

The China Automotive Industry



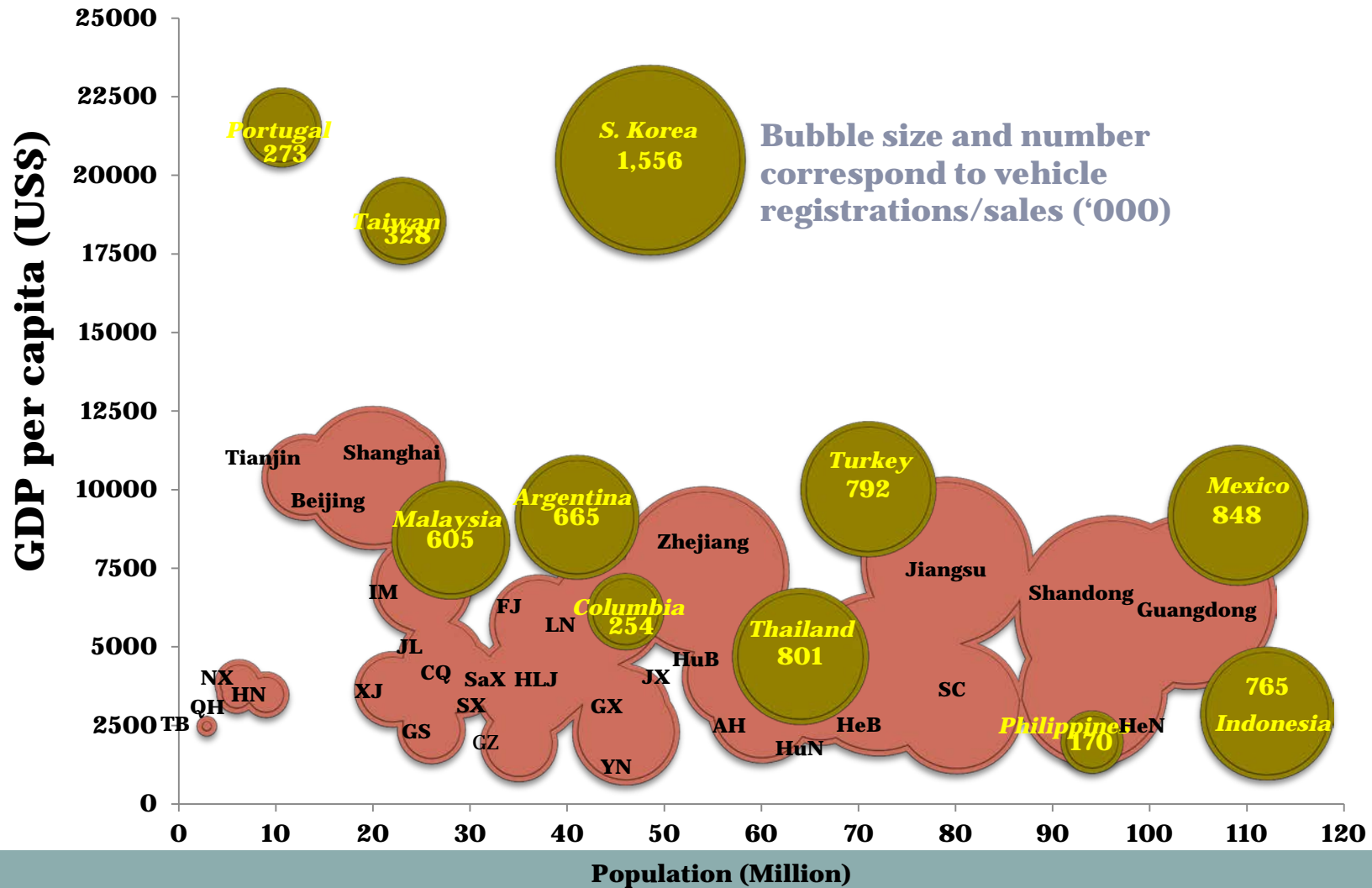
**UNDERSTANDING AND
OPPORTUNITIES**

What is China



- **It's Big - 1.3B**
- **It's Connected (1.2B Mobile Phone subscriptions, 600M internet connections).....and Informed**
- **It's Diverse**
- **It has great Infrastructure (4.2M Paved Roads, Largest high speed railway system)**
- **It's increasingly Urbanised (51% urbanised, 160 cities greater than 1 million)**
- **It's Modern**
- **It's Materialistic**
- **It's Aggressive**
- **It's Complicated**

MANY MARKETS IN ONE GEOGRAPHIC REGION



What is China

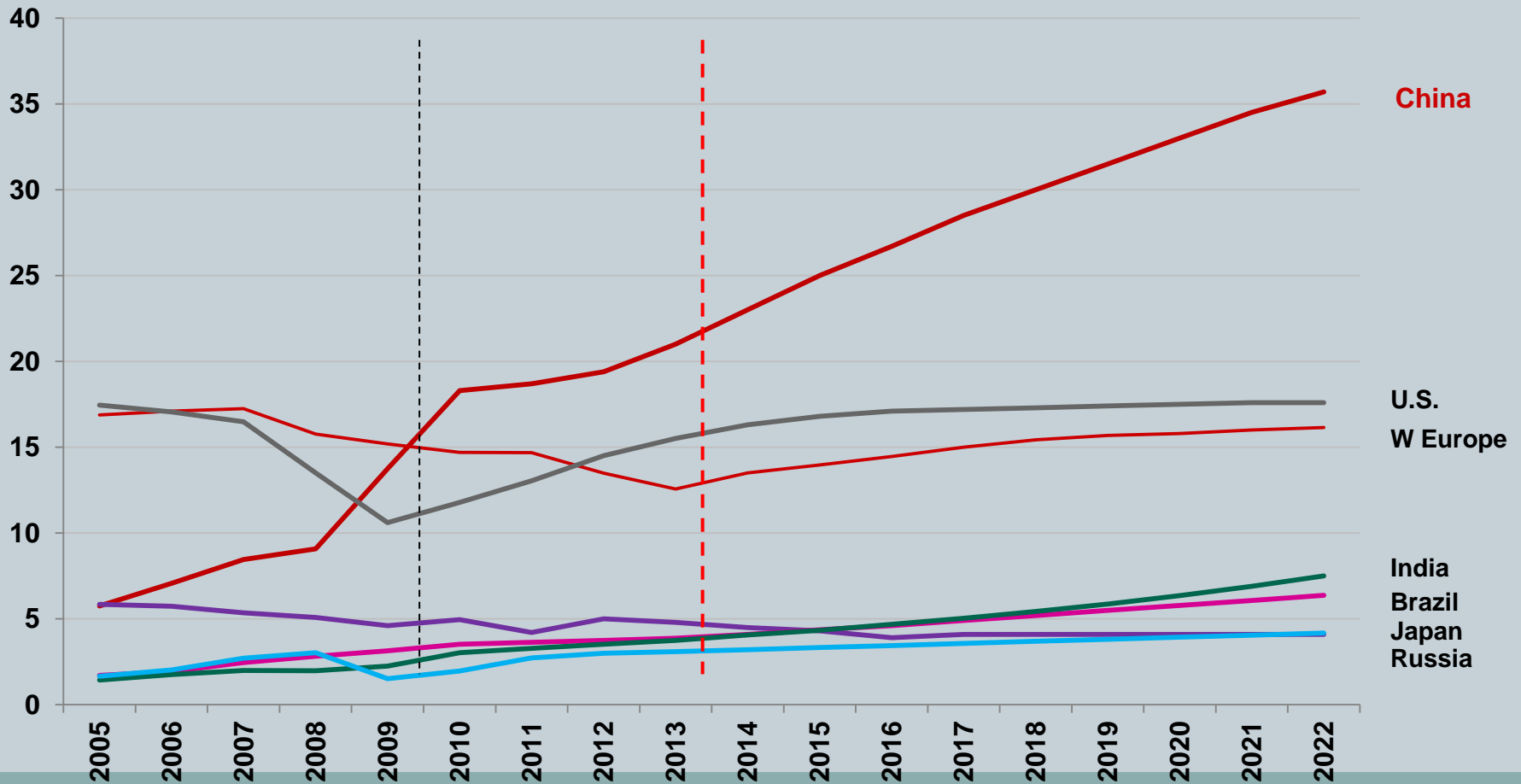


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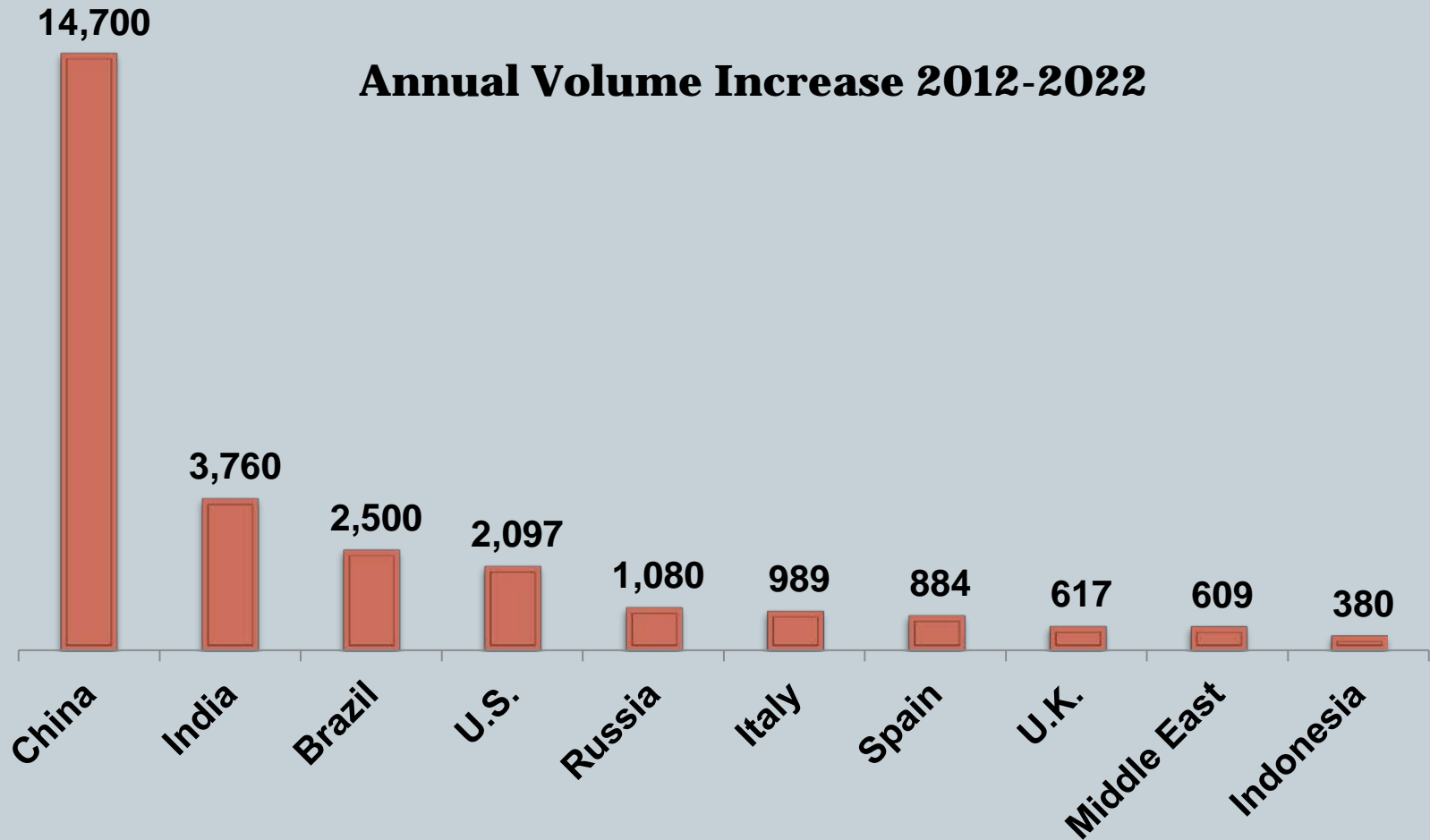
The Largest Market in the World....



Unit: M



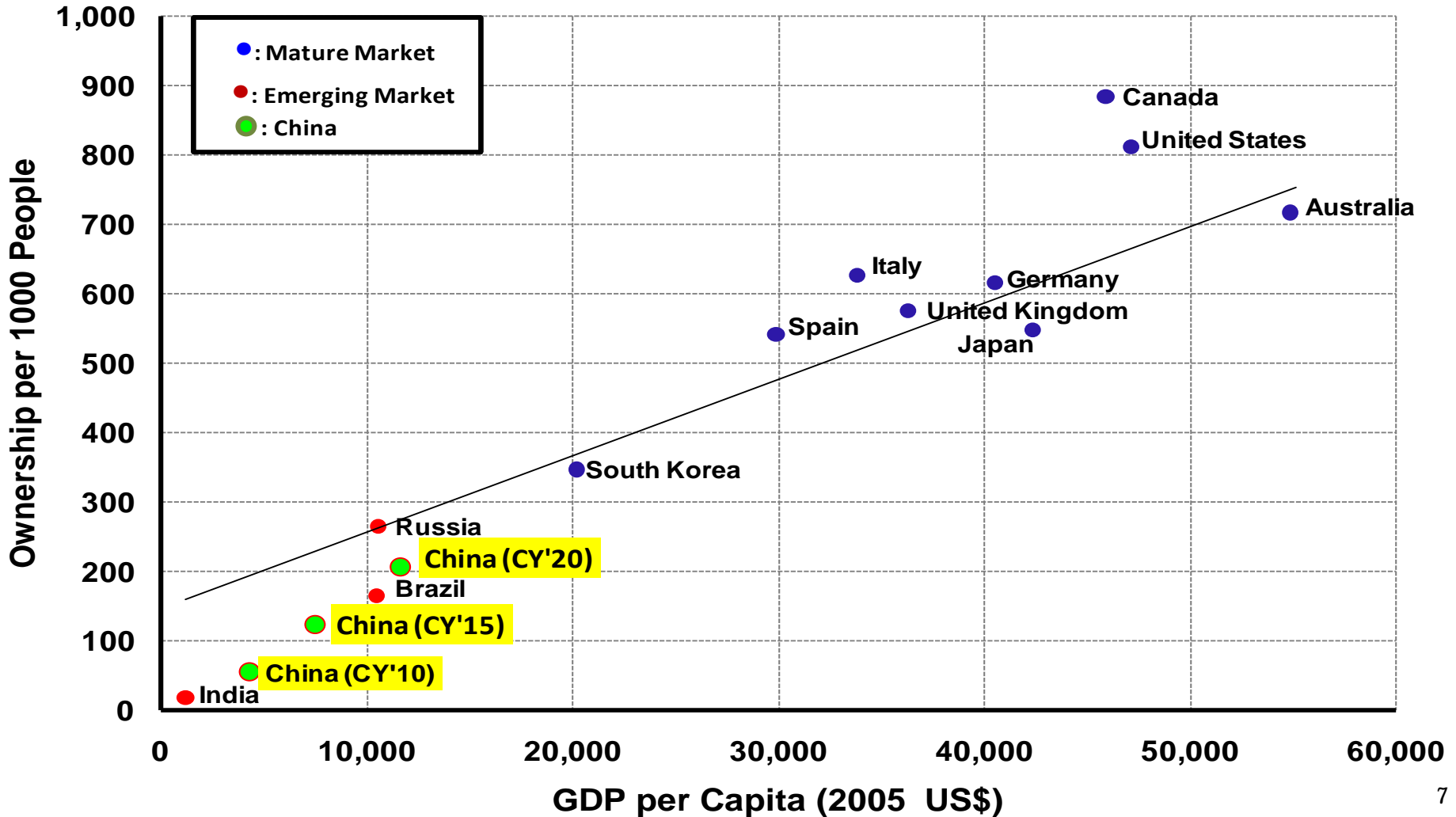
.....And Getting Bigger!!



Room for Continued Industry Growth



GDP per Capita vs Ownership per 1000 People



Who are the Key Players



- **Industry segmented in many different ways**
 - By individual Joint Ventures
 - By major China Auto groups
 - By major international OEM's
 - By indigenous products and brands
 - By categorycar, truck, mini light commercial

...And the Winners Are



- **GM and VW** **15% each**
- **Followed by**
 - ✦ **Hyundai** **8%**
 - ✦ **The Japanese** **3-4% each**
 - ✦ **Ford** **3%**
 - ✦ **The Europeans** **3% each**
 - ✦ **The Indigenous brands** **2-4%each**

The Prospects for the Indigenous Brands



- Great Wall – well managed company with great niche positioning
- BYD – the darling of the stock market BUT some major missteps and positioning in traditional car market obscure
- Chery – strong political base, very aggressive but over extended and brand strategy unclear
- Geely – very complicated. Complex multi brand strategy, average product, complicated Volvo integration
- JAC, Brilliance, Lihan....and many others

What is Driving the Market



- GDP is strong and will continue to grow
- China wants to move quicker towards a consumer led economy
- Car ownership is low by any standard
- Infrastructure is good...encouraging road use
- Cars are aspirational
- Chinese increasingly value privacy and mobility
- Supply is extensive for all types of vehicles

Future Market Trends



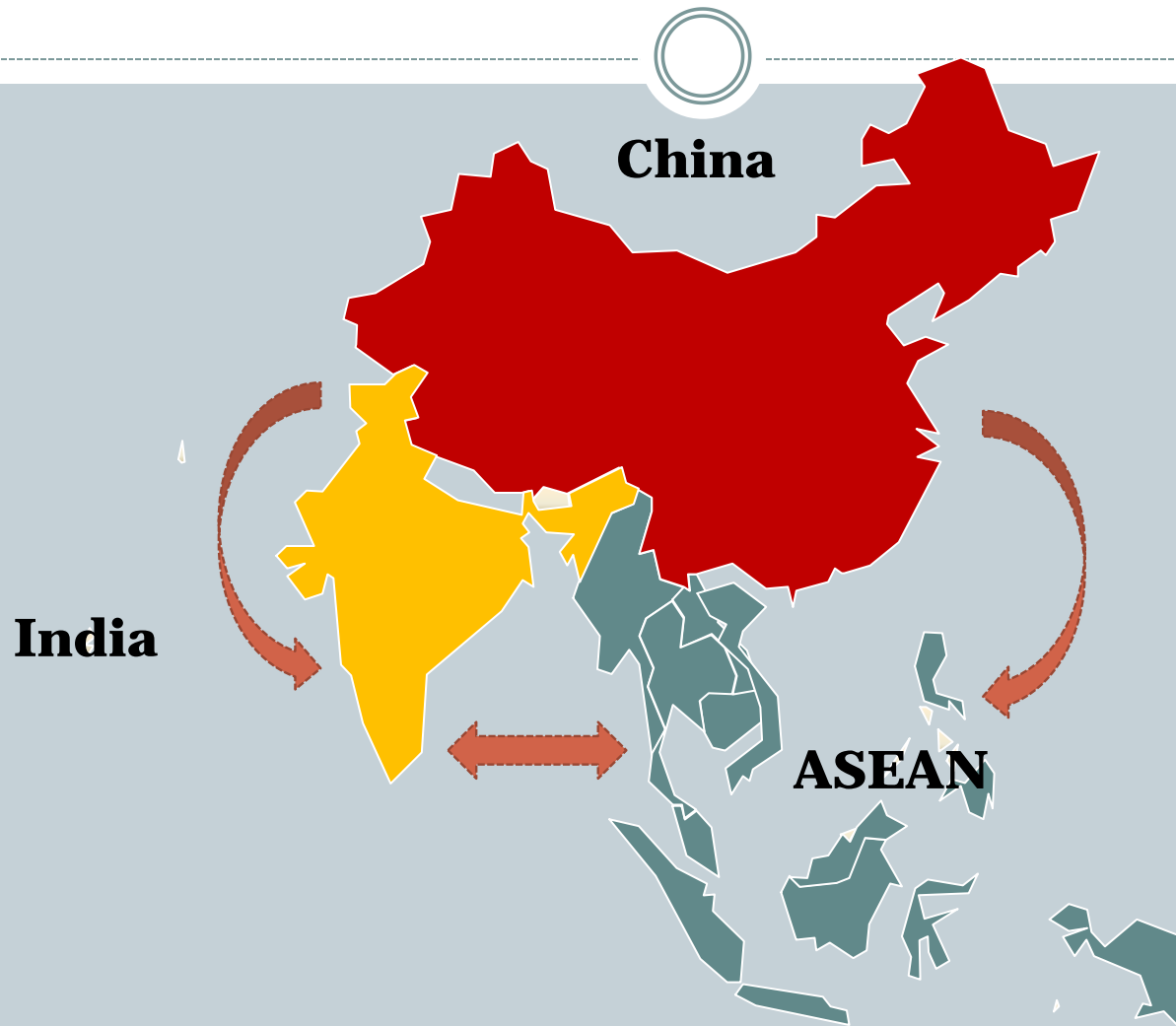
- Increasing SUV's...of all sizes
- Increasing luxury market (data on relative sizes)
- Smaller engines
- Increasing technology

Industry Regulation and Policy



- Continued focus on safety, emissions and fuel economy
- 5L per 100k by 2020 still published goal
 - Toughest fuel standards in the world
- Continued focus on electrification – at all levels. Will increasingly allow hybrids to be recognised as EV's

China as Part of Greater Asia



Opportunities in Other Parts of Asia



- **These sub regions likely to become increasingly linked over time**
- **Important to look at market potential in each market**
- **Need to understand potential for trade and leverage**
- **Understand the China trading links through Asia and their ambitions in Asia**

Market Potential in Pan Asia Market



Income Distribution (USD)

	0-2.5K	2.5-5K	5-10K	10-20K	20K -
China	29.5M	89.4M	113.2M	90.0M	60.4M
India	139.6M	77.6M	37.4M	8.7M	1M
Indonesia	15.1M	24.7M	19.3M	5.8M	0.7M
Thailand	1.1M	3.0M	7.7M	6.3M	5.6M
Vietnam					

What Does All This Mean For You



- **Basic economics – China (and the greater Pan Asia) is growing, Australia is small and static**
- **Need to consider if you want to participate in these markets**
- **What can you offer to these OEM's – quality, technology, engineering skills, new relevant solutions.**
- **Do you need to partner or can you go it alone**
- **Can you leverage Australian operations ...or not**

How to Win in China



- You must be relevant in terms of technical solutions, quality, supply continuity, supply flexibility and cost
- Pick your mark – luxury, global OEM's, Indigenous manufacturers or commercial
- Build a relationship – first, second and third!
- Listen and understand what they want
- Provide pragmatic, innovative solutions for where the market is going.....not where it has been
- Supply proximity and continued dialogue is critical

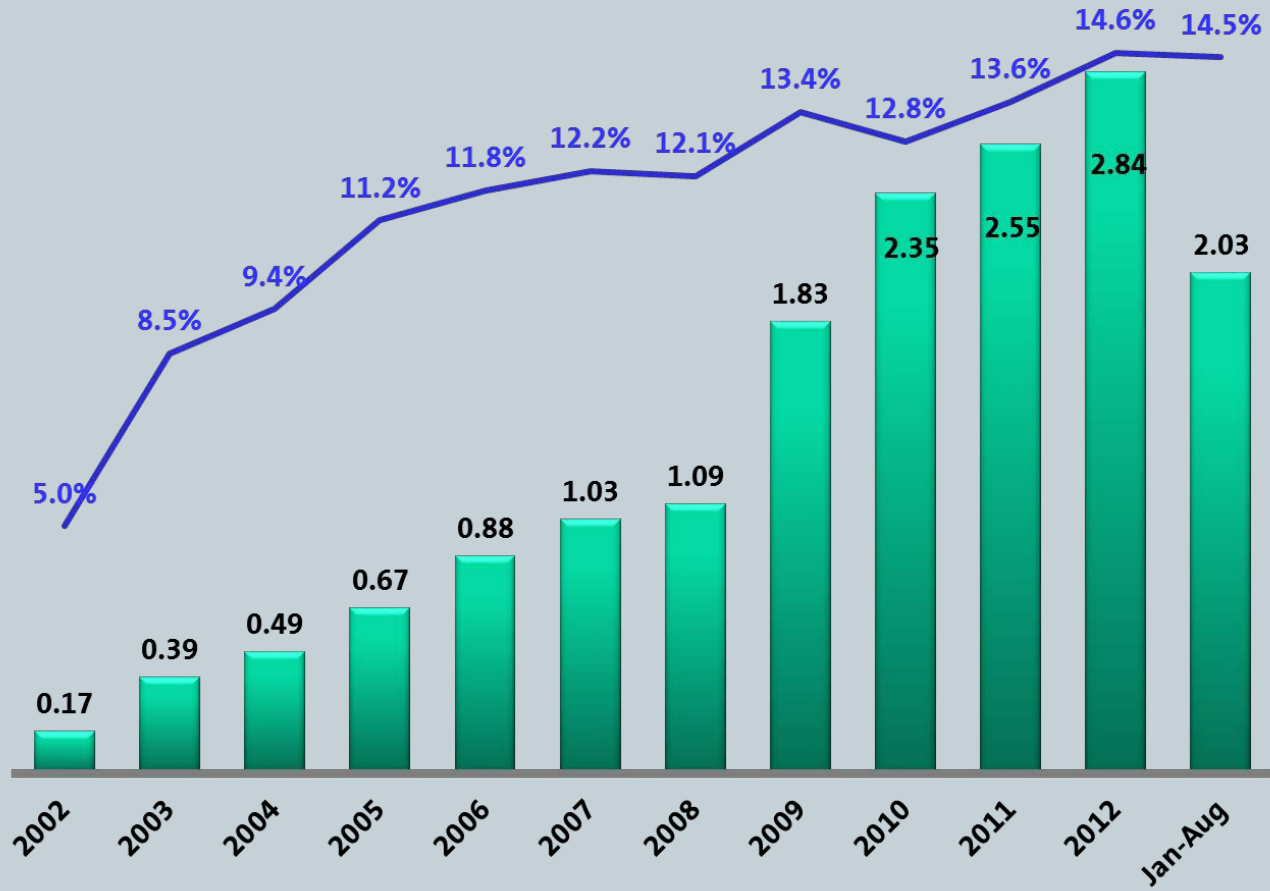


Good Luck!

Back Up



GM Volume and Share

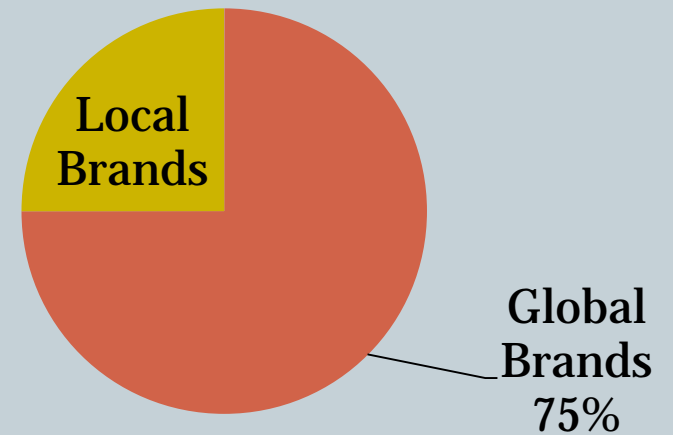
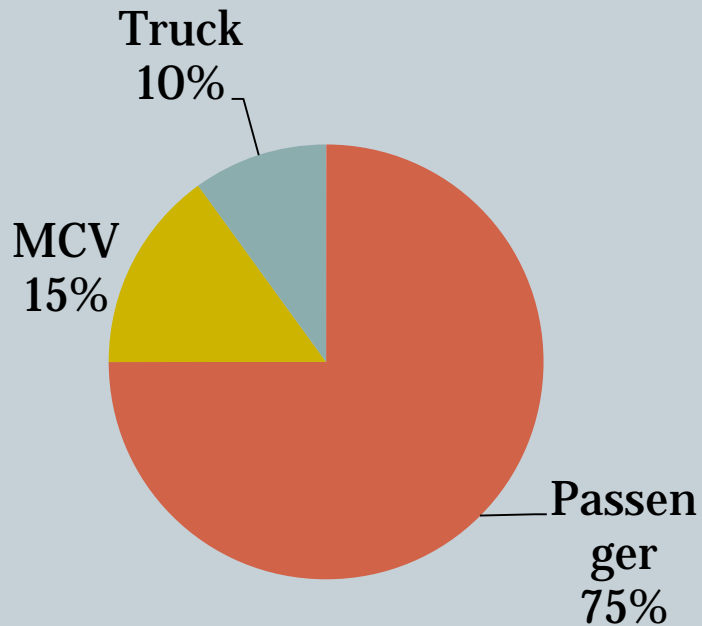


GM's Growing Footprint

- 12 joint ventures
- Engineering & design center
- Automotive financing JV
- On-board telematics JV
- Certified used car JV



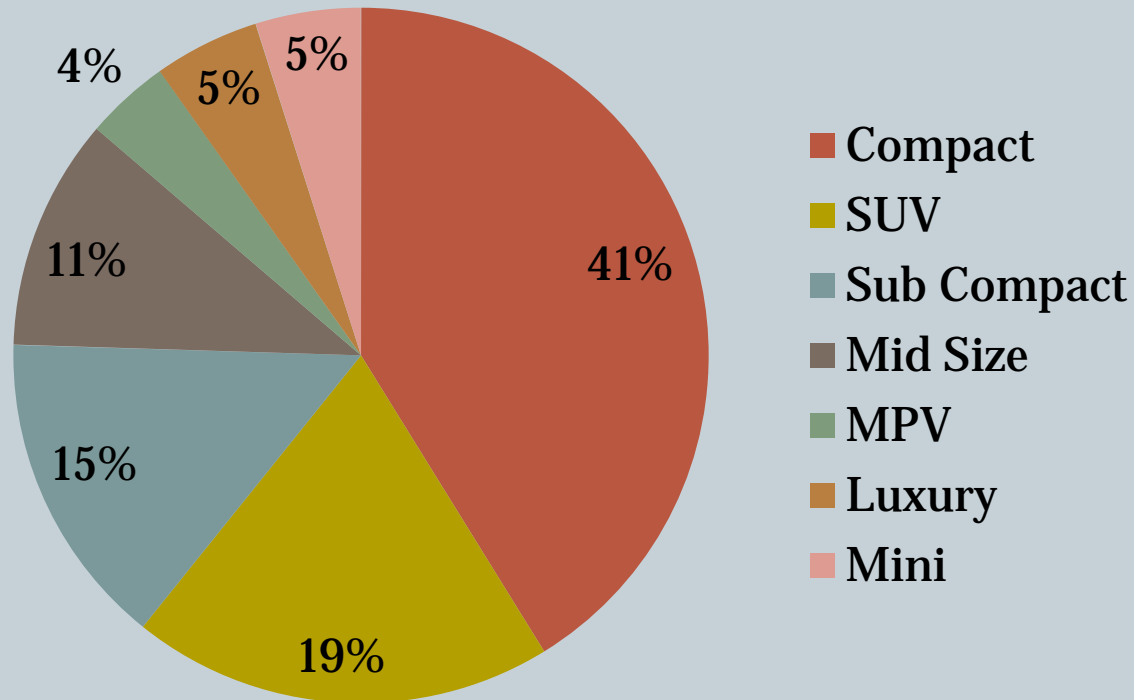
What Makes Up the Market



What Makes Up the Market



Segment Split



What Makes Up the Market



Luxury Market

