International Business News

Tata to offer low-cost flats

PALLAB BHATTACHARYA, *New Delhi*

Weeks after coming out with the world's cheapest car Nano, the Tata Group has announced it would offer houses at affordable prices ranging from Rs 3.9 lakh to Rs 6.7 lakh at a place 100 kilometres from India's financial capital Mumbai.

The first township comprising one bedroom-kitchen apartments to be constructed by Tata Housing Development Company, a subsidiary of the Tata Group, will come up at Boisar, a suburb of Mumbai, Chief Executive Officer of Tata Housing Brotin Banerjee said on Wednesday.

This model will be replicated in other cities of India, including Kolkata, Bangalore, Gurgaon and Pune, Banerjee added.

A person can book a flat by paying Rs 10,000 ($202.95) and the list of winners would be decided through a draw, he said, adding that the apartments would be delivered in around two years.

The apartment size would be between 283 square feet and 465 sq feet each and the company is expecting a turnover of Rs 100 crore from the project.

The Tata Housing has tied up with State Bank of India, the country's largest commercial bank in the public sector, and privately-owned Housing Development Finance Corporation (HDFC) to help potential buyers with finance options.

EU approves 10b euros in state aid for Commerzbank

AFP, *Brussels*

The European Commission approved on Thursday German plans to pump a fresh 10 billion euros (13.3 billion dollars) into Commerzbank after the group promised to sell some assets and restrict its business operations.

Berlin has grown increasingly impatient with Brussels on approving the deal, concerned that foot-dragging would endanger the health of what is the second-biggest bank in Europe's biggest economy.

The commission has insisted that the plans for the new injection of capital, which comes after a first infusion of eight billion euros, should ensure the bank's long-term health while not giving it an advantage over rivals.

"The commission is satisfied that Commerzbank's long term viability has been demonstrated, and that the aid is kept to the minimum and will not lead to undue distortions of competition," it said in a statement.

"It has therefore declared the aid compatible."

However, the commission only gave its approval after Commerzbank agreed to slim down its 1.1 trillion euro balance sheet by about 45 percent, namely by selling its Eurohypo unit, a major European player in the real estate and public finance business.

AFP

A Volkswagen Jetta TDI car, powered by a clean diesel engine and outfitted with racing gear, sits on display in a hotel ballroom during Volkswagen's Environmental Leadership and Technology Day on Capitol Hill in Washington, DC, on Wednesday. The conference discussed the automaker's efforts in green technologies, including hydrogen fuel cell and clean diesel. The cars participate in the Volkswagen Jetta TDI cup, a clean diesel racing series on eight road courses throughout North America, with the winner receiving $100,000.

GM reports $6b loss in first quarter

AFP, *Washington*

Troubled US auto giant General Motors on Thursday reported a net earnings loss of six billion dollars in the first quarter, as it faced the prospect of bankruptcy saddled with mounting debt.

Excluding special items, GM reported an adjusted net loss of 5.9 billion dollars, or 9.66 dollars per share, compared to a 381 million dollars loss or 67 cents per share in the first quarter of 2008, the company said in a statement.

Most analysts had expected the largest US-based automaker to post a loss of 11.05 dollars per share, meaning a decline of more than 6.7 billion dollars.

GM said its first quarter revenue plunged 47 percent to 22.4 billion dollars from 42.4 billion dollars in the year-ago quarter.

The revenue drop was primarily due to GM's 40 percent production decline of 903,000 units on a global basis year-over-year," the statement said.

Debt-ridden GM has taken more than 15 billion dollars in government loans and faces a June 1 deadline to complete a major restructuring plan or force to follow its rival Chrysler into bankruptcy court.

Shanghai's bid to buy stalled luxury hotels fails

AFP, *Shanghai*

The Shanghai government's talks to buy a stalled luxury hotel project in the city centre from an overseas developer have collapsed, Chinese media reported Thursday.

Government-controlled Shanghai Industrial Holdings has backed out of talks to buy the twin tower complex in the Xintiandi entertainment district, which was to house Jumeirah and Conrad hotels, the China Business News reported.

The report gave no reason for the talks' failure, but said the hotel project could be worth 1.2 billion (176 million dollars) to 1.8 billion yuan.

A spokesman for Hong Kong-listed Shanghai Industrial Holdings declined to comment on the report when contacted by AFP.

The hotel complex is 85 percent-owned by Leo Koguan, an overseas-based Chinese businessman and 15 percent-owned by Hong Kong property developer Vincent Lo's Shui On Group.

REAL ESTATE

Malaysian condos go bust

AFP, *Kuala Lumpur*

AFP

This picture taken on April 28 shows a luxury condo (C) standing in front of Kuala Lumpur's iconic Petronas Twin Towers (R). Prices of luxury condos that have mushroomed around the Twin Towers in recent years are crashing as the global financial crisis hits. The Malaysian capital's luxury condominium market, which has boomed over the past five years, is in fear of a property bubble as the global financial crisis looms.

Prices of luxury condos that have mushroomed around the Malaysian capital's iconic Petronas Twin Towers in recent years are crashing as the global financial crisis hits.

Cashed-up Malaysians and foreign investors from Asia and the Middle East fuelled a boom in plush inner-city apartments that saw some 28 high-end buildings thrown up in the city centre.

But the international economic slowdown has seen prices at some buildings slump by up to 30 percent, while one in five properties languishes unsold on the depressed market, industry experts said.

"The situation is not good. There have been a lot of 'wait and see' buyers since late last year and I believe this attitude is still prevalent at this moment," said Robert Ang from property consultant Rahim & Co.

"Given the bleak economic outlook, we don't see the situation improving at least for this year," he added.

Tenancies are also down, and landlords are offering steep discounts on rentals, nervous that the traditional flood of new expatriates during the northern hemisphere summer may not materialise this year.

Rahim & Co estimates that sale prices for top Kuala Lumpur condos, including one plush development that features private swimming pools for each of its 94 apartments, will slump between 15 and 20 percent this year.

Prices at the glitzy 607-unit Marc building, which also houses a fashionable restaurant and art gallery and is steps away from the Twin Towers, have plummeted about 30 percent, according to industry sources.

Apartments that were selling for 1,300 ringgit (352 dollars) per square foot at their peak have been knocked down to 950 ringgit per square foot, making a three-bedroom condo more affordable at 2.0 million ringgit (566,000 dollars).

The 110-unit Meritz building was worth up to 1,500 ringgit per square foot when it was completed in the middle of last year but now prices have been slashed to an average 1,000 ringgit, with one sale sinking to 850 ringgit per square foot.

"The question is where is the demand coming from? Even without this economic downturn, we were already concerned about what demand there would be for these luxury condos," said Ong Chee Ting, a property analyst at Maybank Investment Bank.

Investors from Singapore and Hong Kong had been attracted to Kuala Lumpur, where for a fraction of the price of an apartment at home they could snap up a condo with world-class design, tight security and unparalleled location.

They were followed by buyers from the Middle East, who were similarly flush with cash and drawn to the country, which is predominantly Muslim and has worked hard to accommodate tourists from the gulf states.

But the situation turned ugly when foreign investors, who represent up to half the trade in Kuala Lumpur's top condos, began to fall victim to the global economic crisis.

Another factor leading foreign buyers to shun property investment in Malaysia, say industry sources, was landmark general elections a year ago that saw the opposition gain unprecedented ground, including winning control of five states.

Questions were raised over several high-profile developments approved by the outgoing administrations, notably on the northern island of Penang.

"For investors, they will hold back their decision while from developers' viewpoint, they don't know what the policy is in the opposition-led states," said Goh Tian Sui, managing director of property consulting firm CH Williams Talhar and Wong.

Despite the global crisis, none of the five new luxury condo projects still under construction in the Twin Towers area has been put on hold, and they are expected to be completed on schedule.

Developers said they were optimistic of clearing the backlog when the economy bounces back, allowing buyers to take advantage of what by regional standards is now an even better bargain.

"The Twin Towers area is still the number one selling point as it's easier for foreign investors to relate to," said Ang.

"It's just like if you go to France and if you can afford it, of course you would buy next to the Eiffel Tower."

PROFILE

Turnaround magician marches into Chrysler

AFP, *Rome*

Sergio Marchionne, the magician behind Fiat's spectacular recovery, becomes the head of bankrupt Chrysler with Canadian credentials, a name as a hard driver, and an eye for overlooked talent.

He takes on the vast task of turning round Chrysler, while also moving to sweep up the European Opel end of the stricken GM empire to create the second-biggest auto group in the world after Toyota, with eyes wide open.

"This is a marriage made in heaven industrially," he said of the Chrysler tie-up in an interview with the Financial Times three days ago.

But he also observed that "you are always taking a big gamble when you do something completely new" and "you have to stay humble through these things."

Carlos Ghosn at French Renault achieved something similar when he successfuly tied up with ailing Nissan.

But Renault came badly unstuck in a previous venture with American Motor Cars, which then passed to Chrysler, and Daimler made a disastrous attempt to buy into the US market by taking over Chrysler and then disbanding it.

Marchionne however is taking Fiat, considered by many analysts only a few years ago to be too small and fragile to survive alone, into new pastures in unusual times and by unusual means.

He is known to prefer flat management structures and can be expected to focus on the hierarchy at Chrysler, while getting deep into the nuts and bolts of the business and looking for talented people buried within the organisation.

His hand is strengthened by the fact that, together with Fiat group chairman Luca Cordero di Montezemolo, he has already turned Fiat around from a series of crises in the last years of direct management by the founding Agnelli family.

Sergio Marchionne

Although the group has been hit by the global economic downturn, it is not in the dire straits of some companies, and notably the US manufacturers.

Marchionne is making maximum use any inclination of governments to help auto industries to protect tens of thousands of jobs.

And he is using half a century of technology built up by Fiat in the field of small-car technology to "buy" his way into Chrysler without using cash.

The initial post World War II success of Fiat Auto, the main part of the vast Fiat industrial group, was partly built on the tiny Cinquencento, capable of running through the narrow back streets of ancient Italian cities

In 2007, Marchionne decided to launch a revamped city-chic version of this runabout three months early, in keeping with his style for rapid, rigorous and surprising business moves.

Fiat builds about two million cars a year for sale mainly in Italy and the rest of Europe, and Marchionne signalled at the end of last year that he wants it to achieve a critical mass of about six million vehicles.

He told Automotive News Europe in December: "As far as mass-producers are concerned, we're going to end up with one American, one German of size, one French-Japanese, maybe with an extension in the US, one in Japan, one in China and one potential European player."

Little known in 2004 when he took the helm of the Italian auto icon on the verge of collapse, Marchionne quickly won over the media, unions and politicians by turning the company around without massive job cuts.

His first big coup came in 2005 when he wrested 1.55 billion euros (2.0 billion dollars) from General Motors in a tense game of bluff in exchange for dropping a threat to force GM to buy Fiat's then moribund auto unit under an existing agreement.

The same year, thanks to cost reductions and the launching of new models, Fiat turned a profit for the first time for four years.

Marchionne has a penchant for projecting a casual style to the media, but the tall, round-faced Marchionne is an implacable boss who let go dozens of veteran apparatchiks in favour of young Turks to head up the group's main brands: Fiat, Ferrari, Alfa Romeo and Lancia.

"I'm always assessing my staff; I give them grades and I tell them to watch out -- if they don't pull their weight, they're out," he once said.

Since the start of the world financial crisis, Marchionne has not wasted a moment to adapt, insisting in December that the choice was to grow or die.

Not even one month later, a preliminary agreement was reached with Chrysler.

Born in Italy in 1952 but raised by his Italian parents in Canada, Marchionne has dual nationality. After studying law and management in Canada, he began his career as a tax expert for Deloitte and Touche.

Before joining Fiat, Marchionne was general director of the Swiss quality-assurance giant SGS, of which he is still president.

He is also a non-executive vice president of the Swiss bank UBS. But he has signalled recently that he will cut back on such external responsibilities because "I can't do it all."