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April 2017 www.chinaautoreview.com Vol. 12 No. 4

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Audi CEO Stadler opens up about two-parter strategy and state of operations in China

– by Qiche Toutiao

At its Annual Press Conference held in Ingolstadt, Germany on March 15, Audi CEO Rupert Stadler reiterated its two-parter strategy in China – the existing partnership with FAW Group and pending tie-up with SAIC Motor. Stadler and Dietmar Voggenreiter, board member for sales and marketing, spoke to the Chinese media in a tense post-conference interview about the two-partner strategy, state of Audi's operations in China and its stance toward dealers.

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The "return" of Yang Rong with Hybrid Kinetic Group: Can he achieve his former brilliance?

– by Melanie Xing

Another day, another ambitious automobile startup shows up.

This time, it is Hybrid Kinetic Group and its H600 eco-sustainable electric drive concept vehicle, which was unveiled at Italian design house Pininfarina's stand at this year's Geneva Motor Show on March 7. Two weeks earlier on February 23, HKG and Pininfarina signed an agreement worth €65 million for the design and development of an EV with duration of 46 months.

The H600 is a range-extended EV powered by HKG's super battery system and a micro turbine power generator as range extender. It will make its Asian debut at April's Auto Shanghai 2017 along with two other new energy SUV concepts.

More interestingly perhaps, is the man behind HKG and the H600 – Yang Rong.

Yang's comeback

Yang (who also goes by the name of Benjamin Yeung) is an exiled Chinese tycoon, who is a well-known, highly successful automotive industrialist with over 18 years of experience in the auto industry and was previously the chairman and CEO of Brilliance China Automotive Holdings Ltd., which he founded as the first Chinese government-owned company listed on the New York Stock Exchange in 1992. He is also former chairman and president of Shenyang Jinbei Passenger Vehicle Manufacturing Co., Ltd. and chairman of Shanghai Shenhua Holdings Co., Ltd.

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Wey to LYNK

– by Mark Andrews

LYNK&CO

Great Wall took the motoring world largely by surprise when it unveiled the Wey brand at the Guangzhou Auto Show in November 2016. The story only really broke just before the show. Geely on the other hand chose Berlin to launch LYNK & CO a month earlier but by that time bar the name much of the story was already out. Boiled down both are attempts by two of the most successful Chinese car manufacturers to produce more upmarket models but what are their prospects and how do they differ?

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Will BYD lead the way in realizing Chinese automakers' American dream?

– by Melanie Xing

Seven years ago, backed by Warren Buffett's Berkshire Hathaway, BYD made its first appearance at the Detroit Auto Show. In 2014, it once again set up its own display at the Detroit Auto Show to make a big push to try and establish itself in the U.S. Though it had announced its intention to sell EVs there in the next

BYD booth at Detroit Auto Show in 2010

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is now at the hands of PSA chief executive Carlos Tavares, who came over from Nissan in 2014 to steer a PSA ship that almost sank at the time but survived thanks to a state-backed bailout and rescue from Chinese partner Dongfeng Motor, who injected €800 million into PSA that year for a 14-percent stake.

That means the deal has quite a lot of ramifications for both PSA and GM in China. Could PSA bring Opel, which exited China in 2015, back into the country through its existing joint venture with Dongfeng? Can GM sustain its future product pipeline in China for the Buick brand, which has depended on Opel's R&D prowess in the past?

The answer to the first question is yes, theoretically. PSA revealed in a analyst conference call after the deal announcement that it would be free to use the Opel brand globally as long as the cars used exclusive PSA technology. There are no specific terms in the deal that bars PSA from using the Opel brand outside Germany so the prospect of Opel returning to China via the form of a Dongfeng-Opel division within Dongfeng-PSA is not impossible, given Chinese consumers' appetite for German brands. PSA also has the Chang'an-PSA JV at its disposal if localization of Opel is warranted.

However, the priority for PSA at this point in time and at least for the next two years is how to return Opel to profitability as it has promised. And in China, PSA faces a daunting task of reversing a serious sales downfall of its Citroën, Peugeot and DS brands which have lost luster against their foreign counterparts and rising popularity of Chinese brands. The fact that Dongfeng is one of the largest shareholders of PSA yet their JV is the worst performing in China, no one can be happy. A lot is at stake for PSA in China, the least of which is Opel.

For GM, bidding adieu to Opel is unlikely to affect its operations in China as far as Buick is concerned. Buick has virtually become a "local" brand with GM's PATAC JV now taking a lead role in the design and development of many of its new generation of models for both the China and U.S. markets. Irene Shen, PR Director of GM China, told **CBU**/***CAR*** that "Buick will continue to be fully supported by GM's global engineering and technology resources." GM probably will not care too much if and when Opel ever comes back to China.

The Opel deal simply means more for PSA than it is for GM, as far as China is concerned. CBU/CAR

COMMENTARY

Wey to LYNK

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Currently not all the details are known but we have seen modern attractive looking SUVs in the form of the 01 from LYNK & CO and the W01 and W02 from Wey. Both companies also have slick looking websites, but that seems to be where the similarities end.

Great Wall's success has ridden the rise in the popularity of SUVs in China. From the days of the Hover they have consistently had one of the bestselling SUVs and in recent years the Haval H6 has been China's bestseller. The H6 however accounted for over half of Haval's 938,019 sales in 2016. For the larger H8 and H9 they clocked up a combined 18,975 units – an actual decline on the year before. Despite both being competitively priced, well put together cars with good quality Great Wall has failed to appeal to Chinese consumers with the larger more expensive Havals. Enter Wey marketed as a Chinese premium SUV for China.

LYNK & CO on the other hand was meant to be Geely's way into the European and U.S. markets although surprisingly the cars are set to go on sale in China before the international foray. Launching a new brand is a costly affair but in Europe and the U.S. the Geely name is largely unknown and so it doesn't matter which name is used the costs would be broadly the same. LYNK & CO unlike Wey is not an all-out premium brand but a mid-range proposition. Essentially Geely is Škoda, LYNK & CO is Volkswagen and Volvo is Audi if you look at the brands of the company in the same way as the VW Group.

Great Wall successfully spun Haval off as a standalone SUV brand and is now almost completely reliant on it for sales. What has happened though is a plethora of models and a Blue and Red Haval range. The Blue is supposedly aimed at younger hip buyers whereas the Red is more mainstream. In reality there is limited differentiation and too much self competition. Some years ago a former Qoros executive told me his story about an interview with Great Wall. He asked them who their target market was and they told him anyone who wants to buy an SUV, making no distinction whether that person was in the market for a Porsche Cayenne or Daihatsu Terios.

It seems that with Wey, Great Wall has learnt that the person in the market for a Cayenne doesn't want to buy a Haval! The problem is can it persuade them that Wey is a viable option? Obviously Land Rover does manage to create a distinction between the Land Rover and Range

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Rover models even though Land Rovers are creeping away from their utilitarian origins to something far more upmarket. But compare the new H2S or new H6 with the Wey models and they look externally broadly the same. In fact the W01 is largely a more luxurious version of the all new H6. Maybe this is not all together surprising as they're all penned by former BMW designer Pierre Leclercq, who is now Haval's design director. While the branding may be different if the look is not distinctive then the brand is going to face an uphill struggle.

Despite the Wey name having already been registered by the company in Australia Great Wall claim the brand is only for China. Do Chinese consumers want to buy an upmarket Chinese car? Ask Red Flag and the answer is no, the H7 struggles to sell around 2,000 a year despite being a half decent attempt.

LYNK & CO is all about being fresh and trendy – just look at the spelling of link and use of that ampersand instead of and! A glance at the website shows them selling a lifestyle rather than just a car. You purchase, lease or hire the car online, it is picked up and dropped off for servicing and they give you a replacement car and there is an inbuilt car sharing scheme where you can rent out your car when you're not using it. This will obviously appeal to young buyers in China but will it work in Europe or the U.S.? Part of Daewoo's success in its entry to the UK market was built on its innovative approach to sales. The company owned all the dealers, and there were fixed prices and three years free servicing. They were even selling the cars at supermarkets! Obviously an innovative sales method can work but are European new car purchasers, who tend to be significantly older than those in China, going to want to buy a car on the internet?

Named after founder Wei Jianjun, Wey looks little more than a vanity project but despite the odds not looking good we have learnt not to bet against Wei and his ideas. LYNK & CO with its engineered in Sweden built in China model seems to be an attractive proposition. With the backing of the Volvo dealer chain in Europe and the U.S. it seems a winning combination. The problem is, are the buyers trendy enough? Developed countries are showing falling numbers of young people learning to drive. Back in the 1990s over half of all UK males aged 17-20 had a license, today it's down to a third. While the U.S. showed greater numbers the 69 percent of 19-year olds with licenses belies that in 1983 it was 87 percent. Young people are likely to be the main users of car sharing but if they can't drive it's a problem. CBU|CAR

Will BYD lead the way in realizing Chinese automakers' American dream?

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year or so, the battery electric car maker has repeatedly delayed its entry of passenger vehicles into America.

Fast forward to 2017 and a great deal has changed since then. BYD looks like it will be a serious contender. Li Yunfei, vice president of BYD Co., Ltd., said during a Beijing event that it wants to enter the U.S. in "roughly 2-3 years" and it won't compete on price anymore but rather on quality and innovation.

BYD: Build your dreams

BYD's motto is Build Your Dreams. Twenty-one years ago, founder Wang Chuanfu got the company started by making batteries for cellphones. Nowadays the Hong Kong-listed firm employs 180,000 people all over the world. Bill Gates and Warren Buffett are their key investors. Samsung invested $449 million into BYD last July, joining Buffet and Gates as high profile global shareholders. And in 2016, BYD's new energy vehicle sales reached 101,183 units globally, while second-place Tesla sold 76,243 units. The Qin and Tang plug-in hybrids almost accounted for all of those sales. The Tang, with more power than a Chevy Corvette, is the world's third-best seller in the EV segment.

Last year BYD named Leonardo DiCaprio its global brand ambassador. In the picture posted by Dicaprio on his official Sina Weibo account, Dicaprio and Wang stood next to a BYD e6 electric car. A few years ago, the e6 was already certified by the U.S. EPA. The e6 is priced just over $48,000 and is widely used as a taxi in Chinese cities. Hundreds of e6 models can be found on the streets of London and Singapore too. The new and improved e6 is equipped with a large 80-kWh lithium-iron phosphate battery and has a range of 400 km as well as an EPA-rated range of 187 miles per full charge. This model is very popular among taxi fleets. Zooming the streets since 2010, the e6 experienced a record year in 2016 and it ended last year with a registration of 2,528 units in December.

With its American corporate office near downtown Los Angeles, BYD actually does have a modest presence in the U.S. already, currently focusing on electric buses and a specialized fleet vehicle. BYD has been producing all-electric, long-range electric buses in Lancaster, California since 2013. A single full-size BYD electric bus runs in the decisively un-cheap range of $500,000. The Lancaster plant employs more than 400 people and plans to triple capacity.

American dream, Chinese wheels

Chinese automakers have long aspired to build vehicles for the U.S. market. Chery was one of the first dreaming of penetrating the U.S. market. In 2005, Chery made the startling announcement that it had teamed up with Malcolm Bricklin's Visionary Vehicles and would begin importing and selling 150,000 mainland-made sedans, SUVs and sports coupes in the U.S. in 2007. Bricklin was an original distributor of Subaru and Yugo in the U.S., but both projects ended up in fiasco. The only people to find any success in that venture were the lawyers. As everyone knows, Chery's attempts to export to the U.S. ended in failure. Geely was the next to dream the American dream. Its first appearance at the Detroit Auto Show in 2006 created quite a stir due to its previously announced plans to enter the U.S. market. It stole spotlight when it showcased its "Freedom Cruiser" along with other models it planned to export to the U.S. beginning in 2008. Geely said its goal was to land a basic model in dealer showrooms for $7,500. Like Chery, Geely's initial effort to export its cars to the U.S. ended in failure and it has never stepped into American auto retailing space.

Since then Chinese automakers haven't stirred any news, however many including Geely, BYD and Wanxiang have all made investments in establishing or partnering with U.S. entities with the goal of opening China's formidable manufacturing resources to America. Geely purchased Volvo in 2010 and has been expanding globally during the past few years, including setting up shop in several countries in Eastern Europe and Latin America.

Wanxiang has been the biggest spender from China in the U.S. EV assets: the company picked up the bankrupt pieces of battery maker A123 Systems and Fisker Automotive.

BYD has already dominated Chinese home markets and can apply its learning to overseas markets. More electric cars are sold in China than in the rest of the world combined, sales of battery electric and plug-in hybrids increased significantly in China in 2016, to 507,000 vehicles. Chinese EV market is propped up by huge government subsidies as part of Beijing's policy to build global leadership in cleaner energy driving. The U.S. EV market has taken three years to grow to just under 100,000