi of America; and Steve Saleen, who owned a company that manufactured sports cars such as the Ford GT.

Branding will be handled by Jerry Della Femina, the advertising executive whose agency was responsible for a host of campaigns, including Joe Isuzu and the singing cat Meow Mix campaign. But Pollack's lineup of executives and his let's-run-lean business philosophy do not dispel lingering questions about his Chinese partner and its trucks.



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Big ambitions

Hebei Zhongxing is a small company with big ambitions. The company plans to export the Landmark SUV and Grand Tiger pickup to the United States, where Chamco will market them under different names.

That will be Zhongxing's first experience in such a competitive market. It currently exports vehicles to Russia, Romania and Australia.

Zhongxing is building an assembly plant in Changchun, China, to produce vehicles for export to North America. That plant is supposed to be finished this summer. But even if Zhongxing meets that schedule, it is unclear whether the vehicles will be export-worthy.

The squarish SUV lacks the aerodynamics of today's vehicles. In markets in which the vehicles are sold, magazine articles suggest that the Landmark SUV and Grand Tiger pickup have the styling, ride and handling

Bill Pollack, left, says Steve Saleen recruited several executives from Saleen's old company to adapt vehicles at a new Chamco facility in Anaheim, Calif.

Photo credit: ALFREDO MILLAN

of 1980s-era Toyotas. Tim Dunne, director of J.D. Power and Associates' Asia-Pacific Market Intelligence, says he has seen both vehicles Chamco proposes to import. His opinion: They are a generation behind light trucks currently sold in the United States.

"The overall interior refinement, exterior fit and finish, and ride and handling are not up to the higher standard that we're accustomed to in the U.S.," Dunne says.

Chamco displayed the vehicles at the 2007 National Automobile Dealers Association convention in Las Vegas. Since then, the company has modified the vehicles, Pollack says.

The redesigned vehicles have new grilles, a new powertrain from an undisclosed Chinese supplier, two-stage airbags, standard leather seats and five-year powertrain warranties. The vehicles will have a base price of \$14,000, not including shipping.



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Bill Pollack says he has formed a solid executive team at Chamco that includes corporate officers Mario Ferial, shown, a former president of Case IH; and Thomas Del Franco, a former COO of Audi of America.

maker Chery Automobile Co. will produce for Chrysler for sale in the United States.

Jim Hall, owner of the automotive consulting firm 2953 Analytics in suburban Detroit, doubts that Chamco will be able to certify its vehicles that quickly — despite Saleen's experience. "It is an incredibly daunting engineering problem," Hall says.

If Chamco uses a Chinese engine rather than the Mitsubishi powerplant used in the Landmark and Grand Tiger, Hall predicts that will delay regulatory approval. "If you do not allow three years for homologation of

Red tape

Pollack says his vehicles' low price will attract U.S. customers when sales start in 2009. But first Pollack must adapt the truck to U.S. roads and regulatory standards. Pollack postponed plans to launch the vehicles this year so he would have more time to meet federal emissions and safety standards.

The red tape forced Chamco to drop plans to show production models at the New York auto show. "We planned to be through with all the testing, but we are a month or two behind," Pollack says.

Saleen, who owns a share of Chamco, recruited several executives from his old company to homologate the vehicles at a new Chamco research and engineering facility in Anaheim, Calif., Pollack says.

A spokeswoman for the EPA says Chamco has talked to the agency about meeting U.S. regulations, but she declined to disclose details.

Meanwhile, the National Highway Traffic Safety Administration confirmed Chamco and Hebei Zhong-xing received permission to import noncompliant vehicles and a prototype for testing.

Neither agency would say how long it takes to meet U.S. standards. However, Chrysler LLC says it will need 18 months to two years just to crash-test cars that Chinese

an engine, you'll find your cars aren't salable (in the United States)," he says.

Pollack won't identify the maker of the new engine, but he says it "has proven itself and has engines in a number of vehicles on the market." And he says Chamco has run more than 1,000 tests, including crash tests.

But such a venture carries serious risk for dealers who want to invest \$300,000 in Chamco, says one veteran dealership consultant.

Sheldon Sandler, a managing partner of Bel Air Partners in Skillman, N.J., says successful brands don't ask their dealers to invest money in the company.

"I would be very cautious before I made an investment in what sounds like a startup venture," says Sandler. "We are dealing with a very complex proposition. It will take hundreds of millions of dollars."



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Chamco Chairman Bill Pollack is moving forward with plans to recruit more dealers and sell China-made Grand Tiger pickups and Landmark SUVs in North America.

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