

DIGEST

ALASKA

Oil, gas leases being offered

The Interior Department is offering oil and gas leases on 1.8 million acres of Alaska's National Petroleum Reserve while promising to protect critical migratory bird and caribou habitat.

Interior Secretary Ken Salazar said Friday that the Bureau of Land Management will offer 190 tracts, covering more than 2,800 square miles, with bids to be opened Aug. 11 in Anchorage. The sale is one of dozens, mostly in Western states, that Salazar announced in November.

The petroleum reserve on the North Slope covers 23 million acres.

Eric Myers, of Audubon Alaska, considered BLM's plan "quite reasonable," saying the agency provided additional areas for drilling while protecting special wildlife habitat.

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Polar bear impact disputed

Alaska Gov. Sean Parnell says an independent economic analysis shows the federal government has dramatically underestimated the potential effect of designating critical

habitat for polar bears.

The U.S. Fish and Wildlife Service has proposed 187,166

square miles as critical habitat for polar bears.

Nearly 95 percent is sea ice in the Beaufort and Chukchi seas. Parnell says the areas account for almost half of Alaska's oil production.

Fish and Wildlife estimated the economic impact at \$669,000 over 29 years. But Parnell says an independent review estimates the costs could run into the hundreds of millions of dollars.

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MUSIC

Downloading verdict cut

BOSTON — A federal judge has drastically trimmed a \$675,000 verdict against a Boston University graduate student who was found liable for illegally downloading and sharing songs online.

Judge Nancy Gertner on Friday cut a jury's damage award against Joel Tenenbaum of Providence, R.I., to \$67,500, saying it was "unconstitutionally excessive" and "wholly out of proportion."

Tenenbaum was sued by music companies who said he violated copyright rules. The jury found him liable and assessed the damage award last July.

A spokeswoman for the plaintiffs said they would appeal the ruling.

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MOVIES

Icahn, studio halt their fight

Billionaire investor Carl Icahn and the Lions Gate Entertainment Corp. film studio have agreed to temporarily halt their fighting and work together on acquisitions.

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Google satisfies China's censors

■ Deal will keep website active by offering link to Hong Kong spot

By JAMES TEMPLE
SAN FRANCISCO CHRONICLE

SAN FRANCISCO — Google reached a fragile accord with Chinese officials that will allow it to keep running its website in the country, ending the latest round in the ongoing showdown between the search giant and the communist na-

tion over censorship.

The Mountain View, Calif., company said early Friday that Beijing renewed a license necessary to operate the Chinese site Google.cn after the business made changes to appease government concerns. "We look forward to continuing to provide Web search and local products to our users in China," the company said in a prepared statement.

Google revealed last week that officials had threatened not to extend its expiring content provider license if it continued

Please see **GOOGLE**, Page D2

DISASTER IN THE GULF

Anadarko won't pay big bill sent by BP

■ Majority owner of Macondo well expects a check for \$272 million

By PURVA PATEL
HOUSTON CHRONICLE

Anadarko Petroleum Corp. won't pay the \$272 million in oil spill related costs that BP billed it for last month.

The Woodlands-based company has a 25 percent

nonoperating stake in the Macondo oil well gushing in the Gulf of Mexico.

The company has argued that it's not responsible for costs arising from an operating partner's "negligence" or "willful misconduct" — something it

INSIDE: Oil spill panel will meet next week. **PAGE D2**

accuses BP of in relation to the spill.

"Multiple proceedings and independent investigations are under way into BP's actions and decisions on the rig, and although we have notified BP that we are Please see **ANADARKO**, Page D2

MANUFACTURING

Toshiba puts plans in place to expand its northwest-side Houston plant so it can produce thousands of motors for Ford's hybrid vehicles



MAYRA BELTRAN : CHRONICLE

EXPANSION AHEAD: Ramiro Garza works on a motor this week at Toshiba's Houston plant. The company plans to make hybrid vehicle motors at the factory.

REVVING UP A FACTORY

Q&A

She finds freedom in aviation

JANINE Iannarelli is the founder and president of Par Avion Ltd., a Houston-based brokerage firm that buys and sells previously owned business jets. Iannarelli discussed her company and the industry with Chronicle reporter Salvador Rodriguez in the cabin of a Hawker 800. Excerpts of the conversation follow.

Q: What effect did the economy's downturn in 2008 have on Par Avion and the aircraft brokerage industry?

A: The impact of the downturn came at a really critical juncture in the resale marketplace. ... The fourth quarter is traditionally the busiest time of the year. We bank on the fact that the bulk of our earnings are going to be made in this fourth quarter. It came at a time when the industry was having its annual convention, and it turned it into a morbid affair. It was really not until sometime in the fourth quarter of 2009 that any of the aircraft markets started to find some footing, but in the meantime, we were watching very closely because we knew that there would be opportunities. Certainly, whenever there is

Please see **PAR AVION**, Page D2



MICHAEL PAULSEN : CHRONICLE

USED PLANES: Janine Iannarelli leads Par Avion, which deals in private jets.

By SALVADOR RODRIGUEZ
HOUSTON CHRONICLE

TOSHIBA Corp. plans to produce hybrid vehicle motors at its Houston plant, capitalizing on the fast-growing U.S. market for electric vehicles.

The Japanese company will begin expanding the plant in January and plans to produce as many as 10,000 motors a month by 2012.

Sales of hybrid and electric cars are expected to reach 940,000 this year — 210,000 more than last year — and top 3 million by 2015, said Michael Omotoso, senior manager of powertrain forecasting at J.D. Power and Associates.

"Nobody wants to be left without a presence in this," said Victor Flatt, professor of environmental law at the University of North Carolina. Advances in battery technology and a federal push for greater fuel efficiency have increased the demand for electric



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cars, Flatt said.

"When you have the federal policy saying we want better fuel standards and then you have the technology coming along with it, it's just the thing to do," Flatt said. "Everybody wants to get their foot in the door and try to be the ones that get in there first and get the advantage."

Consumer demand for plug-in hybrids, which run on gasoline but use rechargeable electric batteries for power, will grow if they become more widely available, Flatt said.

"It becomes a very financially good thing to do Please see **TOSHIBA**, Page D2

AUTO INDUSTRY

That's it for the PT Cruiser

The last of the distinctively shaped vehicles came off the assembly line on Friday in Mexico. **PAGE D4**



MARKETS AT A GLANCE

▲ Dow	▲ Nasdaq	▲ S&P	▲ Oil	▲ Natural gas
■ 10,198.03	■ 2,196.45	■ 1,077.96	■ \$76.09	■ \$4.402
■ +59.04, +0.6%	■ +21.05, +1.0%	■ +7.71, +0.7%	■ +65 cents, +0.9%	■ +0.3 cents, +0.1%

Panel to look at Gulf oil spill's root causes

By **SETH BORENSTEIN**
ASSOCIATED PRESS

WASHINGTON — The new presidential oil spill commission will focus on how safety, government oversight and the ability to clean up spills haven't kept up with advances in drilling technology, the panel's leaders say.

The commission will also dig into what it calls the root causes of the April 20 BP oil rig explosion in the Gulf of Mexico, looking deeper than just equipment failures.

"Why were some of the decisions made with respect to both regulation and to immediate response?" panel co-chairman William Reilly asked. "They look irregular to the casual observer."

Former U.S. Sen. Bob Graham, panel co-chairman, also said in a Friday teleconference that the panel will focus mostly on how things can be improved for the future.

NAACP FAULTS MINORITIES' CLEANUP ROLE

KANSAS CITY, Mo. — The NAACP has sent a letter to BP expressing concerns that minorities helping to clean up after the massive oil spill tend to be assigned tougher, lower-paying jobs than whites.

NAACP president, Ben Jealous, says in the letter dated Friday that he wants to meet with BP's chief executive officer. E-mail messages left with several BP spokespeople were not immediately returned.

The NAACP says minority contractors are not receiving equal consideration for opportunities to participate in mitigation efforts. It claims that contractors are busing in workers from out of state instead of hiring locals who have lost their livelihoods because of the spill.

The seven members of the panel hold their first meetings Monday and Tuesday in New Orleans. They will first hear from Gulf Coast victims of the oil spill and from state officials.

"The hearing itself is to give voice to the region," Reilly said. The commissioners also plan individual visits to Gulf states to see the disaster's results for themselves.

Reilly, who headed the U.S. Environmental Protection Agency during the 1989 Exxon Valdez oil spill, said he's already seen enough to fault the way the spill is being cleaned up.

He called current cleanup technology "primitive." He suggested the panel may learn enough about the use of oil dispersants to change the way the spill is being addressed.



MAYRA BELTRAN PHOTOS: CHRONICLE

MORE WORK: Toshiba's plans at its plant represent a serious industrial effort to embrace electric cars, according to Steve Kobb, president of the Houston Electric Auto Association.

TOSHIBA: Factory will be adding 100 jobs

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at a certain point," said Flatt, who said \$0.20 of electricity is the equivalent of a \$3 gallon of gas. "If consumers are offered these choices in a wide variety, particularly for plug-in hybrids, they're going to be very popular."

Toshiba's Houston factory will add 100 jobs as it begins producing the motors, which will be used in two Ford Motor Co. hybrid vehicles and a plug-in hybrid vehicle.

Toshiba's plant, on West Little York Road and North Eldridge Parkway, will be one of the first high-volume producers of motors for electric vehicles in the U.S., said Nancy Gioia, director of global electrification at Ford.

"It's a recognition on



ON THE JOB: Patricio Chavez works in the shaft machining area this week at Toshiba's Houston plant. The factory will expand to make motors for two hybrid Fords and one plug-in vehicle.

Toshiba's part that North America is today still the largest electrified-vehicle market," Gioia said. "Up to now, they have only produced these motors out of Japan, and it's just a logical progression to install the manufacturing."

The vehicles that will use the plant's products are part of Ford's strategy to introduce five electrified vehicles of different varieties by 2013, Gioia said.

"We're very excited to be a part of bringing technology and manufacturing jobs

back to the United States and being a part of making the electrified future," Gioia said.

Toshiba's plans represent a serious industrial effort to embrace electric cars, said Steve Kobb, president of the Houston Electric Auto Association.

"This is the kind of infrastructure that we need to get more electric vehicles on the road and get more people driving them," Kobb said.

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ANADARKO: Refusal to pay disappointing, BP says

CONTINUED FROM PAGE D1
withholding reimbursement to BP at this time, we remain committed to working with BP in good faith to achieve a satisfactory resolution," spokesman John Christiansen said in a written statement Friday.

Last month, Anadarko CEO James Hackett said BP should shoulder the costs of the spill. BP has said it strongly disagreed with Anadarko's allegations.

Evaluating its options

BP, in a written statement Friday, said it was disappointed Anadarko "failed to live up to their obligations under the Macondo Operating Agreement and as a responsible party under the Oil Pollution Act," and will continue to evaluate its legal options.

A division of Japanese

trading company Mitsui has a 10 percent stake in the well and has received a \$111 million bill from BP. The deadline for payment from the company is Monday, but to date it has not responded to the bill, according to BP's statement.

The company could not be reached for comment Friday.

Analysts said the dispute will likely result in a legal battle if BP continues pressing for the money. They expect Anadarko to continue fighting the payments.

Putting it off

Anadarko is likely trying to at least delay any possible payment because of the financial impact it could have on the company, said Richard Tullis, an analyst with Capital One Southcoast.

"It's significant money for

anybody, but particularly for Anadarko," Tullis said. "They don't generate anywhere near the cash flow a year that BP does."

Moving target

Both Anadarko and Mitsui should be able to hold BP off at least until the investigations are complete, said Neal Dingmann, an analyst with Wunderlich Securities. He added that how much BP ends up paying for the spill is also a moving target that could determine the final effect on both companies.

So far BP has spent about \$3.1 billion on spill-related costs, the company said earlier this week.

Anadarko's shares closed up 2 percent at \$45.41 Friday. BP, in U.S. trading, closed up 1 percent at \$34.05.

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GOOGLE: Awkward deal saves both sides face

CONTINUED FROM PAGE D1
to redirect mainland Google users to an unfiltered site in Hong Kong.

The company employed that strategy beginning in March as a means of getting around censorship rules it pledged to stop following at the outset of the year, after it uncovered sophisticated cyberattacks against it and other U.S. businesses that were traced to China.

But once officials indicated the license wouldn't be renewed, the company proposed an alternative approach, providing a link to the Hong Kong site on its Chinese home page rather than automatically redirecting users there.

The tactic appears to have done the trick.

On Friday, Google's China site offered access to products that don't require filtering, including music and translation. Meanwhile, it featured a link to the Hong Kong site, Google.com.hk, allowing Chinese users to click through to conduct searches in the less regulated special administrative region of the country.

It's one step easier than what anyone in China could have always done, which is type in the URL themselves.

The Great Firewall

But it was, and by most guesses will remain, challenging to access uncensored results in this manner.

Since Google began redirecting traffic, the government has reportedly been employing the so-called Great Firewall of China to block mainland access to subjects deemed sensitive, such as the Dalai Lama and Tiananmen Square protests.

The fact that the two parties reached any kind of settlement defied most predictions, as few saw the increasingly nationalistic Chinese government allowing a U.S. company to be perceived as flouting its

policies, said Haim Mendelson, a professor of electronic business at the Stanford Graduate School of Business.

In all likelihood, the parties engaged in back-channel discussions that guided them toward the awkward compromise that allows both to claim minor victories, he said.

Google can say it's holding firm to its pledge to not censor search results, even though the government will probably fulfill that task.

For its part, China can say it stood down Google, forcing it to stop redirecting users to the unfiltered site, even as it granted the company leeway to point them there.

The high-profile squabble between Google and government officials occurred as trade relations between the United States and China become increasingly fragile.

Had a company the size and stature of Google been booted from the nation, it would have inflamed those tensions.

"It would have been an indication that the Chinese government is not settling things that appeared to be in their best interests, and that's not good for businesses that do business

in China," Mendelson said.

Instead, the renewal of the license represents a step in the right direction, if only a small one, he said. For now, it's good news for Google, too.

Making inroads

The company only drew a little more than 1 percent of its total revenue from China last year, and the compromise may limit the reach of its core search engine.

But staying in the country enables Google to continue to make inroads into the largest Internet audience in the world, with an estimated 350 million online users, and one of the fastest growing mobile markets.

"It basically does keep their foot in the door in China," said Tim Bajarin, president of Creative Strategies. "But they have the right to refuse at any point, which just sets everything up for a future confrontation."

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PAR AVION: \$15 million and up is 'sweet spot'

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a debacle that occurs, there are opportunities for other people. Some of the people that we had been speaking with in years prior that had been contemplating the purchase of an aircraft but were hesitant to do so ... suddenly realized that in some cases aircraft could be acquired at 40 to 50 percent less than what they were selling for the year prior.

Q: How long do your transactions take, and about how many do you handle a year?

A: I just finished a transaction where a client approached and said, "I want to buy an airplane," and nine months later we consummated the deal primarily because they wanted to become completely comfortable with the direction of the market. So we spent several months basically just feeding them

information, educating them, getting them comfortable and identifying where there is a real opportunity within the marketplace. I think to do a great deal and a great service to any one client regardless of the size of the transactions, you're probably looking at seven to eight transactions, maybe seven to 10, and that's because some transactions are going to take a lot more investments of time and energy and others are going to go quickly, much more quickly. No matter how you cut it, each individual salesperson probably does about that many very well. When you start to get past 10, even one a month, in an aircraft jet brokerage business, then you're not doing something for somebody.

Q: What's the price range of the private jets you buy and sell?

A: The least expensive airplane to date that

we've been dealing with is probably about \$1 million. The most expensive would probably be pushing \$50 million at this particular point. Our sweet spot is probably \$15 million and up.

Q: You're one of the few women in the aircraft brokerage business. Why is that?

A: What are the traditional role models that women see in aviation or have seen? Flight attendant or administrative roles, and not necessarily the deal-maker role. While this is still in a way a growing industry, it's a little bit behind in the sociological development that other industries have already passed through. This business doesn't necessarily retain women who come with an education, come with a communication skill set that would help them further their career here. They either don't know about it or they

don't stay and they move on to other more traditional types of employment.

Q: Why have you stayed in the business?

A: I don't see myself as a 9-to-5er and probably never did — sitting behind a desk, working on a project that you relinquish. I really enjoy the one-on-one interface. I love people, so it was a great opportunity to meet a variety of people. There was a time that I really enjoyed travel, so hey, we're in the aviation business. You have to go places to get things done. And it's the complexity of the transaction that keeps me engaged. The more unique the transaction, the more I go, "Hmmm. I'd like to problem-solve that one." Aviation offers a certain sense of freedom that wasn't available anywhere else.

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