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## Audi opens up about its growth plans for China

— by Melanie Xing



On November 14, Audi outlined a growth plan for its joint business with FAW Group for the next 10 years, setting the course for sustainable growth in the brand's largest global market. The partners will intensify their

cooperation in key future fields of the automobile industry.

Three days earlier, Audi and parent company Volkswagen Group officially signed a strategic framework agreement with SAIC and SAIC-Volkswagen to establish a joint venture sales company to sell Audi models to be produced by SAIC-Volkswagen.

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## Auto Guangzhou 2016 recap: SUVs take center stage



PP5-7

## Why MG has failed in the UK

— by Mark Andrews



The end of September saw the axe fall on the pretence of MG manufacturing in the UK. While MG sales have grown the British episode is more a catalogue of failures and missed opportunities. The experience is not really so different to the MG Roewe experience in China.

MG Rover was the last volume British carmaker which with enough tragedy worthy of

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## Geely moves into commercial vehicles: right timing or wrong bet?

— by Zhang Yiting

Geely launched its new commercial vehicle brand Yuancheng Auto on October 26 in a year that featured huge overcapacity in the heavy-duty truck, light truck as well as passenger vehicle markets.



Yuancheng electric light truck E200

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# Why MG has failed in the UK

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a British soap opera had lurched from crisis to crisis via different owners for many years. The end came in 2005 when the company went into liquidation.

SAIC had already acquired the intellectual property for the Rover 25 and 75 along with the engines, but no brand names. Nanjing Automobile Group ended up buying the rest including the MG name and shipping the production facilities to Nanjing. Both the MG 7 and what SAIC called the Roewe 750 went on sale in 2007 based on the old Rover 75. At the time both companies were promising UK sales from 2008 and there was an eagerness from the UK motoring press and fans of the brand for the reintroduction.

Probably the biggest problem was the time it took for the brand to go back on sale. In late 2007 SAIC took over Nanjing (officially a merger) so creating MG Roewe. The Roewe name came about as Ford at the time owned the rights to the Rover name and so SAIC had to create a new brand. The Chinese name of the brand (rong wei) sounds in English like 'wrong way' and that is indeed what SAIC's management of the brands has proved to be.

Limited production from CKDs did commence at the Longbridge facility in the UK in 2008 but it was of the MG TF – a two seat roadster with limited mass market appeal. By the time a real mass market car arrived it was 2011.



What took so long? SAIC stole a march on the competition with the acquisition of the designs and technology. The MG 7 and Roewe 750 were far superior to anything else being offered by Chinese manufacturers in 2007. Momentum was maintained with the launch of the Roewe 550 the following year which was by far the

best new car designed by a Chinese manufacturer even if its underpinning came from the Rover 75 via the RDX60 project.

However, even in 2008 problems showed with the 550's reliance on old Rover technology. The K series engines were at the end of their useful lives and the transmission choice of 5-speed automatic or manual were not very competitive – fine perhaps for the Chinese market. Had a UK launch occurred in 2009 these shortcomings while tempering sales would not have been fatal. Instead there was the wait for the MG 6 in 2010 which finally made it to the UK in 2011 while not addressing any of the problems.

It was always going to be difficult to relaunch the brand with just one car but worse the MG 6 was the wrong car. Both MG and Rover had a brand heritage and a loyal band of followers around the world, particularly in the UK. For MG this heritage was largely two seat affordable sports cars. From the 1980s the badge was used on Austins and then Rovers as sportier performance versions of regular models. What hit the UK conformed in no way to this heritage coming more as an Austin rather than a Rover or an MG. SAIC has never understood this. A company spokeswoman claimed on a test of the MG 3 that there is little interest from overseas about the brand.

The by now antiquated 1.8 turbo offered was lacking power and overly thirsty and crucially most British buyers in the segment preferred diesels over petrol. Couple that to the 5-speed manual gearbox – all competitors offered 6-speed – and no automatic option plus questionable interior plastics and it was going to be an uphill struggle no matter how cheap the car. By the time the diesel with 6-speed manual arrived at the end of 2012 much of the 6's chances had already been squandered.

The MG 3 arrived in 2013 about a year and a half after going on sale in China. Keenly priced, well equipped and with reasonable looks it created a much needed boost in sales. However, the drivetrain was still an issue. MG

Roewe's first attempt at an engine was a 107 hp (80 kW) 1.5L unit which was again underpowered and thirsty. Higher spec versions of competitors such as the Fiesta and Yaris all come with 6-speed manuals and smaller, more efficient engines. Instead the 3 got a 5-speed unit and no choice of an automatic.



Britain had to wait until 2016 to get another MG with the arrival of the GS. In the meantime China got the 5 and GT. What MG desperately needed in the UK was a range of cars to get people into the showroom. The 5 was flawed with its poor drivetrain and questionable looks but the GT had at certain angles the look of a smaller 6 and with the use of the General Motors 1.4T finally created a car with a competitive engine gearbox combination. And for MG in the UK any model is better than no cars.

This year's launch of the GS finally gave the brand a car with a decent drivetrain. Despite taking over a year to get it ready for Britain, MG did not do anything about the poor quality materials in the interior which have come in for criticism by the UK motoring press – something that all previous models had been criticized over. And instead of now having three models they culled the 6 meaning they still only have two to entice customers. The 6 actually outsold the GS in both July and August in Britain!



COMMENTARY

SAIC chose not to invest money to take their 1.9T diesel engine up to Euro 6 standards so meaning again they are launching a new model without a diesel in a segment that favors them even post VW dieselgate.

The 1.5T or 2.0T petrol engines from the GS would have been ideal to breathe some life into the 6 and perhaps give it some sporting credentials it so sorely needs. Just days after MG announced the end of UK production Ashley Sutton clinched the Jack Sears Trophy as rookie of the year in the British Touring Car Championship in a 6 – a car MG is now no longer

selling! Back in 2014 MG even won the manufacturer’s trophy.

Daewoo’s launch in 1995 happened with just two models based on old GM products. In those pre SUV explosion days most manufacturers only offered three or four main models and Daewoo managed to cover much of the market with the Nubria and Espero. Despite having a name no one could pronounce, limited acceptance of Korean cars, and old technology the company managed within six months to gain a 1 percent share of the UK marketplace and by five years later this had risen to 1.6

percent. MG in 2015 managed to sell 3,157 cars in the UK. Daewoo gained share using catchy advertising and innovative sales plus the products were right for the market.

Perhaps the ghost of MG Rover was always going to create a problem. It seems however that SAIC is truly haunted by it and have taken on even more drama than under British or German ownership, who at least had cars to sell. September spy shots from the Alps show two new SUVs and a mid-sized sedan under testing which might just give the brand the shot in the arm it so sorely needs. [CBU/CAR](#)

Volkswagen goes luxury with the Phideon: does it make sense?



MSRP of VW Phideon (in RMB)	
380TSI Yuzun	349,000
380TSI Yuzun Luxury	389,000
380TSI Zhizun	409,000
380TSI Xingzheng	469,000
380TSI Xingzheng Flagship	539,000
480V6 Zhizun	529,000
480V6 Xingzheng	589,000
480V6 Xingzheng Flagship	659,000

– by Melanie Xing

When Volkswagen launched its Phideon flagship sedan on October 21, many thought it was too expensive. The Phideon, named after the Roman Goddess Fides (the Chinese name “Huiang” meaning noble brightness), is an exclusive model for the Chinese market produced by SAIC-Volkswagen. It measures 5.074m in length, 1.893m in width and 1.463m in height with a wheelbase of 3.090m. Many new tech features have been built into this model for the first time, including adaptive air suspension and a camera-based night vision system. Its second row is equipped with seats featuring electric heating, ventilation and massage functions. The Phideon’s least expensive version is the 380 TSI priced at ¥349,000 (\$53,692). It is powered by a 2.0 TSI engine with maximum 224 hp and peak torque of 350 Nm mated with an 8-speed DCT. The top of the line version – the 480 V6 3.0TSI – sells for ¥659,000.

“The Volkswagen Phideon is an all-new high-end saloon in the premium segment in China, positioned above the Passat and the Magotan, which is available in China, and the Phideon will pave the way for the future design of Volkswagen’s top-of-the-range sedans. The interior is tailored perfectly to the needs of the driver, with the Phideon’s luxurious rear passenger compartment also making it an ideal chauffeur-driven limousine.” This was the statement from Volkswagen when the model had its global debut at this year’s Geneva Motor Show. Many in the industry call it the “little Phaeton.”

It is positioned above the Passat and below the phased-out Phaeton. But its pricing does not fit the B+ league, rather putting it in competition with models such as the Mercedes-Benz E-Class L, BMW 5 Series or the new Volvo S90L. The E-Class L starts at ¥436,800 while the 5 Series starts at ¥435,600. The Phideon is slightly cheaper but lacks the brand equity.

The Phaeton, named after the son of the Greek God Helios, went on sale in 2002. But it never met an annual sales target of 20,000 deliveries, and sales last year fell 27 percent. After sales flopped in the U.S., Volkswagen pulled it out of that market in 2006.

“The VW brand simply doesn’t appeal to rich buyers,” said Willi Diez, head of the Institute for Automobile Industry in Nuertingen, Germany. “Technologically speaking, the Phaeton is a great car, but it doesn’t undercut rivals’ prices enough to attract sophisticated shoppers.”



So it’s very hard to understand why the price of the Phideon has been set so high. Some speculate that Volkswagen wants to position it as an Audi. In another word, Phideon is an Audi A6 but with a VW badge. But is it?

It is a fact that Phideon stands on the same stretched variant of the Volkswagen MLB 2 platform as the China-made Audi A6L, the luxurious long-wheelbase version of the Audi A6 sedan. The Audi A6L is made by Volkswagen’s other car making joint venture in China FAW-Volkswagen. People familiar with the VW joint venture story between SAIC and FAW all know that SAIC-Volkswagen has long been begging for its own luxury brand name, and had once fought for Audi. And now it finally has the Phideon.

But it won’t be easy for Phideon to compete with Audi. The Audi A6L is priced from ¥415,300 to ¥757,600 with four engine options, whereas the Phideon has only two.

Furthermore, Audi has fitted with high-tech digital instrument panels and large touch screens, and just signed an agreement with Baidu, Alibaba and Tencent (BAT) to provide connectivity, a feature hugely important in tech-crazy China, while a lot of functions of Phideon’s screen are still controlled by buttons, not modern and behind industry trends.

Though today Audi still leads the luxury segment in China, it stands under huge pressures as BMW and Mercedes-Benz aggressively catch up. Now it has another inside competitor: the China-only Phideon.

With a typical Volkswagen front end and a Passat like rear end, Phideon is not really a strikingly handsome sedan. Will it appeal to China’s rich? Who’s going to pass up a similarly priced BMW, Mercedes-Benz or Audi for a Phideon? [CBU/CAR](#)