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China's car sales boom, reshaping a way of life

By Calum MacLeod, USA TODAY

QUFU, China — This city is a symbol of China's past — the birthplace 2,500 years ago of the revered philosopher Confucius, a town where ancient temples still stand and the gas station sells time-honored Chinese delicacies such as chicken feet and tea eggs.

Even here, though, cars are suddenly everywhere — honking constantly, speeding through the city's medieval gates, crowding past the horse-drawn carts and rickshaw cycles that have had Qufu's roads mostly to themselves.

"We never used to have traffic jams," sighs Song Wenjun, 63, who founded the local brewery. Song says just a year ago, his chauffeur-driven Buick moved easily through the city of 60,000, hindered only by its four stoplights. Now, he says, there are more than 20 lights and the roads are packed.

China's love affair with the automobile is thriving despite the global recession, and it's changing the way people live here in ways reminiscent of the USA's boom in car ownership after World War II. Song's story helps explain why: His Sun King brewery has struggled lately, but its workers are still confident enough about their future to buy cars that are becoming increasingly reliable, safe and cheap — often less than \$6,000 for a basic, new model.

Song says more than 100 of the brewery's 2,000 employees have recently purchased their first cars, joining millions of other Chinese who, for the first time, are able to enjoy a middle-class lifestyle comparable to many Americans.

The booming sales have provided a glimmer of hope for beleaguered American auto companies that make and sell cars here. That includes General Motors, which saw its sales in China jump 75% in May compared with the year before.

GM says China now accounts for nearly 25% of its global sales. With no end in sight to the troubles in the U.S. auto market, GM, Ford, and Chrysler likely will become increasingly reliant on China's still largely untapped market, says Yale Zhang, a Shanghai-based analyst for CSM Worldwide, an auto industry group.

"If you want to grow your overall volume, this is where you need to invest," Zhang says.

China is on track to sell 11 million vehicles this year, according to the China Passenger Car Association. That would be up 17% from 2008, and a stunning 20 times the number of vehicles sold in China just a decade ago. Zhang says this year China likely will overtake the USA, where expected sales are around 10 million units, and become the world's biggest car market for the first time.

China's 1.3 billion people "are simply wild about cars," says Michael Dunne, a Shanghai-based managing director of J.D. Power and Associates, an auto industry group. He says the surprising strength of China's auto market has been driven not just by economics, but also by a kind of psychological shift that has come with prosperity.

"There is the thrill of individual mobility, going from point A to point B in their own time, and on their own terms. But it's also an opportunity to declare and project their own success," Dunne says.

The resulting transformation of Chinese lifestyle, landscapes and business was clear recently when a USA TODAY reporter made the 800-mile trip by road from Beijing, the political capital, to Shanghai's financial hub.

The eight-lane Jingjin Expressway leading south out of Beijing, which opened last July just before the Beijing Olympics, is part of a network of 30,000 miles of new roads planned this decade. It's the biggest such expansion seen anywhere since President Eisenhower commissioned the U.S. interstate system in 1956.

U.S.-style suburbs, where cars are a virtual necessity, are sprouting everywhere. Cross-country road trips are the rage, as Beijing residents venture out to see sights such as the Great Wall or Confucius' Temple here.

Other sights on the journey were more uniquely Chinese, illustrative of a driving culture that is still in its infancy. Billboards along the highway advertise the 56%-proof alcohol known as *baijiu*, available at rest stops. Signs at new roadside gas stations with Western-style bathrooms politely advise customers, more accustomed to a simple hole in the floor, to please not stand on the toilets.

At one point, a large truck was barreling down the highway — backward — apparently to get back to a missed exit. China has one-seventh as many autos on the road as the USA, Dunne estimates, but nearly twice as many traffic deaths — 73,484 last year,

according to the Chinese government.

"Good luck, and watch out for pedestrians" was the warning from Yao Yumei, an employee at TopOne, a car rental company in Beijing. She says she recently passed her driving test but, like many young Chinese with licenses, has yet to buy a car.

'We've all become lazy'

Xu Meng is a typical Chinese car owner, starting to explore his own country. He and his wife were engaged in that classic roadside ritual — checking their map to make sure they weren't lost — at a rest stop in Cangzhou, 140 miles from Beijing. It was the farthest they had ever driven from home, he says.

"I can hardly remember life without a car, when I had to bike to work. We've all become lazy," says Xu, 40, an engineer who uses his French-brand Citroen CX car mostly for his commute. Xu says 60% of his friends now drive, and the other 40% are learning. Down the road, toward Shanghai, salesman Zhang Jinghong seems like a road warrior in comparison. He's logged more than 125,000 miles in the past three years in his Volkswagen Passat.

"I have to see old customers and drum up new business," says Zhang, 48. "I don't really enjoy driving, but it's so convenient. And it's a status symbol."

The sudden burst of car ownership is grating to some people in a country that is still officially communist, despite massive economic changes since the 1980s. "Chinese society is unfair now, as some can afford cars and some cannot," says Liu Dongming, 41, a police officer who still wears a pin in honor of Chairman Mao Zedong, a former hard-line Chinese ruler.

Even Liu, though, has been unable to resist capitalist temptation — he was at a car wash with his new, still plateless Volkswagen Polo. He apparently is still trying to rationalize the purchase: "Like Mao said, 'Without contradictions, there would be no progress,'" Liu says.

Many Chinese seem unburdened by such worries, focused instead on cashing in on the travel boom. Signs outside Jinxiang urge drivers to sample the "world's best garlic." A billboard in Tengzhou advertises the "best potatoes under heaven."

In Zaozhuang, an hour south of Qufu, officials are building a theme park celebrating cars and road travel. The city is the birthplace of Xizhong, who according to Chinese records, invented the horse cart 4,200 years ago. "If you pray here, Xizhong will protect you and ensure a safe journey," promises Li Tianfeng, the curator of the Cart God Museum.

An infatuation with big cars

Auto companies gradually are learning to cater to Chinese tastes. One discovery: the small, fuel-efficient models that are best sellers in Europe and Japan don't do as well here.

"Both Chinese and American people like to buy big, luxurious cars," says Zhong Shi, an auto analyst in Shanghai. "It's a symbol they dream of achieving. In China, where cars are less widespread, they are even more of a decoration, to display wealth."

That's one reason why American auto companies have done relatively well here. Zhang, the CSM analyst, says that GM and other foreign companies have successfully targeted the midsize and high-end part of the Chinese market, leaving the low-cost, low-margin segment largely to Chinese automakers. GM agreed this month to sell its Hummer brand to a Chinese company, Sichuan Tengzhong.

The emphasis on big cars has fanned environmental concerns, especially because some Chinese cities such as Beijing already are plagued by smog. Despite the conversion to unleaded fuel nine years ago and auto emissions standards that are stricter in some respects than those in the USA, many worry the car boom could take pollution to a new level.

"We only have one planet, and we simply don't have the resources for Chinese people to live an American life," says Ailun Yang of Greenpeace China, a lobbying group.

U.S. companies must compete with other foreign automakers with units in China such as Volkswagen, BMW, Toyota, Honda and Hyundai. All have been aided by the Chinese government's new auto stimulus plan, which includes \$730 million in subsidies for farmers to swap old vehicles for new ones.

The initiative also subsidizes the sale of minivans that can be used to ferry cargo. They're known colloquially as "bread vans," and they've gone over well in a country where small, mom-and-pop merchants still form the backbone of the economy.

GM makes the vans — 1 million were sold last year — as part of a venture with automakers in southwest China. Thanks to such successes, GM still plans to adhere to its target of doubling its sales in China to more than 2 million units within the next five years, despite the company's bankruptcy filing, says Karin Zhang, a GM spokeswoman in Shanghai.

"China has a critical, very strategic role for GM. It's growing very fast, and we are very well-placed in China," she says.

Chinese cars have 'matured'

Chinese automakers are making inroads, though, slowly shedding a reputation that their cars aren't as safe as foreign ones. At the

Shanghai Auto Show in April, Lin Chen, 28, tested the seats of a Chery Riich M1, which costs \$6,270 to \$8,800.

"I didn't trust Chinese cars' safety before, but I think they have matured, and the price is very reasonable," Lin says.

Other local manufacturers have tried to break into the high-end market by offering special features. A new model from Geely with a single-seat massage chair/throne in the back attracted a lot of attention at the Shanghai show. "We want you to feel like an emperor," said Zhang Yanyan, a quality department employee. The car's price: \$146,000.

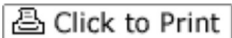
Despite such efforts, it could be years before Chinese cars overtake Western models, says Zhong, the auto analyst. "Right now, everybody usually buys Chinese cars not for quality, exterior or prestige, but only because the price is cheap," he says.

Cheap or expensive, the market for cars in China appears vast. Dunne, the J.D. Power analyst, says more than 85% of the adult population still does not own a car. It's still too expensive, but cities such as Shanghai are preparing for an onslaught, building new ring roads and avenues to handle the traffic.

Patrick Zhou, 25, says the possibilities are endless. He's a sales assistant for BYD (Build Your Dreams), an auto and battery company partly owned by Warren Buffett that is trying to break into the hybrid car market here. "In the U.S., the focus of companies is on how to save themselves," Zhou says. "Here in China, the market is great!"

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