

Chinese autos not ready for prime time, absent from Cobo

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Visitors to this week's North American International Auto Show will see new trucks, performance cars and upscale crossovers.

Something they won't see: vehicles from Chinese automakers.

At least one Chinese automaker has set up shop inside Cobo Center every year since 2006. Some of those cars looked unsophisticated and amateurish, compared to the flashy American, European, Japanese and Korean brands. But this year, the Chinese automakers are quietly absent.

And although the Chinese have promised for a decade to bring cars to the U.S. by now, industry-watchers say it could be some time before we see Chinese automakers here again, and five years before an actual Chinese-built car hits American roads.

"I'm not surprised at all," said Michigan car czar Nigel Francis, a former Mercedes-Benz executive whose job is to help lure Chinese businesses — especially those linked to the auto industry— to the state.

Francis, who accompanied Gov. Rick Snyder to China last year in a trade mission, said that country's automakers are still "in a preparation phase. Why would they come here? If you stand back and look at it as a car guy, you have to create a product which is relevant for a market you're selling it to.

"If you miss the mark, you have a possibility of damaging a brand you are trying to create."

The lack of Chinese presence at this year's Detroit show hasn't stopped the Chinese from talking. An executive at BYD Co., a Chinese automaker, told Bloomberg News this month that the company plans to introduce four models for the U.S. market at the end of 2015.

But BYD's announcement could be just the latest in a series of bold predictions from Chinese automakers that include Great Wall Motor Co. and Geely Automobile Holdings Ltd., the first Chinese automaker to bring a car to the Detroit auto show. Geely first made an

appearance at the Detroit show in 2006, and proclaimed it would soon bring a vehicle to the U.S. market, but those plans have not yet come to fruition.

The Chinese automakers — relatively young, compared to the many decades of experience of Ford Motor Co., General Motors Co. and Chrysler Group LLC — haven't yet followed through with plans to introduce vehicles in the world's second-largest market.

"I think at this point it's still such a nebulous process, we're just holding our breath and waiting," said Karl Brauer, an auto analyst at Kelley Blue Book. "It seems like every year, we've heard that they're just around the corner."

There are many reasons the promises of Chinese automakers haven't panned out.

The Chinese auto market, the world's biggest, is growing at such an exponential rate that automakers can hardly keep up with demand. Chinese automakers would have to establish a dealer network, and the U.S. market is already heavily saturated with American, German, Korean and Japanese automakers.

"Unlike the situation with the Japanese, in which maybe a handful of manufacturers came over in the '80s, the Chinese market is very fragmented," said Mark Heusel, an attorney at Dickinson Wright, who works with Chinese firms looking to relocate or set up operations in the U.S.

Heusel said there are more than 40 private and state-owned Chinese automakers, few of which have the money, resources or quality vehicles to compete in the U.S. market.

"As you see the consolidation in that industry and find out the real players, you'll see the companies who have a greater potential for an export portfolio," he said. "But I am very confident that in the next five years, you'll see Chinese-branded vehicles on U.S. roads."

Michigan impact

Imports are one way the Chinese can stick their toe into the U.S. market. But Francis, Michigan's car czar, believes that won't happen until an automaker has an engineering and development workforce here in the U.S.

His bet, of course, is that they'll locate in Michigan: Automotive research and development and office jobs here have risen 15 percent since 2000, according to a recent report from the Chicago Federal Reserve. That spike has been driven mostly by foreign automakers looking to tap the state's intellectual talent.

"The most likely activity from them would be to locate research and development and advanced engineering facilities here in the state of Michigan," Francis said. "The R&D and advanced engineering is part of that preparatory phase. The expertise is here in Michigan."

There are hints that Chinese automakers recognize that: Changan Automotive, described as one of the Chinese "Big 4" automakers, has a small engineering presence in Plymouth.

Geely, which now owns Volvo, has teamed with start-up electric-car maker Detroit Electric. And SAIC Motor Corp., GM's joint-venture in China, has an office in Birmingham.

Analysts including Heusel and Brauer believe the best chance for Chinese cars to make it on U.S. roads, at least initially, is through importing — but not from China.

Chinese automakers may choose to build factories in Mexico or in South America to serve those markets, then export some vehicles to the U.S.

But in the long term, analysts say Chinese automakers must have broad operations in America.

“If you’re going to come to the U.S., you need to have sales here, manufacturing here, R&D here,” Heusel said.

Success breeds success

In a roundabout way, Chinese automakers may actually need a strong U.S. sales push to be successful in their home market, as Chinese consumers continue to prefer foreign brands like GM, Ford, Toyota, Volkswagen, Hyundai and Nissan. To put it bluntly, Chinese consumers prefer American goods.

Take for instance Ford’s Lincoln brand, which won’t officially be introduced to the Chinese market until the end of the year. It likely has better brand recognition in China than it does in the U.S. — where sales have dropped for years — and analysts say the China market could single-handedly save the struggling brand.

“If you really want to sell cars to Americans, you need to start partnering with as many Detroit car-related companies as possible,” said Milan Stevanovich, director of business development and community relations at the nonprofit Detroit Chinese Business Association. “And the Chinese automakers will be able to better sell cars to the Chinese once they (the Chinese) see Americans buy Chinese cars.”

Stevanovich says he’s not disappointed that a Chinese auto manufacturer is not at this year’s Detroit show, because at this point, the Chinese aren’t ready to begin

“To me, that’s not important, because we want to see as many collaborations and joint-ventures with Detroit companies as possible,” he said.



Zoom

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Former Secretary of State Hillary Rodham Clinton today touted General Motors Co.'s recent decision to appoint Mary Barra as the auto industry's first female chief executive.

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