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OVERSEAS BULLETIN

Argentine trade restrictions put a damper on Chery's sales

(2011-03-14)

Chery Automobile, China's leading automobile exporter, has seen its worldwide sales seriously affected by Argentina's decision to restrict vehicle imports. Chery's Latin American factory, based in Uruguay, has had a large drop in sales due to the new policies.

Daniel Villamarín, spokesman for Chery's Latin American branch CherySocmo, said that while the Argentine and Uruguayan governments held talks on trade disputes in February, they had not been any successful outcome. He confirmed that CherySocmo had no way to get around Argentine policies.

Argentina and Uruguay are both members of South American trade community MERCOSUR, who stipulates that Argentina should allow Uruguayan automobile exports of up to 20,000 units. However, Argentina has yet to approve CherySocmo's request to export 6,100 vehicles.

From the beginning of this year, the Argentine government has put a series of import restriction policies that have affected trade relations with fellow MERCOSUR nations.

As Argentine transactions make up about 45 percent of CherySocmo's total sales volume, Mr. Villamarín said that he worried that continued implementation of the policy would seriously effect the company's production and profits.

CherySocmo's factories are supported by combined investment from China, Argentina and Uruguay of \$12 million. Soon after the site's completion in March 2008, Chery's Tiggo SUV made its debut in the Argentine market. According to statistics, CherySocmo's Argentine sales were valued over \$100 million, accounting for around 20 percent of Uruguay's total exports.

Japan's recent earthquake has varying effects on Sino-Japanese JVs

(2011-03-15)

Japan has seen its GDP drop around 8 percent as a result of last March 11's devastating earthquake. The automobile industry has been especially affected, with Japan's three largest manufacturers, Toyota, Honda and Nissan closing a total of 22 factories. The above manufacturers stated on March 15 that they would be temporarily halting all production within Japan, according to sources.

Toyota, which has a large supply base located across northern Japan, has seen its primarily American exports drop significantly due to the earthquake. "Toyota's car imports have been clearly affected, [the quake has also influenced] its Chinese automobile parts supply," said an unnamed FAW Toyota dealer.

Although Honda already produces a large number of cars in China via its joint ventures with Dongfeng Motor and GAC Group, its Chinese sales have also seen a large sales drop because of inability to supply a significant amount of imported auto parts from Japan.

Japan's third largest manufacturer Nissan has not seen any significant letdown in its Chinese operations, with Public Relations Supervisor of Zhengzhou Nissan Huo Jing saying that nearly 100 percent of the joint venture's vehicles are domestically produced.

China warns of potential steering problems of Ford's Windstar

(2011-03-17)

China's quality authority warned buyers on March 16 against a defect in Ford's Windstar minivans which may cause drivers to lose control of the vehicle.

Li Yuanping, a spokesperson for the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), said that Ford China submitted a report to the AQSIQ requesting the recall of the 1999 to 2003 models of its Windstar minivans.

The company said there are 260 minivans produced between April 16, 1998 and July 3, 2003 to be recalled in China's mainland.

If those vehicles were used in a highly corrosive environment, the brackets and mounts could separate from the subframe, and the steering system could become uncontrollable, said Li.

The AQSIQ urged owners to contact the company as soon as possible to inspect and repair their vehicles. The administration also required all Exit and Entry Inspection and Quarantine Bureaus to inspect other Ford automotive models for similar problems.

Chinese production of Subarus to wait

(2011-03-17)

Chinese production of Subaru vehicles will be put on a hold as the company tries to recover from last week's devastating earthquake, Subaru's parent company Fuji Heavy Industries (FHI) announced today. According to sources, FHI will be delaying its so-called 'new marketing strategy' originally set to be implemented next week for an undetermined amount of time.

Reports circulating among local Japanese media said that FHI's primary goal in wake of the earthquake, which caused many automakers to completely halt operation, is to revive production. The earthquake saw FHI closing five factories, with no set time table for their reopening. According to reports FHI's plans to begin Chinese Subaru production will also be delayed.

Rumors had been floating around of Subaru's partnership with Chery Automobiles, with the Chinese manufacturer confirming the news. FHI and Chery were to jointly invest 30 billion yen (\$368.9m) to construct a new facility in Dalian, Liaoning. The new plant would yield production capability of 50,000 vehicles after the first phase of construction was completed and 150,000 vehicles after final construction, allowing China to become second largest foreign producer of Subaru automobiles after the US.

AUTO EVENTS

Chery chooses Freescale for next-generation automotive engine control

(2011-03-14)

Freescale Semiconductor today announced it is providing advanced microcontroller (MCU) technology to Chery Automobile, one of China's largest automotive manufacturers, for the engine control unit (ECU) in future Chery vehicle models. Chery selected Freescale's Qorivva 32-bit MPC563x MCU family for its high performance, reliability and scalability.

"This is a key milestone in a successful relationship between Chery and Freescale, and we are excited to see our Qorivva MCUs helping power Chery's latest generation of vehicles"

Freescale and Chery have a history of collaboration and innovation. In April 2008, the two companies established a joint development lab in Wuhu, China. The lab is focused on the development of vehicle and battery management, powertrain, body and in-vehicle entertainment systems, as well as hybrid-electric vehicle/electric vehicle technology. In 2009, Chery developed the Chery Engine Management System (CEMS) based on Freescale's S12XE 16-bit MCUs. The Qorivva MCU family Chery selected for its latest ECU is built on 32-bit Power Architecture technology. The new Chery vehicle models using the higher-performance Qorivva 32-bit MCUs are expected to reach full production in 2012.

Chery is developing a higher level engine management system (EMS) covering the VVT / EGR / GDI and other advanced control technologies, which will make the EMS more complex and demand more powerful computing capacity from the MCU. Chery will use Freescale's Qorivva 32-bit MPC563x MCU to develop these systems as Chery believes that this MCU will be the core chip in automotive electronic controls.

"We believe Freescale Qorivva MCUs are an excellent choice for our new engine control unit," said Zhu Hang, assistant president and director of Chery's Engine Control Department and its independent R&D on the EMS project. "Because of its advanced and complex control functions, we expect the MPC563x family to be the main chip used in future Chery engine control systems. And our cooperation extends beyond engine control. The results of our work together on compressed natural gas, flex-fuel and gasoline direct injection technologies will also enter production in the near future."

"This is a key milestone in a successful relationship between Chery and Freescale, and we are excited to see our Qorivva MCUs helping power Chery's latest generation of vehicles," said Reza Kazerounian, senior vice president and general manager of Freescale's Microcontroller Solutions Group. "Chery is one of our key OEM partners in China and we plan to continue expanding our collaboration for the next generation of smarter, cleaner, safer automobiles."

China was the world's largest auto market in 2010 with 18 million vehicles sold and it is expected to set a new sales record for 2011, according to data from the China Association of Automobile Manufacturers. Chery and other Chinese automotive manufacturers are devoting extensive research and funding to alternative energy vehicle development and are increasing their electronics system design capabilities through R&D centers such as the one Chery shares with Freescale.

Brilliance Auto completes construction of A-class vehicle production base

(2011-03-15)

Brilliance China Automotive Holdings, one of the leading automotive manufacturers in China, has recently completed the construction of its new plant for Zhonghua A-class vehicles.

The new plant, covering an area of 380,000 square meters and involving an investment of \$390 million, is expected to produce 150,000 vehicles annually when in full operation, becoming one of the country's largest production bases for Chinese independent brand A-class vehicles.

The company plans to achieve annual sales goal of 1.5 million complete vehicles by 2015. According to Qi Yumin, chairman of Brilliance Auto, the plant is scheduled to introduce additional A-class models, including the A3 and A4, to further enrich its A-series production line. The automaker's original plant will be rebuilt to the production base for Brilliance's C-class vehicles.

Monaco's luxury car show gets its own Chinese edition

(2011-03-15)

In a matter of just a decade China has established itself as the world's largest car-buying market. And, just as other industries are finding, when the Chinese like to buy, they like to buy luxury.

Daimler AG - owners of Mercedes-Benz - recently announced it had shifted 15,000 units of that car in January alone, a rise of 90 percent from last year, while BMW moved more than 20,000, up more than 70 percent.

And it's a fair guess that those sorts of figures are why Top Marques Monaco - to be held from April 14 to 17 this year and an event which bills itself as "the only live supercar show in the world" - has decided upon the southern Chinese enclave of Macau to host its first Asian edition.

Top Marques Macau will now be hosted annually at The Venetian Macao resort, with the first edition set down for Nov 24-27.

According to organizers, the Monaco event presents "the greatest panorama of luxury and supercars under the same roof" and the Macau event will do pretty much the same.

Macau has long trumpeted itself as the "Monaco of the East" due both to its annual F3 Grand Prix, raced around a street circuit similar to the one used each year for Monaco's F1, and to the fact it is a city famed for its casinos and love of the high life.

And Top Marques Macau will follow a similar pattern to the Monaco edition too, featuring "supercars, prestige luxury car manufacturers and deluxe goods from other industries such as watches, bespoke jewels, yachts and rare wines." Everything, organizers say, "designed for the super affluent of the world."

In Monaco, visitors have the chance to test their skills on the F1 circuit which surrounds the event and in Macau there will be a 2.1 kilometer road around the event for invited guests to test drive some of the most luxurious cars available.

"As the Asian market continues to develop an appetite for supercars and luxury products, it was a natural decision for Top Marques to come to this region," explained Lawrie Lewis, founder and chairman of Top Marques, in a release announcing the event.

This year's will be the eighth edition of Top Marques Monaco and the event will boast six world premiere supercar launches.

Nissan aims to nurture Chinese designers

(2011-03-15)

Despite China's status as the world's largest auto market, Nissan Motor Co. said its new Beijing design studio doesn't want to just cater to Chinese consumers, but rather it hopes

to propel Chinese design on a global scale.

“Most people think we’re opening a Beijing design studio because we want to create China-specific cars that cater to Chinese consumer likes and wants,” Nissan design chief Shiro Nakamura said in an interview. “But we think we can tap China’s growing competitiveness in design to come up with something unique that can make a global impact.”

An opening ceremony had been scheduled for March 15 in Beijing, but the Japanese auto maker postponed the event amid the earthquake and tsunami devastation in the country’s northeast.

One of the studio’s tasks, Mr. Nakamura said, is to follow design trends within China.

But in most cases Nissan doesn’t want to create products specific to a region. “We want to create single design that works globally,” Mr. Nakamura said. The Yokohama, Japan-based auto maker wants the Beijing studio to compete with the company’s main studio near Yokohama, as well as those in London and San Diego, he said. While still new at the task, “Chinese-born designers are already showing a great aptitude in transportation design.”

China’s auto industry didn’t fully develop enough until the late 1990s, and many home-grown Chinese auto makers copied foreign design instead of nurturing designers of its own. That began changing when the country’s market started growing rapidly over the past decade, with many Chinese designers attending foreign design schools, some of whom are returning to their home country.

Mr. Nakamura said the new Beijing studio eventually will have a staff of about 20 employees, including designers, clay-model sculptors, and other support personnel. The studio is a “smallish one” for being a full design center and is capable of developing one full-size model each for a car’s exterior and interior design at any given time.

Nissan previously operated a small design outpost in Shanghai, mainly charged with monitoring design trends in China, but closed the office last year to open up resources for a studio in Beijing.

For the new studio, Mr. Nakamura said Nissan considered other cities besides Beijing, including Shanghai, Guangzhou and Shenzhen.

One reason Mr. Nakamura picked Beijing, he said, was because China’s capital has only a small number of design studios operated by global auto makers. Most global players have set up studios in Shanghai. In Beijing, Mr. Nakamura said, there is little competition for design talent, and Nissan could operate a studio in a “much calmer environment where designers could be more creative.”

At first, Mr. Nakamura said he wasn't interested in Beijing but came around to the idea after he spent more time in the city. In addition to being historically rich, it's a "very modern place" after the 2008 Olympics and has a viable art scene, making it a stimulating place for designers, he said.

Another key factor was the existence of two "thriving" transportation design schools at Tsinghua University and the Central Academy of Fine Arts in Beijing. That gives Nissan access to talent. "That was a big plus," Mr. Nakamura said.

Charging network for electric vehicles expanded in HK

(2011-03-16)

The charging network for electric vehicles (EVs) has been expanded to cover all 18 districts in Hong Kong, said Hong Kong's Financial Secretary at an EV publicity event on March 15.

"In collaboration with the power companies and the property development sector, we are glad to report that some 300 charging points are now available for public use around Hong Kong," said John C Tsang.

The network will support the increasing number of EVs expected to be introduced into the local market, including vehicles such as the "Nissan LEAF" EV which was unveiled at the event.

"This sends a strong message to our community that Hong Kong is preparing to become an EV-friendly city by establishing the essential infrastructural support in anticipation of the growth of our EV fleet. Together with incentives from the Pilot Green Transport Fund to be set up in this month, the adoption of EVs is expected to take a leap forward in the coming year," said Tsang.

The event also features the debut of the "Nissan LEAF" EV, a 5- seat electric saloon car with a maximum speed of 145 km/h and a driving range of over 160 km per full charge.

Lifan 320 to begin Russian production

(2011-03-16)

Lifan Auto has begun Russian production of its 320 compact today, sources reported on

March 16. The 320 was the final Lifan model still awaiting Russian production. As a result, Lifan's production capability is estimated to more than double from 14,000 to 32,000 vehicles.

Chongqing-based Lifan has been producing vehicles in Russia for several years. The manufacturer's most famous Russian-made models include the 520 and 620.

Incentives drive Great Wall Motor

(2011-03-17)

Great Wall Motor Co, China's largest maker of pickup trucks, said profit more than doubled last year as government incentives stoked demand for vehicles.

Net income rose to 2.7 billion yuan (\$411 million), or 0.99 yuan a share, from 1.02 billion, or 0.37 yuan, in 2009 according to a Hong Kong Stock Exchange filing on March 15 evening.

Sales gained 79 percent to 22.2 billion yuan. The company proposed a final dividend of 0.2 yuan a share.

Sales at Great Wall, the maker of the Hover H sport utility vehicle, were boosted last year by government subsidies and tax cuts in the world's largest auto market. The incentives helped China's vehicle sales climb 32 percent to a record 18.06 million, according to the China Association of Automobile Manufacturers.

"Sport utility vehicles have been selling very well, outperforming the market, and Great Wall has been able to enjoy good growth in other key products, such as pickup trucks and sedans," Alice Leung, Hong Kong-based deputy head of research at ICBC International Research Ltd, said prior to the statement.

The Baoding, Hebei province-based company said unit sales last year increased 73 percent to 363,482 vehicles.

Great Wall said this month that it plans to spend 3 billion yuan over the next five years to develop more than 30 new models, adding to its existing lineup of Voleex C30 cars and Wingle pickups.

The company sold 55,000 units overseas last year, according to its website.

General Manager Wang Fengying said on March 6 that government agencies should take the lead in buying more locally developed automobiles to boost consumer confidence in

domestic brands. She also called on the government to give financial support to auto exporters to offset a rising yuan that is making them less competitive.

Great Wall said it planned to sell 60,000 vehicles overseas last year. It will start a 4.2 billion yuan passenger-car plant in Tianjin that will raise production capacity by 300,000 vehicles by 2015.

Changan to complete acquisition of Jinan Qingqi Motorcycle

(2011-03-17)

Changan Automobile Group announced on March 16 that, if all goes smoothly, it will complete its purchase of controlling stock in the Jinan Qingqi Motorcycle Company, sources reported.

Changan is set to spend 305 million yuan (\$46.4m) to acquire the controlling share of Jinan Qingqi, one of China's largest motorcycle manufacturers. The move will mark the end of Jinan Qingqi's restructuring program of several years.

SAIC to recall MG TF Roadsters

(2011-03-18)

SAIC officially handed in a recall order to the General Administration of Quality Supervision for its MG branded TF Roadster, sources reported on March 18. The recall will begin immediately with 181 vehicles from November 2007 to March 2009 being targeted.

According to the order a portion of TFs experienced problems with the front-end rivets corroding, which in extreme circumstances could lead to the rivets coming undone, causing interference with normal steering. SAIC will provide free maintenance to address the issue for all recalled vehicles.

Earthquake likely to affect Japanese automakers in Wuhan

(2011-03-18)

Auto plants of two China-Japan joint ventures in Wuhan are still operating normally in the aftermath of Japan's severe earthquake and tsunami, but production will possibly be affected starting next month, according to reports from Dongfeng Nissan and Dongfeng Honda.

Japan is the largest trade partner of Wuhan, the capital city of Hubei province in central part of China. In 2010, the trade value between Wuhan and Japan reached 2.2 billion U.S. dollars. Because Japan is at the high end of the global industrial chain, the vehicle component and chip imports from Japan will temporarily be suspended, affecting the supply chain of some enterprises in Wuhan, according to the Wuhan Municipal Bureau of Commerce.

The Dongfeng Nissan Passenger Vehicle Company is a joint venture of China's Dongfeng Motor Company and the Japanese Nissan Motor Company. It has production bases in Xiangyang, Hubei Province and Huadu in Guangdong Province. Officials from the Dongfeng Nissan Passenger Vehicle Company said the future production of Dongfeng Nissan might be affected because several Nissan suppliers were badly damaged by the earthquake and power is in short supply in Japan.

Dongfeng Nissan has launched its contingency system to maintain regular communication with Nissan headquarters in Japan while paying close attention to the development of the whole situation. They have already taken some measures to minimize the impact of the earthquake.

Dongfeng Honda is a joint venture established by Dongfeng Motor Company and Honda Motor Corporation. Some of its components and parts are imported from Japan. As the inventory is sufficient, normal production operations and sales for March can be guaranteed. However, the situation in April is still uncertain.

NEW MODELS

BMW to unveil 5 Series plug-in hybrid: 2011 Shanghai Auto Show

(2011-03-15)

BMW plans to follow last year's launch of a long-wheelbase 5 Series in China with a new plug-in hybrid variant at the 2011 Shanghai Auto Show in April.

At the 2010 Beijing Auto Show, the German automaker introduced the stretched 535Li exclusively for the China market. The long-wheelbase 5 Series is being assembled at the BMW-Brilliance plant in Shenyang in Northern China.

The latest variant also will be produced in China, according to BMW boss Norbert Reithofer, who said, "This model will be our e-car from China for China — a long version of the BMW 5 Series as a plug-in hybrid."

BMW displayed its ActiveHybrid 5 prototype a year ago at the 2010 Geneva Auto Show, featuring an updated version of the hybrid gasoline-electric drivetrain that powers the ActiveHybrid 7. At the time, BMW said the system would bundle a straight-6 gasoline engine with a 40kW electric motor and an eight-speed automatic transmission. It offered no specific timetable for production.

Last year's 535Li in Beijing featured a wheelbase that had been stretched by 5.5 inches, with most of the additional room in the rear passenger compartment — a nod to owners who prefer to be chauffeur driven. Amenities included a new "high comfort" rear bench seat, plus such options as rear sun blinds, a folding table in the back of the front passenger seat, rear-seat entertainment and four-zone automatic climate control.

Reithofer this week said BMW is opening a second facility in Shenyang in 2012, and will assemble the X1 there for the China market. The new plant will boost BMW's annual production capacity in China to 150,000 units.

SGWM's new Baojun 630 to make its debut at Auto Shanghai 2011

(2011-03-18)

SAIC-GM-Wuling (SGWM) is to debut the Baojun 630, its first midsize, at this year's Shanghai Automobile Exhibition (Auto Shanghai 2011).

Company President Shen Yang said that he hopes to take advantage of the exhibition's international platform in order to help expand the SGWM brand's awareness. However, when asked specific questions about the 630, Mr. Shen only answered that the vehicle's price would meet the standards of an international family car.

In addition to SGWM, Guangqi Honda's S1 and several other joint venture vehicles will be making their debut at Auto Shanghai 2011. FAW Group, another Chinese manufacturer, announced that it will be introducing its new own brand at the show.

Buick's new SUV to make its debut at Auto Shanghai 2011

(2011-03-18)

GM's Buick will be showcasing a new SUV at the upcoming Shanghai Automobile Exhibition (Auto Shanghai 2011) to be held this April. Buick will be set to begin production of the SUV, which was originally reported to be based on the Saturn Vue, within two years.

The SUV will share a common platform with the Saturn Vue, Opel Antara and Chevrolet Captiva, sporting a wheelbase of over 2700mm and five seats.

The SUV will be powered by a 4-valve 2.4L or direct injection V6 3.0L engine, mated to either a five-speed manual or automatics in five- or six-speed settings. The SUV is most probably to make its way to the Chinese market.

RELATED INDUSTRIES

Kumho denies CCTV claims that its tires are unsafe

(2011-03-17)

Kumho Tires denied Chinese allegations that its tires are unsafe, sources reported on March 17. The report initially aired during a CCTV-produced special program for World Consumer Rights Day on March 15. The report alleged that Kumho Tires used synthetic rubber to attach substandard materials together, seriously affecting performance and presenting potential risk to overall safety.

An hour after the initial report aired, Kumho Tires announced a denial of the claims and sent an invitation to the Tianjin Quality and Technical Supervision Bureau to inspect its Chinese factory's production line. The Korean tire manufacturer said that it was inaccurate to rely on video footage to determine the quality of tires.

Kumho's spokesman reiterated the company's resolve, saying, "[Kumho] will comply with the requests of the Quality and Technical Supervision Bureau... we believe that before long [they will] give an answer that will satisfy our customers' demands."

Kumho currently provides tires for Great Wall Motor, Shanghai GM, FAW-VW, Beijing Hyundai and other domestically produced cars.

POLICIES

100b yuan boost to alternatives

(2011-03-14)

The central government will spend 100 billion yuan (\$14.87 billion) over the next decade to support development of new energy and energy-saving vehicles in China, according to Miao Wei, head of the Ministry of Industry and Information Technology.

The plan - which would make China a global leader in funding new energy vehicles - has been finalized and is likely to be unveiled in the first half of 2011 after approval from the State Council, Miao said.

According to sources, about 50 billion yuan will be used for research and development, with rest used to nurture the market, produce components and build new-energy infrastructure in pilot cities.

The plan was first proposed in the latter half of last year.

By 2020, China is expected to be the world's largest market for energy-saving vehicles - some 20 million electric, hybrid and other types of automobiles.

Planners aim to have more than 1 million hybrid passenger vehicles on the road in the next five years, up from the 500,000 units in the draft plan.

From 2016 to 2020, China will focus on increasing fuel efficiency to equal top international standards.

The country also aims to have three to five major new energy automakers with self-owned intellectual property rights and strong competitiveness in the global market.

Beijing to tighten vehicle emission standards

(2011-03-14)

Beijing will apply a stricter emission standard for the city's five million motor vehicles next

year to reduce automobile exhaust, the biggest source of air pollution in the Chinese capital, an environmental official said on March 12.

"Beijing will impose the national standard V for vehicle emission in 2012 ahead of schedule, which will be around the same time a similar standard is imposed in developed countries," said Zhang Lijun, vice-minister of environmental protection.

Zhang made the remarks at a press conference on the sidelines of the annual session of the National People's Congress, China's top legislature, but he did not mention the original schedule to apply the new standard.

The latest official comment on imposing the standard V came last September from Du Shaozhong, vice-director of Beijing's environmental protection bureau. He only said that Beijing would impose the standard V as soon as possible.

The number of motor vehicles on Beijing's roads more than quadrupled from 1 million in 1997 to 4.76 million at the end of 2010, leading to widespread congestion and hampering the city's environmental protection.

Research has shown that more than three quarters of total air pollution comes from vehicle carbon monoxide and hydrocarbon emissions in large cities including Beijing, Shanghai and Guangzhou.

Beijing municipal government raised vehicle emission standards four times from standard I in 1999 to Standard IV in 2008. With each raise, pollutant amount from a single vehicle dropped by 30 to 50 percent.

At the end of last year, in order to ease traffic congestion and improve the environment, the city decided to adopt a lottery system that limits new issued car license plates to 240,000 in 2011, about one third of the number registered in 2010.

In addition to imposing the emission standard V, the municipal government will strengthen dust suppression to improve the environment, said Zhang.

According to him, air quality in Beijing has improved relatively a lot in the last several years. In 2010, the number of days with air quality classified as excellent and good accounted for 78.4 percent of the whole year, an increase of 14.3 percent from 2005.

Zhang acknowledged that China currently uses an air-quality index that better fits developing countries but is less strict than the indexes used by developed countries.

He also said the government is drawing up a program to make sure Beijing and its surrounding regions work in concerted efforts to combat air pollution.

"We will implement the program stringently in the next five years. I believe that air quality in Beijing will improve significantly with the implementation (of the program)," he said.

Vehicle budget 'on road to more transparency' in Beijing

(2011-03-17)

The capital's municipal government will spend about 40 million yuan (\$6.1 million) on new official vehicles this year.

In addition, the municipal government's departments will use about 58 million yuan of public money this year on business trips, conferences and domestic or overseas training.

All 58 local government departments and their affiliated units in Beijing had been required by the city to reveal their budget plans for this year ahead of March 10, the city's finance department had said earlier.

As of March 15, 57 departments - with the public security bureau the only exception because of national security concerns - had released their budget plans.

The departments' revelations were more transparent than those of last year because they were required for the first time to release details about expenditures in the budgets. But only some of the departments reported their budgets in full detail, according to sources.

An analysis conducted by the paper showed that 22 departments, including the city's education commission, construction commission and its health bureau, made it clear that they will spend more than 40 million yuan on renewing or purchasing official vehicles this year.

The vehicles will include passenger cars, pickup trucks and other vehicles for official use.

However, the budget plans did not provide details about the expected expenditure on fuel and maintenance. The number of official vehicles used by the departments was also not published.

A total of 24 departments, including the education commission and the work safety bureau, planned to spend more than 58 million yuan on conferences, training and overseas business trips.

"These departments have taken the lead in revealing their budgets in detail," said Zhu Lijia, a professor with the Chinese Academy of Governance.

"The other departments should follow suit and not try to hide the detailed expenditures because complete transparency is expected from them by the public."

In January, the municipal government of Beijing ordered that any of its departments should not increase their expenditure on official vehicles, official receptions and overseas business trips this year from the level a year ago.

Earlier this month, Chinese Premier Wen Jiabao also asked in his government work report for central government departments to avoid any increase in such expenditures in a bid to save public funds and prevent possible corruption.

ANALYSIS

Volkswagen's old platforms adapt to new realities

(2011-03-14)

Volkswagen has an enviable position in China's modern automotive history - it was the first global brand to enter the country and it did so when other automakers considered that a risky move.

Soon after setting up its first joint venture in Shanghai in 1985, followed by a second with Changchun-based FAW in 1991, Volkswagen became a top seller.

In the late 1970s, China identified the automotive industry as the potential engine for economic growth and opened up investment opportunities to attract global automotive powerhouses.

Most of them, including GM, Ford, Toyota, Nissan and PSA, showed little interest as they saw more risks than rewards in doing business in China.

It was Volkswagen that took the chance and drove into vast but undeveloped market.

Today it remains an important player in what became the world's biggest car market. But it is no longer the dominant leader.

Older generations Chinese grew up with the VW Santana and Jetta and came to think of them prototypes for what a saloon car should be.

That might explain why Chinese tend to prefer sedans to hatchbacks, wagons, MPVs and SUVs, which have become popular only recently.

For them, the Volkswagen brand was synonymous with quality and advanced technology. No other car brand in China earned as high customer loyalty.

Top seller status

The German carmaker had more than 90 percent of the car market in the 1990s.

With the two joint ventures with the highest capacity, the largest number of dealerships

and the widest range of models covering almost every segment, Volkswagen had a monopoly over the Chinese market for some three decades.

It found little challenge to its top-seller status. In one of his interviews, retired former CEO of the VW Group, Bernd Pischetsrieder, said: "Yes, we have been number one in China, and we will always be the number one if we want."

Yet competition has become increasingly fierce and Volkswagen saw its share shrink to 12.7 percent in 2010 after losing 2 percent to its rivals over the previous three years.

Facing that competition in the fast growing market, Volkswagen is now on the defensive, relying on aging models in a market that is increasingly mature and selective.

The carmaker's product mix shows the underlying cause of the decline: Aging products such as the Jetta, Santana, Passat and Polo that have been in the market for more than nine years and Lavida and New Bora models developed and redesigned on old platforms.

VW does have all-new models - the Golf, Sagitar, Tiguan, Magotan and CC - but it was the old-platform models that contributed the most to Volkswagen's China sales in 2010.

Only 23 percent of its sales were new models, so it would seem to make sense for Volkswagen to keep their aging fleet on the market.

Many a facelift of the Jetta or the Passat variant Santana have been launched in the past 20 years. The two models still make it onto the best-sellers list.

The coexistence of multiple-generations - such as the Jetta along with its variants Bora and Sagitar - is a popular strategy in the market today.

The approach could also be the result of a lesson Volkswagen learned early last decade - that "excess technology" can actually hamper sales.

When the Polo was launched by Shanghai VW in 2002 with state-of-the-art product features and manufacturing technologies, sales were sluggish due to the higher price.

FAW-VW's Magotan had a similar story. That was enough to convince the German carmaker that the market does not necessarily want newer platforms or stronger engines but the best fit for the local taste.

Hence VW has focused its product strategy on more utilization of mature platforms.

Volkswagen is realistic when it comes to sales, but that comes at the expense of competitiveness.

New offers from rivals

Longer intervals between two generations do not help when its rivals are wasting no time narrowing the generation gap and offering the latest in automotive technology.

GM has produced the new Buick Regal, Lacrosse, Excelle XT/GT and Chevrolet Cruze on the latest global platforms with state-of-the-art engines.

Hyundai and Kia both introduced a number of contemporary models in China at the same time as it did in other markets.

Even PSA Peugeot Citroen, often criticized for not bringing in new offers to China, added the latest C5 and 508 to its local product mix. No wonder they keep eating into Volkswagen's shares.

However, it appears that VW is not going to change its strategy.

Despite a facelift at the end of 2010, plans to revamp both the Jetta and Santana and a new local brand to be built at a future plant in Guangdong province, Volkswagen will be encouraged to continue focusing on old platforms and aging designs - making models that bring high sales volumes.

BYD upbeat over 2011 after dismal 4th quarter

(2011-03-15)

BYD Co Ltd, a Chinese carmaker backed by US billionaire investor Warren Buffett, expects its auto sales to rise up to 15 percent in 2011, in line with the market.

On March 13, the company reported a worse-than-expected 94 percent drop in fourth-quarter earnings, sending its stock down as much as about 10 percent on March 14 morning, its lowest in about two weeks. The stock was down 4.4 percent at lunch break.

"China's auto market is facing challenges this year, such as the fading out of subsidies for buying cars and the Beijing (local) government's measures last December to tackle congestion," Wang Chuanfu, BYD's president, said at a media conference on March 14.

"It will be difficult for the market to maintain the growth like last year. It can only grow about 10 to 15 percent," he said, adding BYD's sales growth will be in line with the market.

Auto sales in China surged by a third to a record high in 2010, partly fuelled by favorable government policies.

But Shenzhen-based BYD, hit by a contraction in gross margins, reported a profit of 90.9 million yuan (\$13.8 million) for the final quarter of 2010, only a tenth of what analysts had expected.

The company's 2010 auto sales rose about 10 percent to more than 500,000 units, but BYD missed its 600,000 target, which was already lowered from 800,000.

In January, BYD's sales fell by 15 percent. In February, BYD's sales dropped 22 percent. The company responded by cutting prices by up to 19 percent.

Analysts said increased selling expenses and a drop in average selling price squeezed BYD's profit margin last year.

"We believe that there will likely be further downside earnings revisions by the Street after the analyst meeting in the morning," said Johnny Wong, an analyst at Yuanta Research.

BYD, which also makes rechargeable batteries and cell phone components, is 10 percent owned by Warren Buffett's Berkshire Hathaway Inc.

Shares of BYD were more than three-fifths off their record of HK\$88.4 (\$11.34) hit in October 2009, triggering speculations on Buffett's investment in the company.

"Buffett visited us last year, and we don't know how he thinks about us now," Wang said. He said BYD's gearing was relatively high at 60 percent at the end of last year. The company was applying for the issue of the Chinese mainland listed A shares and exploring other new financing channels, he added.

Japanese automakers: China operations unaffected

(2011-03-15)

The operation of Japanese automakers in China won't be affected in the short term even as their domestic production is halted in the aftermath of March 11's severe earthquake and tsunami, automakers said on March 14.

However, the long-term impact is still under assessment, they said.

"Our production in China will continue as usual in the short-term as our locally produced models have a high localization rate, because most of the parts are sourced from domestic suppliers," said Niu Yu, a spokesperson for Toyota China.

He told China Daily that Toyota, and its supply chain companies in Japan, have shut down production with the primary consideration being to allow employees to check on the safety of their families. The damage to the facilities is still being assessed, he said.

"The long-term impact on our production in China depends on the results of the assessment made by our headquarters in Japan in the coming days," said Niu.

Shen Li, a spokeswoman for Nissan China, gave a similar response.

"Currently, the production halt in Japan will have no affect to our output of Nissan-branded models in China, as most of our parts are locally produced," said Shen.

Moreover, "we have enough inventory of Japan-imported parts in our warehousing center in Shanghai. The supply of parts won't slow down our local productions."

She also said that the company's premium and imported car brand Infiniti may face challenges, but "the future impact is still under evaluation at the headquarters".

Another Japanese automaker Honda said in its statement emailed to China Daily that the shutdown of its factories in Japan won't affect production in its two Chinese joint ventures until this weekend at the earliest. Local manufacturing of motorcycles won't be affected until the end of the month.

The company said that the disaster in Japan won't have an impact on its premium brand Acura, as the majority of cars and parts are imported from the United States and Canada, except the RL car model.

However, Lin Huaibin, manager of China Vehicle Sales Forecasts at the consultancy IHS Automotive, is not that optimistic.

"The earthquake will have a direct impact on car production in China as a large proportion of automatic transmissions are still being imported from Japan to supply not only Japanese original equipment manufacturers (OEMs) but also OEMs such as Volkswagen, General Motors and several Chinese automakers," said Lin.

"Japanese OEMs such as Toyota, Nissan and Honda also import core engine components from Japan for vehicles such as the Accord, Camry and Teana," he said.

"It is difficult to fathom the ramifications at this stage as we do not know to what extent engine and transmission production will be affected in Japan although we think the production here in China might have to slow down a bit as a result of the earthquake," he told China Daily.

According to a report released by Guosen Securities on March 14, in 2010, China

imported 254,000 vehicle units from Japan, accounting for 31.3 percent of the total automobile segment, and with a value of \$7.6 billion.

The import of auto parts from Japan reached \$10.9 billion in 2010, about 39.9 percent of China's total auto parts import.

The report said that the production halt in Japan might hit imported Japanese cars in China in the short-term, especially in price.

However, it will have a limited impact on their local production in Chinese joint ventures as Japanese auto makers have established a mature supply system in China.

Beijing vehicle purchase restrictions won't significantly harm auto industry

(2011-03-15)

At March 14's National People's Congress, GAC General Manager Zeng Qinghong said he felt that while Beijing's recent vehicle purchase restrictions won't significantly impact growth in China's automobile industry, implementation of similar policies throughout the country would be a large problem for the industry, sources reported.

Mr. Zeng added that although Beijing is very important to the market, automobile manufacturers were still able to grow due to increasing sales nationwide in second and third tier cities. "The automobile industry is one of the key economic drivers behind the country, as long as the GDP increases, [it] will also increase," Mr. Zeng stated.

On the subject of how to resolve traffic congestion, Mr. Zeng advocated expanding the scope of public transportation. He negated fears that greater public transportation may harm the industry, saying that instead it would contribute to higher automobile sales. He elaborated by saying that "normally when going outside one can take the subway, but when travelling to a further place or going out on the weekend one can take their own car."

Earthquake dents Japan's chances in China's luxury car market

(2011-03-15)

Japan's car makers, already reeling from the country's natural disaster, may find that their woes extend to an increasingly important market: China's luxury car segment.

Toyota Motor, Honda Motor and Nissan Motor see China's wealthy consumers as a great

opportunity for their top-end brands. Nissan, for one, doubled sales of its Infiniti cars to nearly 11,000 units in 2010 and aims to double sales again this year, according to analysts.

Such goals could now prove impossible to meet.

Unlike other foreign car makers, the top Japanese manufacturers export their luxury cars to China rather than producing them locally. With Toyota, Honda and Nissan having shut all of plants in Japan after the earthquake and tsunami, exports to China will suffer.

“The Japanese are already way behind the German brands. The earthquake will hurt their luxury brands further as they don’t make them here in China,” said Klaus Paur, managing director of Greater China at Synovate Motoresearch.

China, already the world’s biggest car market, boasts one of the fastest growing luxury car segments. Automakers sold roughly 500,000 thousand high-end cars in China last year and the size could be easily double in the next five years, according to some estimates.

Lagging in luxury

For companies such as Toyota and its high-end Lexus brand, selling to China’s newly rich, who are fueling demand for luxury items from Gucci handbags to Rolls-Royces, is a top priority.

“Lexus has been the best-selling luxury brand in the United States for years,” said Yale Zhang, managing director of Automotive Foresight (Shanghai), an industry consultancy.

“Gaining market share in China is very important for Lexus as it could be its second largest market in 5 years.”

But Japanese car makers have lagged their German competitors.

The world’s high-end car makers, from Audi AG to Bayerische Motoren Werke AG , have racked up strong sales in China. Daimler AG’s Mercedes-Benz sold 147,670 units in China last year, outpacing the 70 percent growth of the premier car segment.

Sales of BMWs came to 168,998 cars in 2010, exceeding the company’s own target. Audi sold 227,928 units, up 43 percent from a year earlier.

By contrast, Toyota sold roughly 48,000 Lexus cars in China, a fifth of industry champion Audi, and Honda sold a mere 4,000 units of the Acura, its topline model, according to estimates.

Made in Japan

Toyota, Honda and Nissan produce their mass-market models, including the Camry, Accord and Teana, in China. Production of those vehicles will be largely unaffected by the disaster unfolding in Japan, said analysts.

All three companies have a massive supplier base in China which provides at least 80 to 90 percent of auto parts locally.

“There are hundreds of parts in a single vehicle. Some auto makers may also get parts from Japanese suppliers in China, but they could be easily replaced as there are so many alternative out there,” said Cao He, a veteran analyst with Minzu Securities.

But their strategy of keeping production of premier models in Japan has forced them to charge higher prices and has helped keep their market share low.

“There has been talk about Toyota localising Lexus production in China for years,” said Zhang. “I am sure Toyota will make up its minds someday, it’s just a question of when.”

Until then, they’ll face stiff competition from the German automakers, which make select topline models in China assembly plants. Audi A6, made at its venture with Chinese state automaker FAW Group, has long been the favorite car of senior Chinese state leaders.

According to Goldman Sachs, the profit impact of stopping car production in Japan for one day would be about ¥6 billion yen (222.83 million yuan) for Toyota and ¥2 billion for Honda and Nissan.