

# China: the promised land for a lagging motor industry



Selling the dream: Chinese carmaker Chery offering an idyllic lifestyle with its Riich M1 car. Photos: AP Photo, Getty Images

**MOTORS FEATURE:** As the world's only growing major car market, China is the destination of choice for launching new models, writes **CLIFFORD COONAN** from the Shanghai motor show

THE SCENE at the Shanghai Auto Show gives you a taste of what it must have been like at the dawn of the US car industry's remarkable rise to power in Detroit in the 1950s.

Slap bang in the middle of the world's new number one car market, Porsche is unveiling a new four-door luxury coupe, one of 13 new models rolled out for a hungry audience of wannabe consumers.

Lamborghinis, Jaguars, Rolls Royces abound, while local upstarts like Chery and Brilliance and Dongfeng are increasingly holding their heads high in the company of some of the world's biggest and most established names.

The days when this car show in China's financial capital was a footnote in the industry's list of exhibitions are officially over. Today China is the only growing major car market, reflecting an economy showing tentative signs of recovery that are still a distant dream in the rest of the world. The recovery may yet turn out to be a mirage, but if you're selling cars this year, you want to start brushing up on your Mandarin Chinese.

The Detroit parallels are strong as the whole city has gone car-crazy. With their ears still buzzing from the weekend's Grand Prix, Shanghaiese were able to read thick, full-colour sections in their daily papers this week about the show.

It seems every fashion model in China is working at the Shanghai car show – nearly all the stands feature a skimpily dressed young woman draped over the latest new marque, or a young man and woman in evening dress selling the upwardly mobile lifestyle to a country which only began to open up to the world 30 years ago. After the show ends for the day, the models later form what must be the best-looking taxi queue in the world.

Even without the eye candy, China's car market is red hot – the country has just overtaken the US as the world's largest car market. There are more than 1,500 manufacturers here and you'd almost forget there was a global financial crisis when you see the crowds gathered around the prototype Geely GT, China's very own super-

car and as potent a symbol as you'll get of China's arrival among the auto industry players.

This domestic hero has been transformed into the kind of high-performance vehicle that will get pulses racing overseas, because it is sure to retail for considerably less than any other cars in its class.

The old guard in the business is playing along. Rolls-Royce has revived the "Ghost" name for the RR4 – or the "baby Rolls" – and is christening the new 6.6-litre vehicle at Shanghai.

Germany has been nurturing China for many years now, and its cars are a major hit among the increasingly wealthy set in a country where a BMW is called "bao ma", or "treasure horse".

The "treasure horse" brand is officially launching the BMW X5 M, test driven by Ben Oliver in Motors earlier this month (Wednesday, April 8th).

This growing purchasing power is why Mercedes chose Shanghai to launch its S400 Hybrid, which combines a petrol engine with a lithium-ion battery. It also unwrapped its remodelled Mercedes-Benz S65 AMG sedan, sales of which nearly tripled in China last year, and they have become a familiar sight on the country's roads.

The facelifted Audi Q7 made its global debut at the show, exposing a redesigned grille and bumpers. Parent company VW's profile at the show is high, with over 3,000sq m of floor space and liberal use of the company's brand claim to be "Das Auto". The Passat is the core of Volkswagen's success in China and the group debuted the locally produced Passat New Lingyu at the show. The group also introduced China to the new Golf.

Manufacturers of the derivatives trader's car of choice, Porsche, chose Shanghai to unveil the four-door Panamera, the German luxury carmaker's first foray into the sedan class and only the second time it has ventured away from its trademark sports cars.

Porsche's order books in China are in good shape and the company decided to launch the Panamera as a sign of just how important China has become to its business, and the region generally – sales in Asia doubled to 7,600 vehicles last year.

The company will introduce the car in China in January and plans to sell 2,000 by July. A turbo version of the Panamera will sell for a cool €280,000 here.

The super-wealthy who prefer to be driven will have been pleased by the first teasing glimpse of Jaguar's all-new XJ model. It was only a few seconds of film and a photo taken from above, but the picture promises a totally new design.

Government incentives, including tax cuts on fuel-efficient cars and incentives for people in the countryside to buy new cars, are driving growth in the auto market.

When you talk to Chinese consumers, they tend to sniff at domestic brands, and say they would rather buy a foreign car and complain about quality. But the car companies have been aggressively buying technology from the west, as seen in the way Rover was divided up between Nanjing Auto and Shanghai Auto a couple of years ago, and the cars are beginning to look the part, with performance to match.

The Chinese are starting to build on this technology transfer. Chongqing Changan Auto, a Chinese partner with Ford, is investing 20 billion yuan (€2.26 billion) by 2012 to build an engine development and manufacturing base.

Car sales hit a record of 1.11 million vehicles last month, outstripping the US for the third month in a row and up 5 per cent from a year ago.

General Motors, the biggest overseas carmaker in China, is almost certain to build a new factory in China to cope with surging demand. GM raised sales in there by 38 per cent last month as government stimulus measures gave a big boost to demand for its mini-vans. Although it is teetering on the brink of bankruptcy at home, GM is aiming to double its sales in China over the next five years.

Green issues are a major theme, with plenty of hybrids and electric cars on show, and there is a lot of buzz in Shanghai about the Chinese battery firm turned carmaker BYD, which has introduced China's first homegrown plug-in hybrid vehicle for the retail market, with a cash injection from investor Warren Buffet.

The vehicle can run up to 100km (62 miles) on its electric engine, and when it runs low on power it shifts to a back-up gasoline engine. Its battery can fully charge in nine hours from a regular electrical outlet, or within an hour at BYD's own charging stations.

"We're focusing on new energy vehicles, and we are looking to foreign markets, such as the Middle East and Russia, as well as developing markets in Russia," said company spokesperson Jasmine Huang.

"We're not yet in Europe and the US, but we are checking the regulations and within two years we hope to be there. Compared to western countries, China is doing very well," she said.

Shanghai Auto is debuting a pure electric version of the Roewe 750 at the show, as well as a hybrid based on the Roewe 750 platform, which company chairman Chen Hong says will make fuel savings of 20 per cent and go on sale in late 2010.

Nissan and Renault recently signed a partnership agreement with the Chinese government to introduce electric cars into China in early 2011.

Chery, Geely, Brilliance, BYD, Shanghai Auto . . . these are not familiar names to Irish car buyers, but you sense they soon will be, given how aggressively the Chinese brands are marketing themselves. The Zhejiang-based Geely group is introducing over 20 new cars, mostly under three newly launched brands. As well as vans, hatchbacks and SUVs, this range of new cars includes a limousine they are marketing as the Chinese Rolls-Royce.

Chery is also taking the multi-brand route, rolling out 32 new cars under four marques at the show – Karry mini-style cars, Chery for general class passenger vehicles, Riich for luxury class sedans and Rely for MPVs. And they also had four new energy cars, including pure electric cars and hybrids, on display.

China isn't about bicycles any more. Anyone in Detroit will tell you that.