

busworld newsletter



Number 8 - March 2004

Busworld - Kasteel van Rumbeke - Moorseelsesteenweg 2 - BE-8800 Roeselare - Tel. +32.51.22.60.60 - Fax +32.51.22.92.73

COME TO BUSWORLD SHANGHAI

The fourth annual Busworld Exhibition will be held in the Pudong Exhibition Centre from Tuesday 22 to Thursday 24 March. Whether you are a seasoned campaigner in China, or just an interested observer, it is an exhibition that you really should attend.

Busworld Kortrijk, held last October, is likely to hold the record for the number of countries represented by visitors, more than 100. In contrast, Busworld Shanghai is a meeting place for many different minds and cultures. Apart from the Chinese themselves, Japanese and Koreans are well represented, and an increasing number of European companies have found partners and become established in China.

You might not be doing business with China, and might not even have plans for the largest bus market in the world, but you ought to go to see what is happening. Just like the Chinese market, Busworld Shanghai is growing at an explosive rate. Luc Glorieux, Director of Busworld, reckons that the Shanghai exhibition will be larger than Busworld Kortrijk



by 2005. The rate of development of the market and the growth of the manufacturing industry are hard to grasp unless you visit Shanghai and see it for yourself. Every year since the first Busworld Shanghai in 2001, there have been numerous examples of the rapid rate of growth of the industry.

It was little over ten years ago that the first Western European manufacturers went to China and formed joint ventures. The Chinese authorities selected the local partners, which probably explains why some arrangements took off and prospered, while others never got going.

Fortunately, that changed after China joined the World Trade Organisation in 2002. There is a transitional period on import duties, but there will be a sharp fall in duties for vehicles and components. Some of the requirements on local content are being abolished and there will be freedom of choice on preferred joint venture partners.

Ten years ago, most buses in China were used on relatively local work.



They had high frames and front-mounted petrol engines. A small number of factories produced the chassis, but there were many bodybuilders, including several municipalities. Bodybuilders often gave their name to the complete product. It created problems for observers of the market, because there was quite a lot of double counting of output. That has changed. Production statistics from China are now much more reliable.



Ten years ago, Chinese buses were cheap and cheerful and had a legally enforced life of no more than eight years. The authorities became increasingly concerned about congestion and pollution. They now require all medium and large buses to be powered by diesel engines, or compressed natural gas. There are also some trolleybus systems.

This has led to increasing sophistication in city buses, with many vehicles now having rear-mounted engines. Floor heights are steadily coming down, although there are only a small number of vehicles in circulation with a large part of the floor just one step above the ground.



With the rapid expansion of the highway network, demand for long distance coach travel has grown dramatically. Many vehicles are now 12m long and have high decks, with substantial under floor luggage capacity. The Chinese authorities are expected to permit rigid vehicles, up to 14 metres long, in the very near future.

There is strong demand for sleeper coaches. These have three rows of single bunks, on two levels, reached by two gangways. Around 36 bunks and toilet facilities can be fitted into a 12m vehicle. They are not just used on overnight services. It is quite common to see a sleeper coach full of horizontal passengers in the middle of the day. But, with the vast size of China, those passengers might well be on board for up to 36 hours.

Until quite recently, one of the major constraints on the manufacturing industry was the lack of secondary suppliers. The Government became acutely aware that this was holding back progress and actively encouraged joint ventures. There are now Western, Korean and Japanese partners involved with local partners in a wide range of mechanical components, including engines, axles and gearboxes.

At the same time, new suppliers have come into the bodybuilding industry, making all manner of components, from fibreglass mouldings to lamps and lenses, seats, air conditioning, destination

equipment, and so on. Many of these companies will be present at Busworld Shanghai. Some were actively looking for Western partners to improve their technology, and others are well established and starting to spread their wings into export markets.

The quality and the reliability of many of these components have improved greatly. Chinese companies which want to export recognise the benefits of winning ISO accreditation. Vehicle builders in regions like Western Europe and North America, where costs are much higher, are bound to start looking to China for component supply.

There are also companies with previous experience in other automotive sectors who have recently decided to enter the bus and coach industry. One exhibitor at Busworld Shanghai last year recruited experienced designers and production engineers, then built a green-field factory with initial capacity for 3,000 vehicles per annum. That put him straight into the premier league in Western European terms.



Using a series of photographs, one of the company's managers demonstrated that the factory was extremely well equipped. Facilities included full cathaphoretic dip anti-corrosion treatment tanks, similar to those used by EvoBus and Irisbus in Western Europe. There were also very modern paint spray facilities and bright, well-lit assembly lines.

Another interesting indicator in 2003 was that several visitors came from India to see if they could learn from Chinese technology. Ten years ago, it would have been the other way round. It is not that India has stood still, but just that China has progressed at a really startling rate!



Further expansion of the highway network and the steady encroachment of the major cities into surrounding countryside will ensure continued high levels of demand for buses and coaches for several years to come. Already, the Chinese are selling some of their surplus capacity in export markets.

They have studied European legislation and are capable of building vehicles which fully comply with them. They will become major exporters, even though they will face stiff challenges in providing the levels of aftermarket support which customers expect in more advanced markets like Western Europe.

That is why anyone building buses or components today cannot ignore the presence of China in the global industry. Go to Busworld Shanghai and see for yourself what is happening. Don't stay at home, sitting on the beach, waiting for the tide to come in!

CASE STUDY VOLVO IN CHINA

Several Western European manufacturers have successfully established joint ventures with local partners to build buses and coaches in China. Volvo Bus Corporation has two joint ventures, building quite separate products.

The first was established in 1993 with the Xian Aircraft Corporation, initially to build inter-city coaches. The Xian Silver Bus Corporation took B10M chassis from Sweden and kits of aluminium framed bodies from Volvo's Saffle subsidiary. Local content was progressively introduced in the bodywork. Finn Adolfsson, Senior Vice President of Volvo Bus Corporation, whose responsibilities include the Asia Pacific Business Region, said that Volvo entered China just as the country was embarking on major expansion of its highway network. This ambitious programme is ongoing and has stimulated demand for express coach services throughout China.

One of the main challenges was to establish a service network. "Coaches were being sold all over China so we had to develop a national plan. In some areas, where there were substantial numbers of our coaches, we put in well-equipped service centres. In other places, we found customers who were keen to look after their own coaches and give a service to other owners, to our required standards. We now have well over 20 service points and are improving the network all the time."

The Xian Silver range has grown and also now offers touring coaches. The B10M has been joined by the lighter B7R and, since the end of 2003, by the B12M. Adolfsson said that this last model meets the top luxury coach level in the Chinese grading system. "We have also launched a sleeper coach. We were a little later than some others into this sector, but we wanted to offer a high quality solution. Safety was an important factor in the design." "Last year, sales dipped because of the SARS epidemic. Some customers had to shut down their

routes for several weeks and fewer people travelled. Anyway, we are very pleased with the high levels of repeat orders and have also announced a Euro 3 version of the B7R. This will be permitted to run anywhere in Beijing."



In the summer of 2000, Volvo signed a joint venture agreement with the Shanghai Automotive Industry Corporation to build city and commuter buses. Production of Volvo buses at the Shanghai Sunwin Bus Company started the following year. The partners developed an attractive body for mounting on the B7R chassis and 200 were soon sold to customers in Shanghai. Although more expensive than locally built chassis, the greater reliability and durability of the B7R quickly convinced customers and more orders flowed into Sunwin. Almost 700 buses were delivered in 2003.

A low entry version of the B7R was launched in 2003 and the first deliveries are now being made. The floor between the first and second doors is only one step above the ground. That helps passengers to get on and off the bus more quickly, an important benefit on busy routes in Chinese cities.

Finn Adolfsson is delighted with Sunwin's progress. "We have established very good relationships with customers in Shanghai and we are now starting to win business from other Chinese cities". Volvo has also supplied buses to the major fleets in Hong Kong for many years. Most have been three-axle double-deckers with increasingly high standards of bodywork, including air-conditioning as standard.



BAAV AWARDS

One of the highlights of Busworld Shanghai is the annual BAAV judging and awards ceremony. BAAV are the initials in Flemish of the Federation of Belgian Bus and Coach Operators, the organisers of Busworld Kortrijk and one of the co-organisers of Busworld Shanghai.

There are a number of categories of prizes, including "Bus of the Year", "Coach of the Year", "Luxurious Coach of the Year", "Bus Builder of the Year", "Chassis of the Year", "Green Bus of the Year", "The Nicest New Product", "The Nicest Appearance", "The Safest Equipment" and "The Nicest Booth Design".

There are usually several entrants in each category and these are closely inspected by a team of international judges. Prizes are awarded at a colourful ceremony and each winner is given a large round placard with the Busworld logo and the name of the award. These are proudly fixed to the winning vehicles and are cherished by the various winners.

At Busworld Shanghai in 2003, CBC-Iveco won the "Bus of the Year" award for its low entry city bus. The judges decided that the vehicle's typical European style thoroughly reflected the standard of hindrance-free public transport vehicle set by the City Vehicle Expert Group of the Science and Technology Commission of the Construction Ministry in 2002.

The "Coach of the Year" prize went to Xiamen Golden Dragon with its XML6120 coach. The judges were impressed by its elegant styling and high cost efficiency. The "Luxurious Coach of the Year" was won by the Zhengzhou Yutong Bus Co with the new Lion's Star luxury coach, launched simultaneously by MAN in Europe and China.

Shanghai Sunwin Bus Corporation was awarded the "Green Bus of the Year" prize for its CNG-fuelled city bus. The judges were impressed by its quality, safety performance and outstanding environmental



friendliness. The "Bus Builder of the Year" was Xiamen King Long United Automotive Industry. This company has grown at a phenomenal rate and is now the largest bus and coach manufacturer in China with annual production capacity of around 20,000 units. King Long has been the first domestic manufacturer to introduce in China international features like environmentally friendly engines, air suspension, ABS, ASR and electric retarders.

The Lion's Bus Co, a joint venture between Zhengzhou Yutong Bus Co and MAN won the "Chassis of the Year" award for a new range of

high quality products developed for the Chinese market.

Other prize winners included Dandong Huanghai Automobile Co for the "Nicest New Product", Zhongtong Bus Holding Co for "The Safest Equipment", Mudan Automobile Co for the "Nicest Appearance", and Anhui Ankai Automobile Co for the "Nicest Booth Design". The Chinese industry and the market are growing so fast that there are bound to be several new products in the exhibition. The awards ceremony at Busworld Shanghai promises to be just as competitive this year.

COACH VIDEO SYSTEMS

Xiamen XOCECO New Technic Co will be displaying its latest patented coach audio video system. It is one of a large range of electronic equipment produced by the company which has QS9000 quality management certification. Xiamen XOCECO not only supplies many of the main coach manufacturers and operators in China, but also exports to South-East Asia, the Middle East and Europe.



PROTECTING YOUR RIGHTS

Those who have visited previous Busworlds at Shanghai have that sense of déjà vu when looking at some of the latest designs from Chinese bus and coach builders. They say that imitation is the most sincere form of flattery. That is certainly true among Chinese designers. Practically every new Western European style has been copied, sometimes extremely accurately. The Chinese are proud of their ability to do this and will tell you with disarming honesty that much of their inspiration comes from the internet!

For the largest international manufacturers, close imitation is an irritant, but unlikely to cause any loss of business. Small and medium businesses are more likely to fear that their trade marks and patents will not be properly protected in China and that their products will be illegally copied.

International lawyers and patent experts say that many Chinese companies do not realise the importance which foreign companies attach to their intellectual property rights. They recommend that companies doing business in China should register all trade marks and patents and these should also be carefully recorded in written agreements with Chinese partners and suppliers. Particular care has to be taken if further development work is carried out in China on existing designs.

IRIZAR TIANJIN BUILDS THE CENTURY

Irizar Tianjin moved into a new factory in the freeport area of Tianjin at the beginning of 2003 and started production of the Century high deck luxury coach body, replacing production of a previous model.

The Century is now being built by Irizar on five continents and production has exceeded 20,000 units. This is believed to be a world record for the production of high quality premium coach bodies on various makes of chassis. Around 200 units were built in China in



2003, but Irizar expects that volume to rise steadily. Globally, Irizar built 2,840 bodies in 2003, a record for the Group.

TRAFFIC GROWTH

According to the latest edition of World Road Statistics, produced by the International Road Federation in Geneva, the Chinese motorway network grew from 4,771km in 1997 to 19,437km at the end of 2001. New motorways continue to be built, at more than 3,000km per annum. Over the same period, highways and other main roads increased from 14,637km to 25,214km while secondary and regional roads increased by more than 60%.

At the end of 2000, there were only 8.5 million cars in China, equating to 6.74 per 1,000 people. Many of those were taxis and official cars. Although the car industry is growing strongly, the vast majority of people still rely on public transport.

Fossil fuels are a finite resource and will become more expensive. Many people in China will never be able to own a car, therefore there will continue to be strong demand for buses and coaches of all sizes.

ECONOMY

China is the world's leading recipient of foreign direct investment. It overtook the United States and the United Kingdom in 2003. Its economy is growing at an annual rate of around 9%. It is predicted to overtake France in 2004, the United Kingdom by 2005 and the United States within 40 years!

CLASSIFICATION

The Chinese authorities have a centralised system for designating bus and coach factories and the vehicles which they produce. These can normally be found on every vehicle, on both sides, under the first main side window behind the front entrance.

Each factory is given a two or three letter code in roman numerals, eg XMQ for King Long. This is followed by four numbers. The first is invariably 6, except trolleybuses which start with 5. The next three numbers give the length of the vehicle in metres. For instance, SWB6120 is a 12 metre bus built by Sunwin Bus, one of the Volvo joint ventures in China. There are sometimes suffix letters and/or numbers denoting minor variations, such as an alternative power output or a Euro rated engine. All sleeper coaches have W as one of their suffixes.



NEW ADDRESS

BUSWORLD HEADQUARTERS

*Kasteel van Rumbeke
Moorseelsesteenweg 2
B-8800 Roeselare
Belgium-Europe*

NEXT

BUSWORLD NEW-DELHI

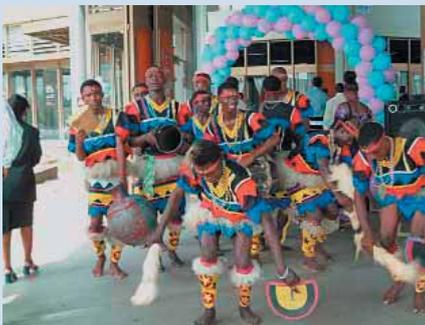
(23.09.04 > 25.09.04)

IT IS BETTER TO TRY ...

The second Busworld Africa exhibition took place from 2 to 6 December 2003 at the Badagry Road International Trade Fair Centre in Lagos, Nigeria. During the exhibition, we visited the General Motors coach construction plant. Hanging on the wall of the General Manager's office there was a proverb which seemed so appropriate to our experiences in Africa: "It is better to try and fail, than fail to try".

The Busworld management team is learning rapidly about the different challenges and cultures in our various international venues. Busworld Kortrijk is well established as the most truly international of all bus and coach exhibitions. Busworld Shanghai is expanding at an explosive rate in a very dynamic market. Busworld Lagos will grow, but in its own African way. We are having to adjust our pace to each of our markets.

The seeds of Busworld Africa were sewn in Kortrijk in 1999, when, just as the 15th Busworld event was drawing to a close. A Nigerian visitor came to see us, asking if we could stage the same event in Nigeria. We agreed, on condition that we would receive support from



the Nigerian Government. Lo and behold, six months later, a Busworld delegation was welcomed by President Olosegun Obasanjo and several members of his Council of Ministers. They pledged their full support, emphasising the major importance of mobility in Africa and the role that buses and coaches play. That was the green light to start Busworld Africa.

By that time, Busworld Shanghai had got off to an excellent start and we felt comfortable about taking on another bold enterprise. After all, there are more than 641 million people living in Sub-Saharan Africa, corresponding to 10.3% of the world's population. The only way to resolve their mobility problems is by bus and coach. Nigerian coach operators are enjoying an unprecedented boom and future prospects for the bus and coach industry look excellent. In addition, Nigeria has very great demand for spare parts and accessories. Import these and you are on to a certain winner. Nigeria continues to be the place to be in view of its central position in Western and Equatorial Africa, also the fact that it happens to be the most important country on the continent in economic terms. Partly because of the second Gulf War, over the last year or two, there has been a marked increase in worldwide interest in Nigeria and its oil assets, particularly from the United States. The Gulf of Guinea currently supplies 15% of the petrol used in America. Reserves are among the biggest in the world and offer two conspicuous benefits over Middle-Eastern oil fields. The Nigerian wells are half the distance from America of those in the Middle East and two thirds of the oil is underneath the sea bed. That makes them more secure against terrorism and places them under the effective protection of the American fleet, which maintains an inconspicuous naval presence.

Nigeria has more recently come to the attention of China. President Jiang Ze-Min recently visited the country and promised to assist



Nigeria with the construction of its own refineries. That will make Nigeria both wealthier and more independent. China is also likely to help Nigeria step up production from the current level of 2.5 million barrels per annum to 3.5 million in 2004, reaching 5 million in 2010. Compare that with the production output of Saudi Arabia of 8.25 million barrels a year. Growth on this scale will need more transport including buses and coaches.

We have had our trials and tribulations in organising Busworld Africa. Events move at their own slow pace, sometimes very frustratingly. But, the second Busworld Africa was every bit as good as the first. The concept of a dedicated bus and coach exhibition is becoming accepted. We started this article with one motto and will finish on another: "We keep going on!" The photographs give the flavour of Busworld Africa.

