

# busworld newsletter



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## VISIT BUSWORLD SHANGHAI

The Sixth Busworld Shanghai exhibition is rapidly approaching and will be held in two large halls of the modern New International Expo Centre at Pudong, a suburb of Shanghai, from 28 to 30 March. Busworld's Chinese partners report that demand for space is rapidly filling up and they confidently expect that this will be the largest Busworld Shanghai exhibition to date. More accessory suppliers than ever before have booked stands.

Whatever your involvement in the bus and coach industry, you cannot ignore China. The country's economy grew by 9.8% in 2005, confounding predictions that the growth in output had begun to slow down. Chinese Government figures show that tax receipts surged by 20% last year to a record level, equivalent to EUR320 billion!

There are two main reasons for the phenomenal growth in China's economy. The country joined the



A coach built by Xiamen Golden Dragon



A new long low floor bus model from Zhengzhou Yutong. Some cities need high capacity buses

World Trade Organisation in 2002 and that has opened up the market and brought China much more into the world economy. The second has been the growth of the private sector. Just a few years ago, it did not even exist. Now its rights are guaranteed in the Constitution and

### NEW YEAR GREETINGS

Everyone at Busworld wishes all our friends in the industry – exhibitors, journalists and visitors – a Happy and Prosperous New Year.



*An attractive midibus from Zhengzhou Yutong, one of China's largest builders*

it is the private sector that is driving China's growth.

In the first week of January, the influential Automotive Unit at KPMG predicted that Asian car makers will take a much larger share of the global market at the expense of North American and European producers. They forecast that Asian brands could mount a sustained assault on European markets over the next five years, starting with the more price-sensitive Eastern Europe region.

The car industry is on a totally different scale from buses and coaches, and the advice comes at a time when Ford and General Motors are already struggling. It is a warning sign, however, because some of those Asian manufacturers are also active in commercial vehicles, including buses and coaches.

Busworld Shanghai is a very important date in the industry's



*Wide walkways give good access to the stands of all exhibitors*

calendar. Whatever your company's activity in the industry, it is well worth visiting Shanghai to obtain first-hand experience of Chinese products and suppliers. Good quality interpreters are readily available.

Your company might already be active in China. You might be considering entering the Chinese market, or you might be interested in buying Chinese vehicles or components. Whatever your job, you will be impressed, or probably depressed, by the size of the Chinese market!

engines and manual transmissions. Many of the larger towns and cities had their own workshops, building bodywork. Most were entirely self-sufficient, making their own seats, doors, hand-rails and other components.

Under Government direction, there has been an almost total switch to diesel or compressed natural gas engines, located at the rear in larger buses and coaches. These vehicles are now permitted to be up to 13.7 metres long, although few at this length have yet appeared on the



*Another view of one of the walkways between the stands. They can become very crowded at times*

roads. Floor heights have become lower, making it quicker and easier for passengers to get on and off, but there are few vehicles with European style low floor layouts, except in Hong Kong.

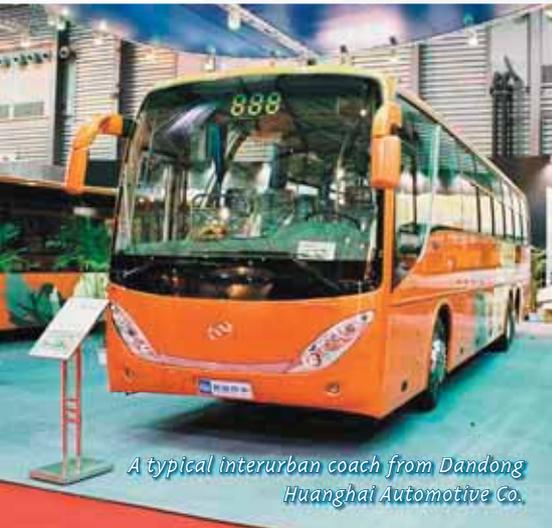
Buses and coaches have also become better equipped and that led to the creation of a rapidly expanding component supply industry. Many of these new companies invested heavily in the best equipment that they could find, anywhere in the world. To take just one example, a company specialising in large curved glass windscreens for coaches bought the necessary ovens in Finland.

Some Western European, Japanese and Korean manufacturers have had joint ventures in China for a number of years. All faced challenges in working in a new culture unlike any that they had previously experienced. Legal and accounting systems are totally different and language can be a barrier, although there are now many bright young graduates who have excellent English. There are also many trade organisations, consultants and other specialists who are on hand to guide newcomers around Chinese systems.



*Sleeper coach operators are keen on the newly permitted maximum length of 13.7 metres because they can fit another six bunks*

Looking back over the previous five Busworld exhibitions in Shanghai, there have been many changes in such a short space of time. They reflect the rapid growth of the Chinese manufacturing industry. As recently as ten years ago, many Chinese buses were extremely basic vehicles with high frames, front mounted petrol



*A typical interurban coach from Dandong Huanghai Automotive Co.*

Order flows can be erratic, leading to factories working flat out for several weeks to meet deadlines, then running at tick-over for the next few weeks. There can be difficulties in protecting intellectual property rights. Copying of designs is rife and there is little that can be done about it. Some ventures have ended in tears, but others have become established and are now bearing fruit. It takes time to build successful relationships.

It is becoming easier as China opens up. Originally, the authorities selected the local partner in joint ventures and it could be hit or miss. Now foreign companies can choose their partners and that seems to be more successful.

The attraction is the size of the Chinese market, much larger than anywhere else in the world. Last year, it is estimated that China built more than 80,000 medium and large buses and coaches. This is around three times the output of factories in Western Europe. Potential economies of scale are enormous. Wages, in a labour-

intensive industry, are still incredibly low compared with Western Europe. The figures of 80,000 medium and large buses per annum is not a ceiling. Senior industry executives thought that annual volumes could grow to 140-150,000 per annum within seven or eight years and that most of those vehicles would be required to meet ever-growing demand for public transport in China.

The vast majority of people in China will never own a car. There are very few metro systems and little suburban rail. Those people rely now, and will continue to rely on buses for their daily transport. More than ten million people are moving each year to urban areas, swelling the demand. In consequence, some of the fleets are absolutely massive. The largest one in Beijing runs around 24,000 buses, more than three times the number that are in use in Greater London!

Chinese manufacturers are forever innovating and developing new products. Indeed, some have stayed away from previous Busworld exhibitions when they have had nothing new to show. Hopefully, that will change as visitor numbers to Busworld Shanghai continue to rise, year on year.

The range of buses and coaches produced in China is wide. They start with minibuses, derived from panel vans, then go up in half metre increments, because of road circulation taxes, to the new maximum of 13.7 metres, and articulated vehicles. At the very top end of the market, there are luxury coaches built by local partners of Bova, Neoplan, Setra and Volvo. Many of them are used on frequent express services on a rapidly expanding highway network.



*A 13.7 metre tri-axle Bova Futura built in China. This is at the top end of the coach market*

There is also an important market sector for sleeper coaches. These have three rows of single bunks, one above the other, and are used on longer distance services, round the clock. Even in the middle of the day, coaches can be seen with their horizontal passengers!

Many more component suppliers have booked stand space at Busworld Shanghai this year. They can now offer every conceivable part for a bus or coach, and many are building to excellent standards of quality. Products range from engines, axles, gearboxes and other chassis parts, through all the interior fittings, including many modern electronic items, and, increasingly, complete sub-assemblies, such as the driver's area.

The rate of growth of the Chinese component supply industry, and the rapid improvement in design and quality, cannot be understated. In these days of continuous pressure on costs, Chinese components might find their way into vehicles built in Western Europe.



*Sleeper coach operators are keen on the newly permitted maximum length of 13.7 metres because they can fit another six bunks*



*A midibus from Wuzhoulong with the floor ahead of the rear axle only two steps above the ground*



Some people fear that the Chinese manufacturers will swamp the world. In 2003, little over 4% of their production of medium and large vehicles was exported. Most of those were very simple vehicles to developing countries.

At Busworld Shanghai last year, it was noticeable that some of the main manufacturers had recruited language graduates to help develop their export activities. They recognise that, if their companies want to sell into the developed world, they will have to meet all the emission and construction regulations imposed in those countries. That will inevitably put up their material costs but they will retain their great advantage on labour costs.

They have also noticed how European manufacturers have gone into China and established networks to provide parts and service support. They realise that they would have to do the same in the likes of Europe, and that would be a daunting cost. Some companies, like King Long United Automotive, are already pushing into Europe, but volumes will be kept low



*An attractive coach from Mudan with more than a hint of Spanish inspiration in the styling*

## VOLVO WINS IN CHINA

Towards the end of last year, Volvo Bus Corporation announced two major orders that were won by its joint venture companies in China.

Sunwin Bus is to supply 2,000 B6R city buses to Shanghai Ba'Shi (Group) Industrial Co by the summer of 2007. The new vehicles will be 10.5 metres long and fitted with air-conditioning. Volvo estimates that the market for city buses over 10 metres in China is around 25,000 units per annum. The chassis will be supplied in kit form from Sweden and the bodies built in the Sunwin Bus factory in Shanghai.

Volvo's other joint venture company, Silver Bus, based in Xian, recently launched the 9300 coach, a new model specially styled to suit Chinese tastes and mounted on the popular B7R chassis. One of the company's most important customers, Quick Deer, signed for 100 coaches and various other customers ordered a further 52 between them.

Joost de Vries, President of Silver Bus said: "The emphasis for passengers in China is on styling. They choose to travel on the most modern, best looking coaches."

Sunwin Bus and Silver Bus have booked a joint stand at Busworld Shanghai.

*Silver Bus has styled and launched the 9300 coach for the Chinese market*



while they learn about the markets and get their products right.

Another constraining factor is the heavy demand from customers in their home market. It would be difficult to get heavily into exports if it put at risk large orders from regular clients and the almost inevitable tight delivery deadlines. It is a balancing act.

The threat of China cannot be dismissed, but it has to be considered in a measured way. That can only be done by visiting Busworld Shanghai, seeing for yourself, and making your own conclusions.

## BUSWORLD KORTRIJK 2007

Mieke Glorieux, Director of Busworld Kortrijk, advises that bookings for the 2007 exhibition will open on 1 March. All previous exhibitors will receive invitations by e-mail to book stand space. Mieke expects a rush of orders for the most popular spaces as Busworld Kortrijk 2007 sets out to break all records, yet again.

# ASIAN COACH WEEK TESTS

Chinese bus and coach manufacturers are keen to support the Asian Coach Week tests, which are held just before Busworld Shanghai. Vehicles are checked by a team of expert judges from China and Belgium in similar style to the European Coach Week trials that precede Busworld Kortrijk. These consist of a series of on-road tests and static assessments, with particular emphasis on safety and comfort for drivers and passengers.



*A stylish low entry 13.7 metre bus by Beiqi Foton*



*Another low entry bus from Beiqi Foton*



*More typical of Chinese city buses is this model from Daewoo's joint venture*

Last year, 29 vehicles were entered in the test and there were 15 categories of awards. They are given to the winners after the opening ceremony for Busworld Shanghai, in a colourful and, at times, noisy ceremony as the winners celebrated the coveted awards. They are unique in China and have helped to raise standards in the manufacturing industry. Piet Vintevogel, the principal organiser, is hoping for a record turnout for the Asian Coach Week tests in March.



ASIAN COACH WEEK



*This line of coaches would not look out of place in Europe*



*This Huanghe bus from China was testing reaction from Nigerian operators*



*This old Tata bus had been restored very well*

## BUSWORLD LAGOS

Busworld Lagos was held in the Nigerian city early in December last year. The local partner found a new exhibition ground and a number of vehicle manufacturers and accessory suppliers supported the event.

Nigeria has a population of nearly 130 million and is by far the most populous country in Africa. Lagos is the commercial capital and principal port. It suffers badly from congestion and pollution. Part of this is due to the public transport system that relies very heavily on more than 100,000 minibuses, many of them in very poor condition.



*An Isuzu bus, bodied in Brazil*

Mr Mal Muh'd Habib Aliyu, the Honourable Minister of State of the Federal Government, visited Busworld Kortrijk with a delegation last October and talked to several exhibitors. He was keen to encourage the more widespread use of larger buses and was also interested in using Nigerian labour to assemble vehicles if that was practical.

The Minister's views must have been known to local manufacturers and importers, because there were more large buses on display at Busworld Lagos than before.

Anammco works with Mercedes-Benz and showed two buses. One was imported from Brazil with Marcopolo bodywork and the other

had ruggedly built local bodywork on a front engine chassis for service on country roads.

Another simple bus, again bodied in Brazil, and ideal for African conditions, was shown by Isuzu. Brazilian bodybuilders produce strong and simple structures that are ideal for African conditions, then ship them across the Atlantic to Nigeria.

National Trucks Manufacturers exhibited a Chinese Huanghe bus with a large one-piece screen that was probably not practical for Nigerian road conditions. One of the stars of the show was an old Tata bus that had been thoroughly renovated and looked remarkably fresh for its fifteen years.



*Anammco, the local partner of Mercedes-Benz showed this Brazilian built bus, bodied by Marcopolo*



*A rugged Russian Kamaz truck chassis with an open body for carrying passengers in country areas*



*Anammco showed this rugged bus on a Mercedes-Benz truck chassis for country services*

### NEWSLETTER ON LINE

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