Sector briefing

Automotive opportunities in China

Why China?

China has rapidly become the largest car market in the world.

Chinese auto sales rose 35.97 percent year on year to 13.14 million units in the first nine months of 2010, holding onto its unrivalled number one position in the world, according to data published by the China Association of Automobile Manufacturers.

Senior representatives from across the industry envisage the domestic market size reaching 30 million units by 2020. Plans are to invest over $14.7 billion to leap frog the world in the new energy vehicles market.

In transforming the automotive business model for the entire global automotive industry, China’s ambitions are to grow on three strategic fronts: independent brands, new energy vehicles and internationalisation.

Find general information on Chinese market conditions on UKTI’s website. The Doing Business Guide for China gives an overview of China’s economy, business culture, potential opportunities and an introduction to other relevant issues.

“China’s Plan: No. 1 in the World in New Energy Vehicle Market by 2020”
Opportunities

China has significant challenges to overcome to commercialise new energy vehicles offering a wealth of opportunities for UK companies including:

- Development of alternative fuels such as clean diesel and bio fuels
- Battery technologies: NiMH high power lithium batteries
- Battery development methods, manufacturing technique, cell packaging, management system, quality control, design philosophy and product performance analytical software
- Electric motor core control technologies, power management systems, vehicle control theory platforms and intelligent vehicle control systems
- Control systems technologies, integration and components
- Specialized electric motor manufacturing and technology
- Development of auxiliary electrical systems such as DC/AC converters, electric air conditioning, power steering and cooling pump systems
- Engineering design

Characteristics of market

Despite the government opening it’s doors to foreign vehicle manufacturers since the 1980’s, through Sino-foreign joint ventures, and domestic companies rapid progress through learning from their foreign partners, Chinese firms are still developing their skills, technologies and know-how in order to establish their own independent automotive capabilities and brands.

The fast and extensive growth of domestic companies and JVs across China has created a fragmented and scattered industry with over 130 manufacturers and fierce competition at the low end. The fragmentation of the industry has led to difficulties in the management of critical assets as well as allocation of resources to critical brands and technologies.

In order to address this, the Ministry of Industry and Information Technology (MIIT), responsible for developing and implementing policies and guidelines is preparing new M&A guidelines for consolidation of China’s automotive industry to create strong brands across different regions and overseas. The expectation is that the number of automakers responsible for 90% of output will be reduced from 14 to 10 by 2011. The new guidelines are expected to be published at the end of 2010 calling upon specific auto firms to produce between 1.5 million and over 3 million units annually.

China’s auto and auto parts market are highly open. China ended auto tariff-quota administrative system in 2005 and started to implement auto brand administrative measures to regulate the market since then.

In China’s 12th Five-Year Plan (2011-2015) which is still being drafted and will be announced next March upon approval from National People’s congress) new energy vehicles are a top priority. According to the draft plan, the central government will invest 100 billion Yuan ($15 billion) in R&D to promote clean energy cars in the next 10 years. Twenty five cities in China have signed up to promote the use of electric vehicles in a pilot programme. From 2011 to 2015, the central government will invest 5 billion Yuan into infrastructure construction and local pilot cities to provide additional financial support for infrastructure, R&D and promotion.

In the plan, “Energy-Saving and New Energy Vehicle (NEV) Industry Development 2011-2020”—under the guidance of MIIT, the industrialisation of pure electric vehicles and hybrid vehicles will form the strategic direction based on pilot programmes. Mass industrialisation of hybrids with stop start systems are likely to be the standard feature for passenger vehicles, followed by medium and full hybrid passenger vehicles.

The development target for sales of new energy vehicles (including EV, PHEV and hybrid) is 15 million, making China No.1 in the world by 2020.
Key targets in the first step of the plan by 2015 include:

- Commercialisation of pure electric and plug-in hybrid vehicles
- Improved vehicle fuel economy (to reach 5.9L per 100 kilometres)
- Localisation of key materials and production of power batteries
- Power battery’s energy density to reach 120WH/kg
- Three to five supplier groups of key parts and passenger vehicles should reach over 3 million units annually
- Industry re-structuring with 3-5 leading new energy vehicle manufacturers and 2-3 major self innovative and globally competitive power battery and electric motor makers

The plan calls for stricter requirements for new Sino-foreign JV’s of key parts and components for NEVs such as batteries, electric motors and whole vehicle control systems. The goal is for the Chinese industry to become independent in terms of intellectual property and self-development and Chinese shares of JVs not to be less than 51 per cent.

The government has formed an EV Alliance – China’s State-owned Assets Supervision and Administration Commission (SASAC) made up of 16 large state-owned enterprises to pool resources and to co-ordinate efforts to speed up China’s ambition to industrialise and commercialise NEVs. One of the major challenges facing the Alliance is developing common technical platforms and sharing technologies between the vast pool of OEMs. China does not want to fall behind competing nations in the global race of next generation automotive super power.

Summary of predicted key trends affecting the industry in the next 5-10 years are:

- Automotive industry consolidation-mergers and acquisitions
- Overcapacity expansion in the industry. The increase capacity in 2009 was 13.95 million units, predicted to rise to 31.24 million by 2015
- Demand for car ownership will come from tier 2 and tier 3 cities and rural areas and will be the main driving force for sales growth
- Independent brand development and long-term investment from foreign brands
- Vehicles emission impact on air quality and reduction of carbon emissions

If you have any questions on the opportunities above, contact the UKTI contacts named in this report. Business opportunities aimed specifically at UK companies are added daily to UKTI’s website. These leads are sourced by our staff overseas in British Embassies, High Commissions and Consulates, across all sectors and in over 100 markets.

You can be alerted to business opportunities on a regular basis by registering on the UKTI website. Find out more on UKTI’s business opportunities service on the UKTI website.
Major events and activities

**Auto Shanghai 2011, the 14 Shanghai International Automobile Industry Exhibition.**
Date: 21 - 28 April 2011  
Venue: Shanghai New International Exhibition Centre, Shanghai  
Organiser: China Association of Automobile Manufactures  
Website: [http://www.autoshanghai.org](http://www.autoshanghai.org)

**Auto Maintenance & Repair**
Date: 16 - 19 March 2011  
Venue: New China International Exhibition Centre, Beijing,  
Organiser: Beijing Trade-Link International Exhibition Company  

**China Chongqing International Auto Industry Fair 2011**
Date: 10 - 14 June 2011  
Venue: Chongqing International Convention and Exhibition Centre, Chongqing  
Organiser: CCPIT Automotive Sub-Council  
Website: [http://www.autochongqing.com](http://www.autochongqing.com)

Find full details of all events in this country and sector on the UKTI website. New export events are added daily to the site and you can register to be alerted to them on a daily, weekly or monthly basis.

UKTI’s Tradeshow Access Programme (TAP) provides grant support for eligible Small & Medium Sized Enterprises (SME’s) to attend trade shows overseas. Find out more about [UKTI support](http://www.uktradeinvest.gov.uk) for attendance at overseas events.

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Next steps -
How UKTI can help

British companies wishing to develop their business in the China market are advised to undertake as much market research and planning as possible in the UK. UKTI’s team in China with its wide local knowledge and experience, can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:
- Provision of market information
- Validated lists of agents/distributors
- Key market players or potential customers in the Chinese market
- Establishment of interest of such contacts in working with you
- Arranging appointments
- Organise seminars or other events for you to meet contacts and promote your company in the Chinese market

This work is available via our Overseas Market Introduction Service (OMIS), a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work, or accessing other UKTI services and specialist advice, please visit the UKTI website to find contact details for your local UKTI office.