

## Xi'an hits reverse on car restriction

### Rescinds 1-million limit following public outcry

By HAN TIANYANG and GONG ZHENGZHENG

In a move that reflects the myriad challenges facing the world's biggest auto market, the government of Xi'an last week rescinded a plan to limit new car license plates following a strong public outcry.

The decision followed an Aug 1 announcement that the number of motor vehicles in the city would be limited and the government would hold a hearing to consider public opinions.

An expert panel organized by the Xi'an city government previously said the city should limit private car ownership to under 1 million vehicles before 2015 to solve traffic congestion problems.

According to local statistics, the number had already surpassed 846,000 in May and is on track to easily break the 1-million threshold over the next two years.

The Xi'an announcements came only a month after the Guangzhou metropolitan government implemented a highly controversial policy to restrict the number of new car license plates each year to just 120,000.

Guangzhou became the fourth city in China to place limits on new plates following Beijing, Shanghai and Guiyang in Guizhou province.

**846k**  
vehicles

are already on the road in Xi'an

**56**

percent drop

In new car sales after the Beijing government began a lottery system to allocate car license plates

But the Xi'an plan stirred strong public complaints, especially on the Internet. Facing the pressure, the city government decided to halt the initiative.

#### More cities to follow

Experts note that it is only a question of time before more cities take measures to control the number of cars as they deal with increasing traffic and pollution problems.

Zhang Xin, an auto analyst with Guotai Jun'an Securities, said Shenzhen, Hangzhou, Nanjing, Qingdao and Dalian are all mulling similar restrictions on car purchases.

Zhong Shi, an independent auto analyst based in Beijing, said it will be a trend for major cities that suffer severe traffic problems to limit car purchases. He said the restrictions will surely affect the auto market since cities with more traffic congestion are usually those with strong purchasing power.

Guangzhou's new car sales are expected to decline significantly under the new policy. Last year, the city registered 330,000 new vehicles, nearly three times the quota under its new regulations.

After Beijing's sales cap took effect in December 2010, new car sales in 2011 tumbled by 56 percent to about 400,000 vehicles. In comparison, more than 700,000 vehicles were sold in the city in 2009 and the number was nearly 900,000 in 2010.

Analysts also warned that the trend will hit domestic carmakers particularly hard. Their main products are small, inexpensive vehicles that target mostly first-time buyers, exactly the most affected group by the license plate restrictions, they said.

"Consumer psychology changes because it's more dif-



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A hopeful buyer in Guangzhou is among those vying for 120,000 plates that will be issued by the metropolis this year. A similar plan by Xi'an has been put on hold.

icult to get a car license plate," Zhong said. "Thinking that it's once and for all will make them choose more expensive vehicles with bigger engine displacement instead of cheap and small ones."

"What we learned from Shanghai and Beijing tells us that — whether through lottery or public auction — such policies influence consumers to buy more expensive, bigger cars and foreign-branded cars," said Dong Yang, secretary-general of the China Association of Automobile Manufacturers, who strongly disagreed with

the local governments' measures to curb sales.

#### Domestic brands

In the first half of 2012, domestic brands sold 3.15 million passenger vehicles including minivans, a decrease of 0.2 percent from a year earlier, while the overall passenger vehicle market grew 7.1 percent, according to statistics from CAAM.

The market share of domestic passenger vehicles declined 3 percentage points to 41.4 percent in the first half. German and Japanese

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brands both reported increases of more than 1 percentage point in market share, the association said.

"But it won't be a fatal blow to

domestic carmakers," said Lin Huaibin, an auto analyst with consultancy IHS Automotive. "They still have opportunities in many medium and small cities."

Zhang with Guotai Jun'an added that the fundamental problem with license plate restrictions is that infrastructure can't keep pace with the increasing number of cars.

Yet limiting in car purchasing is a half-measure, some analysts noted, calling for the local governments to improve both public transport and city planning to limit congestion and pollution.

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### SHORT TORQUE

#### July sales rise

Last month, vehicle sales in China rose by 8.16 percent over July last year to 1.38 million units, according to the China Association of Automobile Manufacturers. But the figure was down 12.56 percent from June. In the first seven months of the year, vehicle sales in China totaled 10.98 million units, up 3.56 percent from a year ago.

#### Fuel price hike

On Friday the government raised retail prices for gasoline by 390 yuan per ton and diesel by 370 yuan per ton. The move, following three consecutive price cuts from May to July, came after a rebound in international crude prices.

The benchmark retail price for gasoline will be raised by 0.29 yuan per liter and diesel by 0.32 yuan per liter, according to the National Development and Reform Commission, the country's top economic planner.

Under China's current system used since 2009, domestic fuel prices can be adjusted if international crude oil prices change by more than 4 percent over 22 working days.

#### Toyota RV4 recall

Toyota Motor Corp and its Chinese joint venture Tianjin FAW Toyota announced a recall of a total of more than 160,000 locally made and imported RV4 compact sport-utility vehicles beginning on September 3 due to potential rear suspension defects.

The affected vehicles include 13,474 imported RV4s built between July 21, 2005 and November 28, 2008, as well as 147,310 RV4s locally produced between February 6, 2009 and October 31, 2010.

#### Reshuffle at Chery

Yin Tongyao, president of Chery Automobile, has taken the helm of the domestic carmaker's sales to implement aggressive internal reshuffling in a bid to turn around slumping numbers in a slowing market. Former vice-president Lu Jianhui, who was in charge of sales, was moved to another post.

Chery's first-half sales tumbled by 11.6 percent year-on-year to 201,200 cars, according to industry data. In the first quarter, it reported net losses of almost 100 million yuan.

#### Ford sales soar

US carmaker Ford Motor Co's China sales soared by 32 percent year-on-year to 42,560 vehicles last month. The locally made all-new Focus compact was the best-selling model with a deliveries totaling more than 11,000 units last month.

The company's January-to-July sales in China edged up by 4 percent to 319,882 units from a year ago.

MOToring

## Mercedes-Benz raises stake for unified dealer management

By HAN TIANYANG and GONG ZHENGZHENG

German auto group Daimler AG, the parent of Mercedes-Benz, recently reached an agreement with partner Lei Shing Hong Ltd for a bigger stake in the luxury brand's China sales company, its latest move to integrate sales channels and accelerate growth in the country.

Daimler will increase its stake in Mercedes-Benz (China) Ltd from 51 to 75 percent through a capital increase, the company said in an emailed statement to China Daily last week.

The contract was signed on July 26 by Daimler AG, Daimler North East Asia and Lei Shing Hong, and is expected to get regulatory approval by the end of this year, the statement said.

The restructuring will leave Hong Kong-based Lei Shing Hong, Mercedes-Benz's biggest dealer in China, with only a 25 percent stake — down from 49 percent — in Mercedes-Benz

(China) Ltd, which sells imported Mercedes-Benz cars.

At the end of April, Lei Shing Hong owned about 50 Mercedes-Benz dealerships in China, almost a quarter of the German brand's network of more than 210 dealers.

Daimler also runs a joint venture with Beijing-based Chinese automaker BAIC Group that produces and sells Mercedes cars including the E-Class and C-Class sedans as well as the GLK sport-utility vehicle. The tie-up is named Beijing-Benz Automotive Co Ltd.

The two separate operations have grappled for several years over control of the Mercedes sales network, which has impeded the brand's growth in China.

In the first half this year, Mercedes-Benz sold 105,200 vehicles in China, an 11 percent year-on-year increase, but numbers that showed a widening gap behind its two major competitors Audi and BMW, which both reported a sales surge of



Three-pointed star at a Lei Shing Hong Ltd outlet in the Wangjing area of Beijing. The Hong Kong-headquartered company's share of the sales company for imported Mercedes-Benz cars will fall to 25 percent, according to an agreement signed on July 26.

more than 30 percent.

About a third of the company's total deliveries in China are locally made Mercedes-Benz vehicles. The number is expected to reach 70 percent by 2015 as the luxury carmaker raises local production capacity. The change product mix is also expected to affect dealer interests.

Industry analysts note the company needs a unified sales management plan for both imported and locally made products to clear the way for accelerated growth in China.

According to Daimler, an all-new sales joint venture company between Mercedes-Benz (China) Ltd and Beijing Benz is in the pipeline, which will be responsible of overall man-

agement of sales activities for both imported and locally made vehicles.

Previous media reports said that Lei Shing Hong was the stumbling block in the plan, but the latest stake change indicates that the problem has been solved.

"The increased stake (in Mercedes-Benz (China) Ltd) is an integral part of our strategy of repositioning our sales activities in China," Dieter Zetsche, chairman of the board of management of Daimler AG and head of Mercedes-Benz Cars, said in a recent conference call when the management discussed second-quarter results with analysts and investors.

"Now having a signed

agreement with Lei Shing Hong, we have (taken) the first step with one partner to achieve the second step of a legally integrated sales organization together with BAIC," he said. "We are in these negotiations but not finalized."

Zetsche said that Mercedes-Benz will accelerate expansion of its dealer network in the second half.

Along with new products the company plans to launch in the second half of the year, sales in China could have a major lift starting in the fourth quarter, he said.

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