

China Heavy Truck Industry Report, 2010-2011

Apr.2009



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1. Overview of China Heavy Truck Industry

1.3 China Heavy Truck Emissions Standard

The major developed countries around the world all have their own standard for vehicle emissions, while the emissions standard in China mainly derives from European Emissions Standard System.

Vehicle Emissions Standard in China

Unit: mg/km	HC	CO	NOX	PM
China II Standard	1.10%	4.00%	7.00%	0.15%
China III Standard	0.66%	2.10%	5.00%	0.10%
China IV Standard	0.46%	1.50%	3.50%	0.02%
China V Standard	0.46%	1.50%	2.00%	0.02%

Source: ResearchInChina

Planned and Actual Execution Time for China Emissions Standard

		China II Standard	China III Standard	China IV Standard	China V Standard
Type	Planned	2004.9.1	2007.1.1	2010.1.1	2012.1.1
approval	Actual	2004.9.1	2007.1.1	Pending	Pending

Source: ResearchInChina

China III Standard

There are four kinds of Chinese III technical routes in international market, namely, EUI, HP Common Rail, EUP, and EIL+EGR. Bosch and Denso mainly adopted HP common rail system in Chinese market, and Delphi adopted HP common rail system in middle and light-duty truck as well as introduced unit pump and unit injector technology in heavy-duty truck. In addition, Sinotruck employed EIL and EGR technologies.

Chinese Enterprises' Measures for the National Standard III

Enterprises	Countermeasures
FAW , Dongfeng, Sinotruck	Launched State III "Gold Prince" collection of heavy-duty engines
Shaanxi Automobile	**
Beiqi Foton	**
Chongqing Heavy Truck	**

Source: ResearchInChina

By August 2009, Sinotruck's EIL+EGR engine was certified by Ministry of Industry and Information Technology and the Ministry of Environmental Protection; also, FAW Wuxi Diesel Engine, Yuchai, Shanghai Diesel Engine, and Weichai and Cummins provided such kind of engines, which have not yet been certified by the Ministry of Environmental Protection. In Q1, 2009, EGR-equipped heavy trucks of DFCV, DFLZ, and FAW J5 have been successively launched and operated at the end market.

As to the complete vehicle enterprises, the components supply is still a hard nut, With the implementation of Chinese III Standard, the market concentration degree will be further improved, thus the entire industry is bound to be reshuffled. After the Heavy-duty Automobile Chinese III Standard have been implemented, the vehicle price will ascend to some extent, and price of products with State III engine will be RMB 25,000 higher than that of products with State II engine. Therefore, with the nationwide implementation of Chinese III Standard, price of heavy-duty trucks is bound to go up in Chinese market.

China IV Standard

Facing the increasingly stringent emission standards, China heavy truck manufacturers will employ ** technology to meet China IV Standard for Emissions. The engine system satisfying above standard costs ** ten thousand yuan more than the engine system that adopted the high pressure common rail technology and met China III Standard, and ** ten thousand yuan more than that with ** technology based on China III Standard. Therefore, the implementation of China IV Standard will bring more cost to enterprises to some extent and squeeze their profit margin, which may finally result in shifting the rising cost to consumers by enterprises via rising prices.

2. Heavy Truck Market in China

2.3 Competition

2.3.1 Capacity Planning of Key Manufacturers

Among the existing major manufacturers, Baotou Bei Ben Heavy-Duty Truck Co., Ltd. and SAIC-IVECO Hongyan Commercial Vehicle Co., Ltd. have no plan of capacity expansion owing to the lower sales volume than the current capacity in 2010; while the other enterprises implemented the capacity expansion plan because of the substantially larger sales volume than the capacity in 2010 so as to seize the market shares.

FOTON plans to increase the annual capacity of ** heavy trucks, which is ** folds of the capacity in 2010.

SINOTRUK projects to expand the annual capacity by ** heavy trucks; yet it still fails to meet the sales volume plan of 230,000 in 2011 together with the existing annual capacity of **.

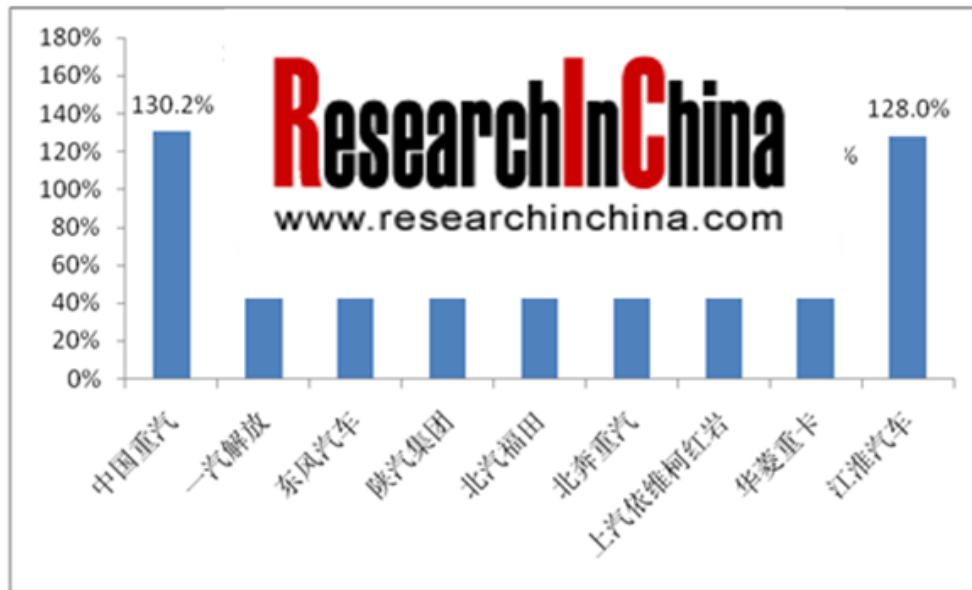
Meanwhile, the capacity of new entrants was released in 2010. However, such new entrants as ** feature the annual capacity of fewer than **, and subject to the factors like brand awareness ... the annual sales volume of heavy trucks rests on ** **, the capacity utilization **, and the market share **.

Capacity Planning of Key Manufacturers of Heavy Truck, 2010 (Unit: 1000)

Company	Existing Capacity	Capacity Expansion Plan	Target Capacity	Sales Volume in 2010	Objective in 2011
SINOTRUK	150	40	190	200	230
FAW Jiefang	**	**	**	**	**
Dongfeng Automobile Co., Ltd.	**	**	**	**	**
Shaanxi Automobile Group Co., Ltd.	**	**	**	**	**
FOTON	**	**	**	**	**
Baotou Bei Ben Heavy-Duty Truck Co., Ltd.	**	**	**	**	**
SAIC-IVECO Hongyan Commercial Vehicle Co., Ltd.	**	**	**	**	**
Anhui Hualing Automobile Co., Ltd.	**	**	**	**	**
JAC	**	**	**	**	**

Source: ResearchInChina

Capacity Utilization of Key Manufacturers of Heavy Truck in China, 2010



Source: ResearchInChina

Capacity Planning of New Entrants of Heavy Truck Industry

New Entrants	Project Startup	Capacity (1000)	Investment	Operation	Objective in 2011 (1000)
**	2004	**	**	**	**
**	**	40	RMB1.5 billion	**	15
C&C Trucks	**	**	**	**	**

Source: ResearchInChina

5. Key Enterprises

5.1 FAW

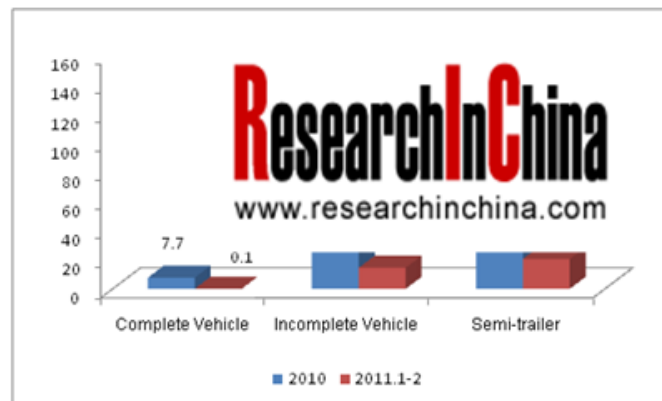
5.1.2 Operation

The heavy-duty truck products made by FAW are mainly incomplete heavy-duty trucks and semi-trailers.

In 2010, FAW manufactured ** heavy-duty truck products, of which, there were ** semi-trailers, accounting for 61.1% of the total output; there were **0 incomplete vehicles, accounting for **% of the total output; the output of complete heavy-duty trucks was **, accounting for the smallest share in the total output of heavy-duty truck products.

In January-February 2011, FAW manufactured a total of ** heavy-duty truck products, down 14.5% year on year, mainly due to the fact that the output of semi-trailers was only **, far less than the 25,800 in the same period last year. Semi-trailers accounted for **% of the total output of heavy-duty trucks. The output of incomplete heavy-duty trucks was 14,400, up 2.8% year on year.

Production of Main Products of FAW, 2010-2011 (Unit: 1,000)

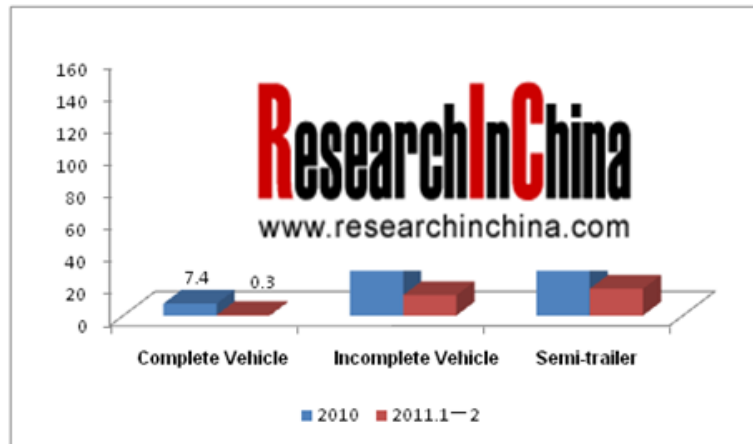


Source: China Association of Automobile Manufacturers; ResearchInChina

In 2010, FAW's sales volume of heavy-duty truck products reached 230,700, of which, the sales volume of semi-trailers reached 143,900, accounting for 62.4%; the sales volume of incomplete heavy-duty trucks reached 79,400, accounting for 34.4%; the sales volume of complete heavy-duty trucks was 7,418.

From January to February of 2011, FAW sold ** heavy trucks, a fall of **% year-on-year, which mainly resulted from the sharp drop in the sales volume of semi-trailer. From January to February of 2010, the semi-trailer sold **, a decline of 37.2% year-on-year; and the sales volume decreased by ** vehicles.

Main Product Sales of FAW, 2010-2011 (Unit: vehicle in thou.)



Source: China Association of Automobile Manufacturers; ResearchInChina

5.1.3 Marketing Service

In 2009, FAW Jiefang accomplished the selective construction of its first-level sales outlets in twenty prefectural-level cities; newly built eleven service stations, and the number of service stations increased to 593; newly set up ** service sub-stations, and the number of sub-stations registered 350; newly established 147 sales outlets of spare parts, and the number of spare parts marketing outlets arrived at 436; and carried the commitment of delivery of spare parts for urgent need within 72hours. By 2011, it realizes the coverage of its marketing network in 150 key prefectural cities; completes the construction of** service stations and sub-stations, and the average radius of services is shortened from 60km to 45km; and accomplishes the construction of 5000 network agents of spare goods.

Additionally, FAW Jiefang has developed a relatively perfect distribution and service network in 11 African countries.

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