

busworld newsletter



Number 9 - June 2004

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MORE INNOVATION AT BUSWORLD SHANGHAI

The Chinese economy is moving at a rapid rate. Buildings are going up everywhere. Two of them were completely new halls, erected at the Pudong International Exhibition Centre on what had been an area of wasteland only one year earlier.

This was the venue for the fourth annual Busworld Shanghai, held from 23 to 25 March. It was larger than the year before, and attracted an even greater number of visitors. More than 9,300 came not just from China, but several other countries, to see what is happening in this remarkable market.

The number of vehicle manufacturers was down a little, because one of the Government departments had supported a city bus exhibition in Beijing only a few weeks earlier. Fortunately manufacturers with new products were at Busworld Shanghai in force. The number of exhibitors offering components and services was up very considerably on the previous year. Several said that the Chinese market was so vibrant that they believed it was essential to attend Busworld Shanghai every year.

Chinese manufacturers built nearly 57,000 medium and large buses and coaches in 2003. Putting that into scale, it is more than double the combined output of the Western European manufacturers. Yet, the Chinese complained that the market was down by 15-20 per cent against their expectations, because of the SARS epidemic. People gave up the intimacy of crowded city



The Chinese component industry is coming on at a rapid pace. This company makes all types of lamps and lenses.

buses and took to their bicycles. Intercity services were very badly hit. In addition, the Chinese industry built more than one million minibuses and light buses, up to a maximum length of 6 metres. That has to be set

against a population estimated at 1.2-1.3 billion, but even so, it is an enormous output. Levels of car ownership are still very low. Buses are the main sources of transport for practically everyone in the towns and cities.



The dragon enters at the opening ceremony.

It is fascinating to talk to executives in the Chinese industry. Many of them are increasing their capacity and, at the same time, improving the specifications of their products. Ask them when they think the market for medium and large buses will level out. Some have not thought that far ahead.

Shen Wei, President of Xiamen King Long United Automotive Co said that the market for medium and large

buses could grow by as much as 18 per cent per year and might not level out until 120-130,000 per annum. Even that might be a cautious estimate!

So what drives the Chinese market? There are several factors, and quite clear distinctions between buses and coaches. The Chinese Development and Research Centre estimated earlier this year that 31 per cent of the population lives in urban areas, compared with 58 per cent of the population in the world's middle-income nations and 78 per cent in rich nations. The State Development Planning Commission forecast that in 2005, 35 per cent of the nation will be urbanised and that will rise to 40 per cent by 2010. More than 10 million rural residents will move to the cities each year. There are projections that 60 per cent of the nation will live in cities in twenty years time, as a result of rapid economic growth.

This will create tremendous demand for public transport. There are only five cities in China with metro systems, and another one planned. Tramways barely exist. This means that nearly all the demand for travel will have to be met by buses and trolleybuses.

Until quite recently, most buses and coaches in China were very simple vehicles with high frames and front-mounted petrol engines. They were built for a maximum legal life of

eight years, when they had to be taken out of service and scrapped. That is still the law, but manufacturers building the latest generation of more sophisticated vehicles, some in conjunction with Western European partners, hope to persuade the authorities to extend that limit if they can demonstrate that their vehicles still have plenty of life left in them after eight years.

For the last few years, China has required all medium and large buses to be powered by diesel or gas engines, or electricity in the case of trolleybuses. There is still a great variety of buses, and a very wide range of prices and specifications. Traditional vehicles with high frames and front-mounted engines are still built for poorer municipalities and the more remote parts of the country. At the other end of the scale, major cities are looking for more sophisticated buses, with lower floor heights, rear engines and fully automatic gearboxes.

There are now quite a number of buses on the market with the floor in the front part of the vehicle only two steps above the ground. Several manufacturers have developed models where the floor is only one step above the ground between the first and second doors, just ahead of the rear axle. There are even one or two models with a full low floor, employing a portal rear axle.

There are large reserves of gas in the West of China. A pipeline is under construction, linking the gas fields to Beijing and the large cities on the East Coast. There are already more than 2,000 buses running in Beijing with Cummins-Westport CNG engines. Demand for gas-fuelled buses is forecast to rise quite sharply.

The coach industry has also expanded in recent years, and for a number of reasons. China is now much more accessible to inbound tourists, and there are higher levels of internal tourism. The country is building expressways at the rate of 3,500km per annum. Although there is a good network of internal air services fares are high, therefore the vast majority of inter-

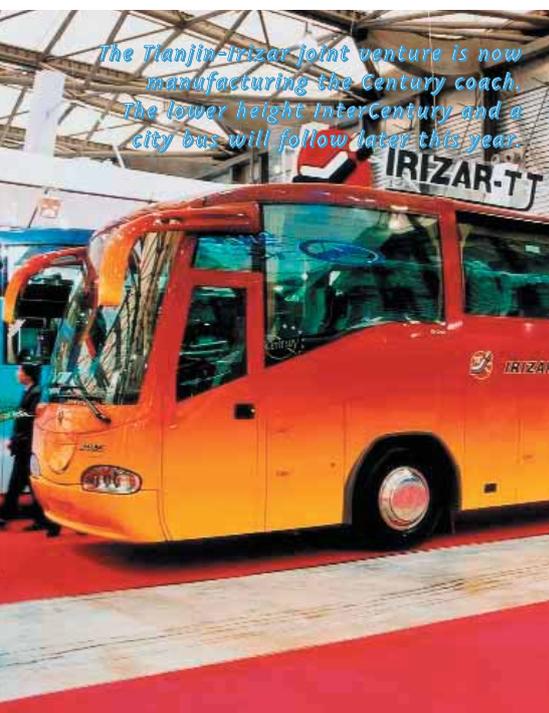
city journeys are made by coach. On the busier routes, various standards of vehicles can be used. A passenger can pay a higher fare for a more luxurious coach, with deep reclining seats and full climate control.

Because of the distances involved, there is also a thriving market for sleeper coaches. These have three rows of single bunks, one above the other, running the length of the vehicle. Therefore there are two gangways, and usually a toilet on board. These coaches work round the clock, so it is quite usual to see, during daytime, a coach full of passenger lying flat out!

Coaches are all shapes and sizes. The larger manufacturers offer extensive ranges, with models increasing in length every half metre. That is because annual tax for circulation on the roads rises every half metre. Coaches are therefore built to lengths like 7.49, 7.99, 8.49 metres, and so on. At one time there was concern about the lack of suppliers of components like glass, seats, lights, and all the many other fittings that go into a typical bus or coach. That industry has come on in leaps and bounds in the last few years and was very well represented at Busworld Shanghai. Some have entered into joint ventures with Western and Japanese manufacturers, but there are also many wholly Chinese enterprises. They have frequently bought the best available equipment and appear to be manufacturing to high standards.

At any exhibition, one expects to find new products and innovation. The thing that makes Busworld Shanghai so different is the high number of new ideas, the rapid rate of development of the industry, and its vibrancy. The next Busworld Shanghai will be held from 15 to 17 March 2005.

Some Chinese manufacturers are already actively exporting and others are looking at developing export business. Busworld is a unique organisation with exhibitions in Europe, Africa and India. Busworld is the only global forum for meeting new customers and opening new markets.



EXPANSION

Language might appear to be a daunting barrier at Busworld Shanghai, but the organisers have arrangements with local universities to use post-graduate students who have an incredibly good command of English. Natalie, who looked after us this year, very quickly picked up the nature of the business and was very effective.

Zhongtong Bus showed a new city bus with the floor only one step above the ground between the first and second doors.



Coming from Western Europe where the market has been largely mature for many years, it is difficult to comprehend the Chinese market, for sales of Medium and Large buses and coaches have doubled in the last five years and are forecast to reach nearly 80,000 in 2004.

It was therefore fascinating to ask senior executives in the Chinese industry when they forecast that the market would level out, as one would expect. Either they had not thought about the question, or they were playing their cards very close to their chest. Manufacturers are still increasing production capacity at a substantial annual rate and are improving quality and reliability.

Shen Wei, President of King Long United Automotive Industry Co forecast that the market was growing at an average of around 18 per cent per annum and could level out at 120-130,000 Medium and Large buses and coaches per annum, but even that might be a cautious forecast. That would take the Chinese market for Medium and Large vehicles from twice the current Western European level to five times in little more than five years!



Jiangsu ALEA Bus Co showed two well finished midicoaches with modern styling, including the wide forward-sloping C pillar.

In a wide-ranging interview, he said that probably only 25 per cent of Chinese people had ever travelled on a bus. "There are many millions of peasants who have only travelled by ox-cart or truck. Demand for city buses is in the urban areas. After five to six years, some of them are sold to poorer parts of the country. With increasing urbanisation, we expect demand for city buses to grow strongly and for the specifications to become much higher. The industry has to concentrate on increasing manufacturing capacity and improving product quality."

He reckoned that the top five manufacturers were his own company, Zhengzhou Yutong, Golden Dragon, CBC-Iveco and Yaxing-Benz, probably now holding around 70 per cent of the Medium and Large market. He thought that their share could rise as high as 90 per cent. When the market levels out, and that could be some years ahead, there will be a battle. Smaller manufacturers will survive if they are stronger in niche sectors.

His views were corroborated in a meeting after the Show in the office of Xu Jiancheng, Vice President of the Zhengzhou Yutong Coach Manufacturing Co. Yutong built nearly 12,000 buses and coaches in its main factory in Zhengzhou in 2003. Other factories in Chongqing, Lanzhou and Luoyang built another 4,000 vehicles. Xu Jiancheng said that Yutong had a ten year development plan and was planning to increase its turnover from € 3.0bn in 2003 to more than € 13.3bn by 2012. This would give

the company a projected 25-30 per cent of the Chinese market. The expansion would be done by several means, including higher specifications, greater volumes and the acquisition of further bus and coach builders, particularly in the North East of China and in the East Coast area.

THE SUCCESS OF BUSWORLD

The organisers of Busworld Shanghai were delighted that the number of visitors was the highest ever, by a substantial amount, and many participants have already said that they will come again in 2005.

Luc Glorieux, Director of Busworld said: "We were disappointed that some of the bus builders went to another exhibition in Beijing, but that has only strengthened the resolve of Busworld and our Chinese partners."

We must work harder to convince more Chinese companies to take stand space and introduce some of the features which have made Busworld Kortrijk such an outstanding international success. "Busworld is all about making contacts, meeting old friends and making new ones. Regular personal contact is very important in our industry.



Yaxing-Benz builds the Q532 coach on a OH1636 chassis from Brazil, with a body designed by Denning in Australia. You cannot get much more international than that.

We suspect that some Chinese companies come to Busworld Shanghai only when they have something new to show. We would like them to think again about that policy and come to Busworld, even if they have no novelties. Customer expectations are becoming higher all

the time. If you don't have a new product to show, it might be the time to announce other initiatives, like enhanced after sales support.

"The Chinese market is still expanding at an incredible rate but there will come a time when it levels out. We have seen this happen before in other markets. The survivors are those companies with best-regarded products, the highest operating efficiency, and the best levels of customer care, and, above all, the most friendly and successful relationships with their customers "That is why Busworld Shanghai is so important. It is simply the best way to communicate with the maximum number of people, in a short space of time, in the most dynamic market in the world."

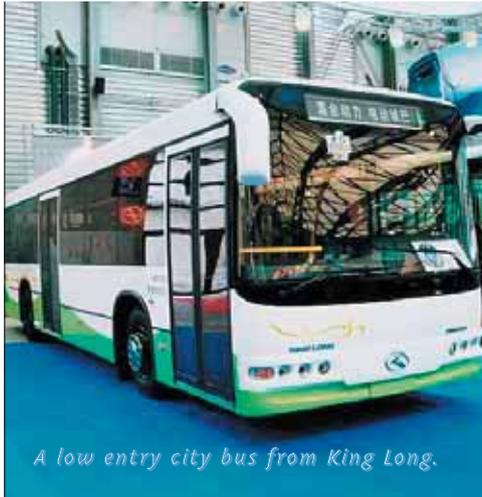
TIANJIN-IRIZAR PROGRESS

The Tianjin-Irizar joint venture is now manufacturing the Century coach in day and sleeper versions. David Huang of the company said that the sleeper vehicle might outsell the day coach, with one customer having ordered 38. Tianjin-Irizar planned to enter other sectors of the Chinese market later this year, offering the lower height InterCentury coach body and also the Castrosua CS40 body in the city bus sector.

KING LONG

Shen Wei, President of King Long United Automotive Industry Co Ltd, said that his company planned to exhibit vehicles at Busworld Kortrijk in October 2005. "We have sent 30 to 40 engineers to European exhibitions regularly in recent years and it is now time for the company to become an exhibitor."

He said that King Long had already supplied nearly 100 low entry city buses for modernisation of Malta's fleet and would deliver the first pre-production model to its British importer this summer. He quoted a landed price for a low entry city bus with Cummins ISC engine, ZF fully automatic gearbox and full air suspension of just over € 80,000, excluding import duties. This is far below the price of any comparable European vehicle.



A low entry city bus from King Long.

Shen Wei said that he wanted to get European customers to think of buying a bus for half the price and keeping it for half the (current European) life. "That way they will always have more modern vehicles and will save the costs of heavy engineering charges in the later part of a (European) bus's life." Asked whether European customers might misinterpret this and suspect that Chinese vehicles have a life of only eight years, he was quite emphatic. "We are quite prepared to give a thirteen year structural warranty and to built in stainless steel, although that would cost a little more."

FIRST TIME AT BUSWORLD SHANGHAI

Two vehicle manufacturers exhibited at Busworld Shanghai for the first time. The Shanghai Wonsun



Zhongwei Passenger Bus Co also showed this low floor city bus.

Automobile Co builds a range of 7.9, 8.5, 9.3 and 11 metre coaches, and a 10.6 metre public bus. The company said that it built 1,000 vehicles in 2003 and is planning to double its output this year. Wonsun means ten thousand elephants, a symbol of great strength.

MGO is the brand name for the Jiangsu ALFA Bus Co, based in Jianlin. The company started building larger coaches three years ago and has a technology agreement with Indcar of Spain to build their Mago 25 seat body on locally built Iveco Daily chassis. MGO is currently building a second factory in Jianlin and hopes to build 500 coaches this year.

ECO BUS

Xiamen Golden Dragon Van Co, one of the five largest bus manufacturers in China, showed a city bus made entirely from materials that could be recycled.

ZONDA

The Zhongwei Passenger Bus Co uses the Zonda brand and has been building buses and coaches for around ten years. The most interesting exhibit on the stand was the new YCK6105HC low floor city bus, built to an overall length of 10.49 metres. It was probably the



Chuzhou Yangsi Tour Bus showed this low entry city bus which won the Choice of China Transport Operators 2004 awards.



Zhongtong Bus introduced two attractive new midicoaches, including the Creator, with a Setra-style "hump" at the first main side window.

most stylish low floor bus in the exhibition, with the side pillars curving inward gently towards the roof. This bus can have either a Cummins or Yuchai engine and is scheduled to enter volume production later this year.

Louis Qiu, Secretary to the President of Zonda, said that his company aimed to become one of the top three manufacturers in China within three years. Two new factories will open in Yancheng in 2005, taking capacity to 5,000 units per annum. He said that Zonda was interested in finding European and American partners to provide technology and investment.

ZHONGTONG BUS HOLDING CO

Zhongtong Bus Holding Co had five vehicles on its stand. The company is a licensee of Bova and builds



King Long (Suzhou) mainly builds midicoaches, but also showed two full size vehicles built on Hyundai chassis. This coach was finished to a good standard.

three versions of the Futura with different levels of interior trim. A 13.7 metre model is due to be added soon. The newest vehicle was the LCK6120G Sunny city bus with a low floor between the first and second doors. It had a Chinese Yuchai engine mounted at the rear, driving through a Voith fully automatic gearbox.

Two new models were the Catch, a 7.98 metre midicoach, and the Creator, available at 9.6 and 11.5 metres. Both were well finished, with good standards of interior trim, and seats with belts.

Hu Kuo Min of Zhongtong said that the company built more than 3,500 Medium and Large vehicles in 2003 and that around 1,000 of those were city buses. Like most other manufacturers, they lost some production because of the SARS epidemic, but they used that time to train staff and develop new models. He also said that Zhongtong is active in Indonesia and plans to expand into a number of other markets, including the Middle East and Russia.

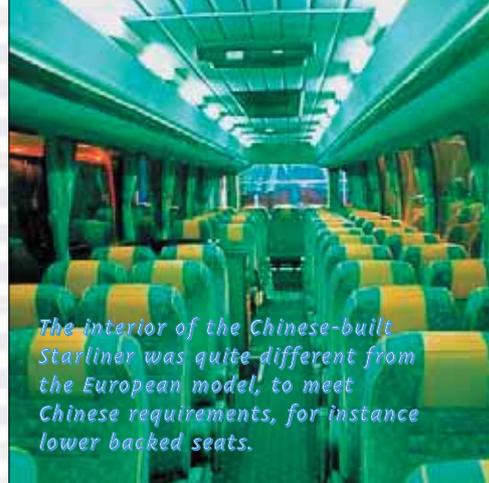
LEGISLATION

The Chinese authorities are expected to approve a maximum overall length for rigid vehicles of 13.7 metres from June/July this year. At the same time, the overall width of coaches over 11 metres can be increased to 2.55 metres.

Euro 2 emission limits will also become mandatory throughout China from the same time, although Beijing has already introduced Euro 3 in the Central area.

HYBRID BUS LAUNCHES

China's bus manufacturers are developing environmentally friendly buses with emissions levels considerably below Euro 3 standards, which are only being enforced in parts of Central Beijing. King Long launched the XMQ6113GH low floor hybrid bus. Under China's tenth five-year plan, launched in 2001, electric vehicles were designated as one of the twelve principal projects in its high



The interior of the Chinese-built Starliner was quite different from the European model, to meet Chinese requirements, for instance lower backed seats.

technology research and development programme. King Long worked with Chinese universities to develop the hybrid bus. A Cummins ISB 3.9 litre engine, complying with Euro 3 emission standards, drove a generator developed by the Xiangtan Electrical Manufacturing Co Ltd, with a maximum power of 104kW. Electrical energy was stored in four sets of hydrogen-nickel batteries mounted in the middle of the bus at roof level. King Long predicted fuel savings of up to 30%.

A second hybrid bus was shown by Guangdong Fuda Enterprises Group. The FDG6100 had much of its floor only two steps above the ground, with batteries underneath. A small diesel engine and generator were mounted at the rear.

NEW ADDRESS

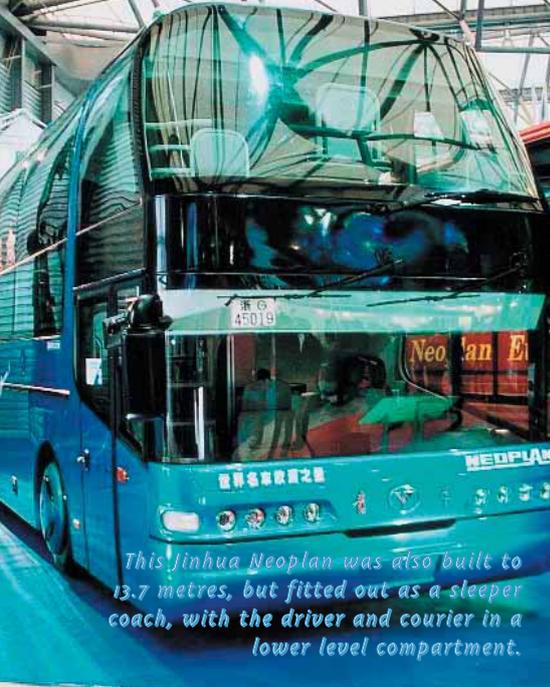
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NEXT

BUSWORLD NEW-DELHI

(23.09.04 > 25.09.04)



This Jinhua Neoplan was also built to 13.7 metres, but fitted out as a sleeper coach, with the driver and courier in a lower level compartment.

LONGER COACHES FROM JINHUA NEOPLAN

Jinhua Neoplan Vehicle Co is unusual in the Chinese market because it only builds coaches, and most are at or near to the maximum permitted length.

At Busworld Shanghai, the company showed three coaches, all built in anticipation of the longer maximum permitted overall length, to be introduced in June/July. Externally, their Starliner looked exactly the same as a German-built vehicle, but the interior was to a less exotic specification. The entrance lacked the sweeping curve of the parent German design. The seats were lower and the racks were open. The ceiling and lighting were also simpler, designed to meet Chinese market conditions.



Jinhua Neoplan showed this 13.7 metre Starliner, anticipating a change in Chinese regulations permitting longer coaches from this summer.

There was also a longer Euroliner, and the other exhibit was the first sleeper coach in China built to 13.7 metres. The design was based mainly on the Skyliner, with a compartment for the driver and co-driver below the main deck. Above them, 40 bunks were laid out in three single rows. Jinhua Neoplan built around 700 coaches last year and about 200 were sleeper models.

AWARDS

One of the highlights of Busworld Shanghai is the annual awards ceremony, held after a banquet on the evening before the opening of the Exhibition. Judges from Busworld Shanghai and the parent Busworld International inspected vehicles and accessories, looking for features like quality, innovation, comfort, safety, style and environmental friendliness. The several categories of prizes were keenly contested and winners proudly displayed plaques on their products during the exhibition.

In the accessory section, Thermo King Asia Pacific won the Prize of Bus Air Conditioning of the Year 2004; Xiamen XOCOCO New Technic Co won Bus Electric Equipment of the Year; Ruian Feipeng Automobile Parts Co won Bus Mechanical Equipment of the Year; and Zhejiang Yueqing White Elephant Automobile Accessory Factory won Bus Spare Parts & Accessories of the Year.

There were ten categories for buses and coaches. Coach of the Year went to Xiamen King Long United Automotive Industry Co; Jinhua Neoplan Vehicle Co took the prize



Luc Glonaux, Managing Director Busworld International, with the winner of the Outstanding Contribution Prize, Ms. Caihui Rui, An Faipeng Automobile Parts Co., Ltd.

for the Best New Product of the Year; Xiamen Golden Dragon Van Co won Green Bus of the Year; Dongfeng Nissan Diesel Motor Co took Chassis of the Year; and King Long United Automotive Industry (Suzhou) Co had the Safest Equipment of the Year.

The Nicest Appearance of the Year went to the Xiamen Golden Dragon Van Co; the prizes for the Luxurious Coach of the Year, the Bus Builder of the Year, and the Special Prize for Export were won by Zhongtong Bus Co; and Tianjin Irizar Coach Manufacturing Co took the Special Prize for Import. Last, but by no means least, an absolutely delighted Ms Caihui Rui accepted the Outstanding Contribution Prize on behalf of Faipeng Automobile Parts Co.

Accessory Prizes

1. Prize of Bus Air Conditioning of the Year 2004 Thermo King Asia Pacific
2. Prize of Bus Electric Equipment of the Year Xiamen XOCOCO New Technic Co., Ltd
3. Prize of Bus Mechanical Equipment of the Year Ruian Feipeng Automobile Parts Co., Ltd.
4. Prize of Bus Spare Parts & Accessories of the Year Zhejiang Yueqing White Elephant Automobile Accessory Factory

Bus and Coach Prizes

1. Coach of the Year Xiamen Kinglong United Automotive Industry Co. Ltd.
2. The Best New Product of the Year Jin Hua Neoplan Vehicle Co., Ltd.
3. Green Bus of the Year Xiamen Golden Dragon Van Co., Ltd.
4. Chassis of the Year Dongfeng Nissan Diesel Motor Co., Ltd.
5. Safest Equipment of the Year King Long United Automotive Industry (Suzhou) Co., Ltd.
6. The Nicest Appearance of the Year Xiamen Golden Dragon Van Co., Ltd.
7. Luxurious Coach of the Year Zhongtong Bus Co., Ltd.
8. Bus Builder of the Year Zhongtong Bus Co., Ltd.
9. The Special Prize for Import Tianjin Irizar Coach Manufacturing Co., Ltd.
10. The Special Prize for Export Zhongtong Bus Co., Ltd

Outstanding Contribution Prize:
Ms Caihui Rui, An Faipeng Automobile Parts Co., Ltd.

David Zhong, Managing Director Busworld Shanghai, with the winner of the Bus and Coach Prize Coach of the Year, Ms. Rita Han, Xiamen Kinglong United Automotive Industry Co. Ltd.

