Five Competitive Forces in China's Automobile Industry:
Bus and Coach Sector

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Abstract

This paper provides a picture for a fast-developing sector of the China automobile industry, i.e. the bus and coach assembling sector. With the aid of Five Competitive Forces Model, in-depth analysis will be made on the major five factors that affect the companies' performance. Hence, better business strategy can be formed.

In the later part, some points that do not covered by the Five Competitive Forces Model will also be discussed so as to give a better understanding of the sector as a whole.

Finally, recommendations are made for the bus and coach assembling industry. What are the difficulties faced by them? What are their future prospects?

Five Competitive Forces in China's Automobile Industry: Bus and Coach Sector

1. Introduction

China - 3rd largest automobile manufacturing country

The automobile industry in China is a large, dynamic and vibrant market. After the entrance to WTO (World Trade Organization) since the end of 2001, the automobile industry has come to a new decade. In 2006, the production and sales volume of Chinese automobile industry has reached 7.28 million and 7.22 million respectively[1]. It makes China become the world's third largest automobile production country, just after the United States and Japan[2].

1st commercial vehicle manufacturing country

Among various automobile manufacturing sectors, the commercial vehicle sector has a production and sales volume of 2.05 million and 2.04 million respectively in 2006, which ranks the top in the world[3].

1 *2006 年汽車工業發展形勢簡析*, 中國汽車工業協會, 2007-01-19 http://caam.org.cn/caam/caam.web/Detail.asp?id=396

2 *我國汽車生產躍居世界第三*, 中國汽車工業協會, 2007-12-29 http://caam.org.cn/caam/caam.web/Detail.asp?id=189

3 *2006 年商用車產銷穩居世界第一*, 中國汽車工業協會, 2007-2-7 http://caam.org.cn/caam/caam.web/Detail.asp?id=503

Within the commercial vehicles sector, the bus and coach sector has been undergoing tremendous changes in these few years time. These changes not only confined to design and technology enhancement, but also the market composition. In the past, the bus and coach produced are mostly for domestic market with lower-qualities. However, nowadays, more and more bus and coach are produced for overseas market with a much better quality. According to the statistical data published by the China Association of Automobile Manufactures (中國汽車工業協會), the number of medium-sized and large-sized bus and coaches has increased by 34.59% from 4,784 to 6,439 in 2004 and 2005[4]. Compared with an annual increase of 20% in automobile exporting volume within the same period of time[5], this sector development progress is much above the industry average which cannot be neglected.

Introduction to the bus and coach sector

Bus and coach, to be more precise, should be named as **commercial motor-vehicles of passenger transport** (營運客車) according to the definition of Ministry of Communications of the People's Republic of China

[4] *大中型客車國內與國外市場銷量*, 中國汽車工業年鑑 2006 - P.289 表 11-8
[5] *中國汽車產品出口量*, 國家海關總署, 中國汽車工業年鑑 2006 - P.338 表 12-4

(中華人民共和國交通部)[6].

Bus and coach assembling sector would be the focus

Basically, bus and coach can be divided into 2 main parts, i.e. the **chassis** (客車底盤) and the **body** (客車車身). The chassis manufacturer (底盤製造商) first install engines, gearboxes, axles, suspensions and other auto parts (汽車零部件). Afterwards, the body assembler (車身組裝公司) would fabricate the bus body, air-conditioner and interior body structure (車身內飾) like seatings and luggage compartment based on the requirements posed by the bus and coach operator (客車營運商).

In the following paragraphs, I would focus on analyzing the **medium-sized, large-sized and extra-large-sized bus and coaches body-assembling enterprises and corporations** (中大型客車車身組裝公司). The chassis manufacturers and the body parts (車身零件) would be viewed as suppliers while the coach operator, i.e. the ultimate bus and coach buyers would be treated as customers.

[6] *中華人民共和國交通行業標準* (JT/T 325-2006), *營運客車類型劃分及等級評定*, 中華人民共和國交通部
http://www.wwwauto.com.cn/xgJSBZ/hyGL/JT%20T325-06/JT%20T325-2006.htm

In this context, I would assay the China bus and coach assembling sector through the **five competitive forces model** as it not offers insights into the market environment of the industry, but also influences both the existing enterprises as well as the potential local and foreign enterprises in their strategy formation and finding their competitive position.

2. Literature review

Clear Chinese government guidelines and regulations

After years of development, the Chinese government has placed quite mature regulations and enough guidelines towards the bus and coach manufacturing sector. Among various guidelines and regulations, the most important guideline is the "**People's Republic of China Transport Industry Standards JT/T 325-2006 - Type dividing and class rating for commercial motor-vehicles of passenger transport**" (中華人民共和國交通行業標準 JT/T 325-2006 – 營運客車類型劃分及等級評定)[6] which is revised every couple of years. It outlines the latest standards, classifications, alternations as well as the requirements of the bus and coach sector. For instance, after the release of "**Road Vehicles Exterior Dimension, Axles and Quality Limit GB 1589 -**

2004" (道路車輛外廓尺寸、軸荷及品質限值 GB 1589 – 2004)[7], Ministry of Communications extended the bus and coach width limit to 2.55m. Also, the department launched a new category called extra-large-sized (特大型客車) for those bus and coaches having an overall length between 12m and 13.7m. Such requirements keep pace with the latest European standards which can not only improve the quality and development of domestic bus and coach industry, but also stimulate the export of China-made bus and coaches.

Limitation of several journals

I have read numerous journals of the industry. However, although quite a number of them are concentrated on analyzing China's automobile industry, only Zhao Min (2005)[8] evaluates the industry from the angle of five competitive forces. Meanwhile, as his journal focuses on the automobile industry on the whole, it can only give us an overall understanding of the Chinese automobile industry. In order to make a more in-depth investigation, I would like to place my emphasis on the bus and coach sector of the industry, which has been under immense expansion especially for the last decade.

[7] *中華人民共和國國家標準 (GB 1589-2004), 道路車輛外廓尺寸、軸荷及品質限值,* 中華人民共和國技術監督局
http://www.wwwauto.com.cn/xgJSBZ/jyJC/GB%201589-04/GB%201589-04.htm

[8] Zhao Min (2005), *Five Competitive Forces in China's Automobile Industry*, Journal of American Academy of Business, Cambridge

3. Methodology

Gathering information

In my report, secondary data are mostly used. As I want to look deeply into the development of bus and coach assembling sector, some industry yearbooks like China Automobile Market Yearbook (中國汽車市場年鑑) 2002 - 2006[9] and China Automobile Industry Yearbook (中國汽車工業年鑑) 2002 – 2006[10] would be used.

Besides, in order to get pace with the latest development of the industry, some electronic resources like chinabuses.com (中國客車網)[11] will be cited. These electronic resources provide me with the latest sector development news, market situations and government latest regulation towards the sector.

Data Issue

In my report, all the statistics data come from reliable sources like China Association of Automobile Manufacturers (中國汽車工業協會)[12], General

9 *中國汽車市場年鑑 2002 – 2006*, 綫裝書局
10 *中國汽車工業年鑑 2002 – 2006*, 中國汽車技術研究中心、中國汽車工業協會
11 中國客車網 http://www.chinabuses.com/index/index2.htm
12 中國汽車工業協會

Administration of Customs of the People's Republic of China (中華人民共和國海關總署)[13] and National Bureau of Statistics of China (中華人民共和國國家統計局)[14]. Moreover, some companies' annual report of the bus and coach enterprises would be used for identifying their latest development as well as the companies' strategies.

4. Theoretical Framework

Five Competitive Forces framework

Strategy is the creation of a unique and valuable position, involving a different set of activities (Porter, 1998)[15]. The success of competitive strategy is a function of the attractiveness of the industries in which the firm competes and of the firm's relative position in those industries (Porter 1980)[16]. According to Porter (1982)[17], the competitive game in an industry entails five forces:

http://caam.org.cn/caam/caam.web/Default.asp

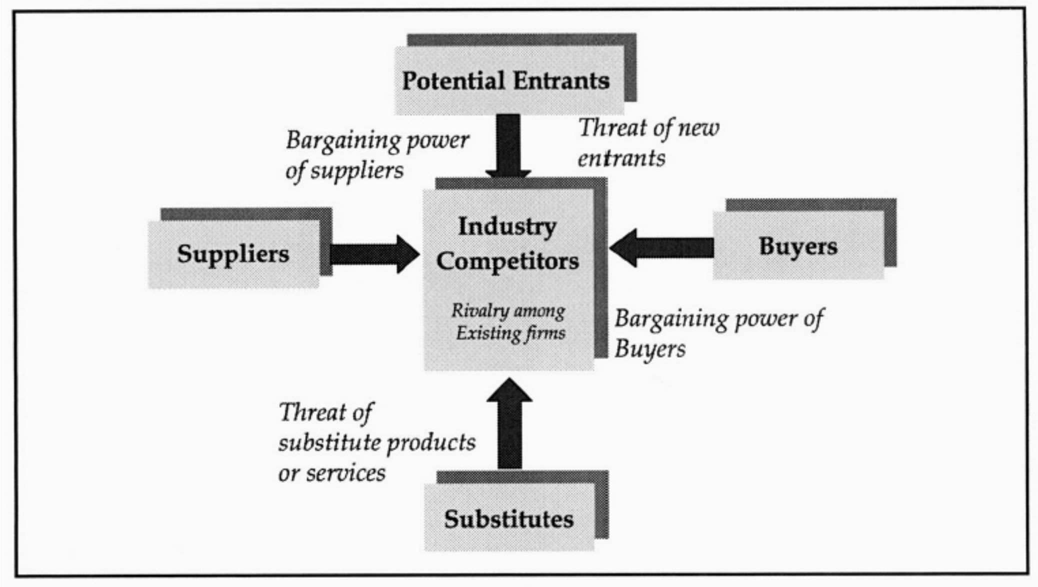
[13] 中華人民共和國海關總署 http://www.customs.gov.cn/YWStaticPage/default.htm

[14] 中華人民共和國國家統計局 http://www.stats.gov.cn/

[15] Porter Michael (1998), *La concurrence selon Porter*, Village mondial

[16] Porter Michael (1980), *Competitive strategy, techniques for analyzing industries Competitors*, The Free Press

[17] Porter Michael (1982), *Choix strategiques et concurrence*, Economicia



Picture 1: Five Competitive Forces Model

- Context of strategy and rivalry of enterprises
- Threat of potential entrants
- Threat of substitute products
- Bargaining power of customers
- Bargaining power of suppliers

The bus and coach sector has intense competition nowadays. Especially after the accession to WTO, the rivalries not only involved domestic competitors, but also international competitors. In the following context, I will analyze the environment of the Chinese automobile industry – bus and coach assembling sector with the aid of the Five Competitive Forces model developed by Porter.

5. Analysis and Findings

Bus and coaches classifications

Before analyzing the bus and coaches assembling industry, I have to clearly identify the differences between various bus and coaches. In the following context, the definition of "**People's Republic of China Transport Industry Standards JT/T 325-2006 - Type dividing and class rating for commercial motor-vehicles of passenger transport**" (中華人民共和國交通行業標準 JT/T 325-2006 – 營運客車類型劃分及等級評定)[6] would be in use.

表 1 类型划分

单位为米

类型	特大型 a	大型	中型	小型
车长（L）	13.7≥L>12	12≥L>9	9≥L>6	6≥L>3.5
a 按 GB1589.				

表 2 等级划分

类型	客车																		轿车			
	特大型					大型					中型				小型							
等级	高三	高二	高一	中级	普通	高三	高二	高一	中级	普通	高二	高一	中级	普通	高二	高一	中级	普通	高二	高一	中级	普通

Table 1 and Table 2 list out the 5 different grades among middle-sized, large-sized and extra-large sized bus and coaches. Meanwhile, I would also classify the bus and coaches according to their major use.

Table 3 Bus and coaches classification 3

Touring coaches (旅遊客車) ◆ Coaches that offer touring services
City buses (城市客車) ◆ Buses that offer daily transportation services within a city
Sub-urban buses (城邊客車) ◆ Buses that offer daily transportation services between a urban and it urban fringe
Inter-city coaches (跨城客車) ◆ Coaches that offer daily transportation services between different large cities within a province
Inter-province coaches (省制客車) ◆ Coaches that offer daily transportation services between different large cities across provinces

Context of strategy and rivalry of enterprises

Range specialization

High-end market

Different bus and coaches assembling enterprises would specialize in assembling some particular range of bus and coaches. For instance, Ankai Setra (安凱客車)[18] and Neoplan (利奧普蘭)[19] specialize in producing High II and High III large-sized coaches (高二高三級大型客車) which mostly catere for the inter-city and inter-province needs. These coaches are mostly of

[18] Ankai Setra (安凱客車)
http://www.ankai.com
[19] Neoplan (利奧普蘭)
http://www.neoplan.com.cn

higher prices (RMB 0.8 million – RMB 1.2 million) which are of higher profitability. These enterprises use foreign assembling technologies which is rare in China. Not much of the domestic enterprises can enter this high-end market. It hence reduces the rivalries among enterprises.

Middle-end market

On the other hand, most of the domestic enterprises and corporations focus on middle and High I (中級高一級客車) buses and coaches as these products can cater for needs of touring and sub-urban transportation industry. The market is the largest. Although these buses and coaches are of lower prices (RMB 0.4 million – RMB 0.8 million), the profitability is still acceptable under large market demand. As the assembling techniques utilized are mainly local and previous foreign technologies which are relatively lower, lots of enterprises participate in this market and the rivalries among this market is very intense.

Product diversification

Bus body design

The competition among bus and coach assembling sector is very intense. In order to strive for more market share, the most common competition method among the firms is through pricing strategies. Besides, the enterprises switch to compete in other ways. First, bus and coach assemblers would keep their bus body design (車身外觀設計) fashionable and eye-catching. However, fashion changes from time to time, the product lifecycle would then be shortened. Normally, domestic enterprises would launch a new series of bus body design every 2 to 3 years. When compared with foreign assemblers renew their design every 5 to 6 years, this strategy can keep the young and keeps changing. However, this frequent renewal will shorten the return period and raise the cost of competition in long-run.

In the recent 2 – 3 years, some domestic enterprises tend to employ foreign design companies in designing the outlook of the bus body and keep the products last longer in the market. For instance, the Suzhou King Long (蘇州金龍) Higer S91 series[20] innovative outlook was designed by an European firm.

[20] Suzhou King Long (蘇州金龍) Higer S91 series
http://www.kinglong-sz.com.cn/product/s9192.asp

Picture 2: Suzhou King Long Higer S91 series

Although the designing cost would be raised, the average design cost for each coach would be reduced when the product lifecycle is lengthened with a better sales volume.

Innovative energy empowerment

On the order hand, some assembling companies also diversify their product types by introducing coaches besides using diesel. Traditionally, as bus and coaches are heavy vehicles, only can diesel provide enough empowerment to the bus and coaches with a high efficient level. However, some domestic firms like Shenzhen WuZhouLung (深圳五洲龍)[21] innovate LPG engines, electric engines and Hybrid (混合動力) engines which use diesel and electric generated during movement for power. This strategy can not only keep up with the rising environmental concern of the public, but also help the enterprises to improve the public image.

[21] Shenzhen WuZhouLung (深圳五洲龍)
http://www.wzlmotors.com

Market diversification

Changing market composition

China's middle-sized & large-sized bus and coaches sales volume 01 - 05

Year	**2001**	**2002**	**2003**	**2004**	**2005**
Total	**64666**	**82021**	**72306**	**78811**	**91000**
Large-sized bus and coaches	11522	16669	19023	25974	29000
Middle-sized bus and coaches	53144	65352	53283	52837	62000

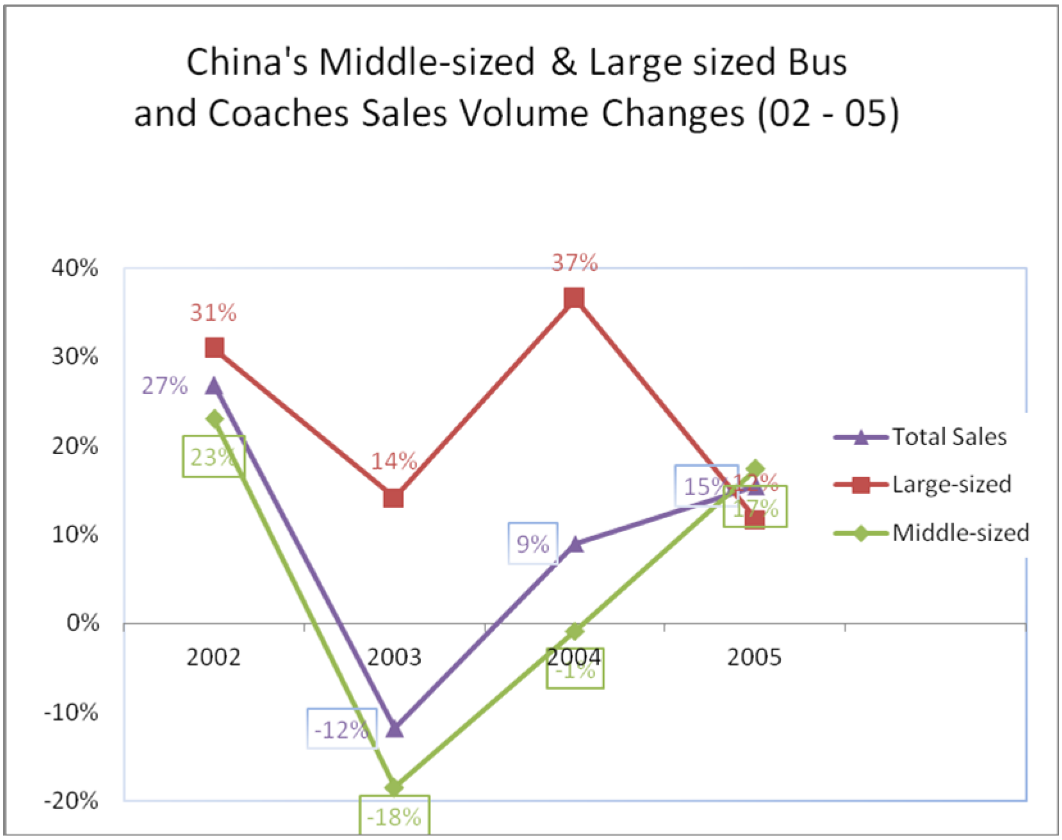


Table 4: China's middle-sized & large-sized bus and coaches sales volume change (02-05)[22]
Source: 中國汽車工業協會

[22] *China's middle-sized & large-sized bus and coaches sales volume (02-05)*, 中國汽車工業協會

Table 4 shows the variations of sales volume from 2001 – 2005 (as extra-large coaches are launched since the end of 2004, no sales volume changes can be extracted temporarily). Except 2003 SARS attack, the sales volume of middle-sized and large-sized bus and coaches keep rising.

In these years, the market has an obvious change. The overall rise in large-sized bus and coaches is much higher that that of the middle-sized. It is mainly due to the change in market composition. Since 2002, some of the coach operators starts to improve their service by offering commercial vehicle service (商務客車服務) for highway inter-city and inter-province service. These routes were substituted by large-sized coaches with more comfortable travelling compartment (with 1+2 seatings instead of those 2+2 seatings). It makes the large-sized coach sales volume has a tremendous rise.

Exporting products

China bus and coach exporting volume & amount (01-05)

Year	2001		2002		2003		2004		2005	
	Sales Vol	Amount (US	Sales Vol	Amount (US mil)	Sales Vol	Amount (US mil)	Sales Vol	Amoun t	Sales Vol	Amount (US mil)
Industry Total	26073	21396.1	28645	24776.5	45777	37190.5	136258	65473	164258	151010
Bus and coach Total	**1091**	**5441.8**	**2076**	**4846.0**	**2550**	**4303.7**	**4784**	**8102.6**	**6439**	**19664.5**
Seatings ≥ 30 (Diesel)	605	4824.3	330	2637.7	355	1380.2	897	3426.1	2829	15125.0
Seatings 20 – 30 (Diesel)	231	307.6	522	672.5	807	1123.4	1827	2135.4	1976	2503.0
Seatings 10 – 20 (Diesel)	95	92.0	95	89.6	412	406.2	1162	1144.1	744	795.0
Seatings ≥ 30 (Others)	3	9.7	17	15.7	65	149.6	261	607.3	189	472.7
Seatings 20 – 30 (Others)	17	25.0	28	35.8	44	41.4	40	58.7	53	117.9
Seatings 10-20 (Others)	140	183.2	1084	1394.7	867	1202.9	595	698.0	642	636.7
Mechanical busses	0	0	0	0	0	0	2	33.0	6	14.2
Source: 中華人民共和國海關總署										

As mentioned in the introduction, the exporting volume and sales amount of bus and coach has risen tremendously for 6 times and 4 times respectively in these years time. The market has not only confined to South-east Asia like Thailand, Russia, the middle-east and Africa, but also extended to European countries like England and the North America like USA. These foreign markets not only provide a bulky source of orders, but also extend the competition platform of domestic bus and coach assemblers to foreign countries.

Reliability and after-sales service

In the past, bus and coaches industry focus on extending the production quantities. However, since 2000s, market has more and more concern towards the reliability and after-sales services of the products.

In order to cope with the market concern, many of the assemblers improve the quality of their buses and coaches. Most of the bus and coaches can maintain its best condition without maintenance after the first 50,000 km travel.

Besides, according to the requirement of the Ministry of Communications, assemblers have to offer different duration of product-guarantee services to the operators[6].

客车等级	保质里程，km	保质年限，年	客车等级	保质里程，km	保质年限，年
高三级	12 万	1	高一级	8 万	1
高二级	10 万	1			

Also, in order to provide instant support to the operators, some large enterprises set up maintenance and auto parts center in major cities of different provinces. All these service add values to the bus products and can be viewed as a non-price competition.

Competition among different divisions of the same enterprise

Some of the assemblers have been listed and divided into different subsidiaries. However, the product range offer by these subsidiaries are sometimes intersecting, targeting the same market as well. They will then become direct competitors. For instance, the holding company of King Long King Long (金龍客車)[23], one of the largest bus and coach makers and

[23] King Long (金龍客車)
http://www.king-long.com.cn/

assemblers, have a subsidiaries called Suzhou King Long (蘇州金龍). They both assemble middle-class large buses and city-buses. They then become direct competitors.

Threat of potential entrants

Foreign potential assembler entrance

After the entrance to WTO, the China market has to be gradually open to foreign enterprise. Being a country with 1.3 billion population, it provides a large market and opportunities for every company throughout the world. Although many foreign bus assemblers have entered China market through various means (for instance, an international famous bus assemblers Irizar from Spain set up a manufacturing plant in Tian Jin specialize in producing luxurious High II High III inter-provinces large-sized bus[24]), it is forseeable that more and more worldwide experienced bus and coach assemblers like Berkhof & Jonkheere[25], Salvador Caetano[26], etc. will highly possibly come to the Chinese market soon

24 Irizar-TJ (天津伊莉薩爾)
http://www.irizar.com/eng/02china.htm

25 Berkhof and Jonkheere
http://www.jonckheere.be/e/products/products.html

26 Salvador Caetano
http://www.caetano.co.uk/

Local potential assembler entrance

Bus and coach assembler is a relatively low-entrance barrier sector in the automobile industry. The bus assemblers do not need to spend a large sum of research and development before launching the first product. Also, it can assemble various auto parts to make a bus body. Hence, there is a high risk of having potential competitors entrance. The Midea Corporation (美的集團) entrance to the bus and coach assembling industry since 2003[27] has already given some hints to the market situation.

Threat of substitute products

Air

The air industry is under intense competition nowadays. Various airlines nowadays offer frequent valuable air tickets to its customers. Although bus and coach cannot directly compete with air with journey time, what bus and coach can offer, however, is a point to point (點到點) transportation service. It is more convenient to customers who do not want to get interchange. Meanwhile, bus and coach transportation service is still very attractive in eyes of the basic social class as the price is more attractive.

[27] *家電企業深入"陣地" 美的並購三湘客車*, 瀟湘晨報 (2006-10-09)
http://www.qingdaonews.com/big5/content/2006-10/19/content_7682540.htm

Rail and mass transit system

Most of the medium-sized and large-sized cities develop mass transit system nowadays. These light rails or underground mass transit system really attacks the bus and coach transport. The role of bus and coach has now become a shuttle service between the train stations with their catchment areas. It poses a hard attack on the market for all kinds of buses except touring ones.

In order to tackle the problem, some assembling companies work together with chassis manufacturers in launching some extra-large city-buses called BRT[28]. These city-buses are longer than the normal ones with a capacity 2.5 times of a normal city-bus. It can be used in high-demand routes.

Besides, some enterprises also launch articulated city-buses (鉸接客車)[29]. These articulated buses contain 2 – 3 cabins which have a capacity of 200 to 300. With the use of special routes (專用車道), traffic congestions can be reduced and therefore achieve high transportation efficiency. Moreover, these

[28] *BRT 公交 安凯来了*, 中國客車網 (2007-03-12) http://www.chinabuses.com/2007/03/12002.htm

[29] *Bus envy soon to hit Shanghai?*, Shanghailist (2007-03-16) http://www.shanghaiist.com/archives/2007/03/16/bus_envy_soon_t.php

articulated bus services can be launched within a year from planning. It is more time efficient and cost efficient than constructing rail mass transit system.

Bargaining power of customers

Raising customer power

Due to the large number of bus and coach assembling assemblers in the market nowadays, the bargaining power of customers is high. They have lots of assemblers to choose from.

Meanwhile, bus and coach assembling industry has a narrow market, compared with other automobile sectors. The assemblers mostly would use differentiation focus according to Porter's Generic Strategies analysis[30]. Bus and coach assemblers will not produce a large number of standardized products prepared for the market. Instead, they will only carry out production when they get the order. Also, minor and tailor-made alternations would be made according to the requirements of individual customers.

[30] *Porter's Generic Strategies*, QuickMBA
http://www.quickmba.com/strategy/generic.shtml

Rising safety concern

In order to cope with the rising safety standard imposed nowadays, most of the bus operators would require their bus and coaches reach some particular safety standards. Besides having ABS and ASR systems, the high-end market would require their bus and coach pass with 32^{o} inclining testing. That is a common standard used in Hong Kong and Europe nations.

Bargaining power of suppliers

Chassis manufacturers

As above mentioned, bus and coach assemblers assemble bus bodies on chassis. The chassis used for assembling depends on the requirements of bus operators.

For the low-end market, the chassis used are all domestic made. The gearboxes, suspensions, axles and all other auto parts are made in China, using previous foreign technologies or domestic technology. Among these locally products, there are quite a number of suppliers. The bargaining power of bus assemblers is then moderate.

For the middle-end market, the chassis used is also mainly China made. However, the gearboxes maybe imported ones from ZF and Allison. With engines made by joint-venture foreign companies like Cummins and other locally made famous auto-parts, the price stability remains higher. The bargaining power of the bus and coach assemblers becomes weaker.

For High-end market, the chassis and all other parts (including engines, gearboxes, suspensions are all imported foreignly. Bus and coach assemblers do not have bargaining power unless they buy in bulk. However, they would charge the customers, i.e. bus operators, in order to cover the cost.

In recent years, many foreign chassis manufacturers set up manufacturing plants in China in mode of joint-venture. For instance, MAN authorizes Yu Tong[31], one of the largest bus and coach manufactures, to manufacture MAN chassis for China and Asia market. This can help Yu Tong reduce the cost of merchandising chassis as well as raising its technology level.

Auto parts

[31] Yu Tong (宇通客車)
http://www.yutong.com/

Auto parts include the accessories that used in bus and coach interiors, from air-conditioners, lightings, seatings, etc. Compared with chassis manufacturers, they are much more common and less techniques-needed. There are more suppliers domestically. Therefore, suppliers have more choices to choose from. The bargaining power of assemblers is then higher.

Merchandising conference

In recent years, many industry conference and exhibitions are held annually, like China (Guang Zhou) Commercial Vehicles Exhibition (中國（廣州）商用車展覽會) and 2007 Bus World Expo. (2007 年世界客車博覽亞洲展覽會)[32]. These exhibitions become a platform for bus and coach colleagues to interact. No mater chassis manufacturers, bus and coach assemblers or bus operators can get pace with the most updated development of the sector.

32 2007 Bus World Expo
http://chinabuses.com/show/busworld2007/

6. Discussions and recommendations

The purpose of this context is to assay the China bus and coach assembling industry with the aid of Five Competitor Forces model developed by Michael Porter. This is a more in-depth investigation of a particular sector of automobile industry. It can help existing companies as potential companies have a better understanding of this sector and help them formulate the best-fit strategies.

However, as Five Competitors Forces model only focus on evaluating the forces among the five most important forces affecting company performance and strategy formulation, some of the problems cannot be outline through the model.

Bus body pirating

In order to appeal to the customers, having a good body design is one of the important elements for bus and coach assemblers. A few years ago, it is common to see most of the bus body design looks similar. Most of them are copied from European coaches and buses. This is indeed an intrusion of intellectual property rights. A year ago, German Neoplan, a division of the MAN group, sue China's coach assembler Zonda (中大客車) for pirating their coach Starliner design[33]. This incident implies that the copyright protection for foreign enterprises is still in development progress. More legal action should be taken and regulations should be revised in order to save the confidence of foreign investors.

Regional protectionism

The regional protectionism within region and province is strong. Most of local government officials force the bus and coach operators to use the coaches that locally produce. For instance, King Long are widely used in Xieman area as its manufacturing based is located there. Shanghai government subsidize local operators to change all their coaches to Shanghai Volvo with Sunwin (申沃車身) bodywork as these two enterprises are both owned by the SAIC Motor (上海汽車集團股控有限公司). The government will pose barriers on automobiles that produced from other provinces in order to stimulate the growth of local automobile industry and achieve a better GDP performance index.

Such measures would obstruct the long-term development of the society as

[33] *德國尼奧普蘭在中國因產品設計受到侵權事件提起訴訟*, 中國客車網 (2006-10-24) http://www.chinabuses.com/2006/10/24018.htm

the industry is under government protection. The Central government should do more, like gradually force the local officials to release the entrance barrier and let the market freely development. Only in this way can the society gain the most in long-run.

Conclusion

To conclude, every sector of the automobile industry, including the bus and coach assembling sector, is undergoing tremendous changes. It may seems to be a threat to Chinese firms and enterprises. However, this is also a great opportunity for local firms and corporations to learn and co-operate with investors throughout the world.

Meanwhile, the Beijing Olympics will be held in 2008. It is a golden moment for domestic enterprises to let their products run towards the world. Like the experience of South Korea, after the Seoul Olympics in 1988, the automobile industry like Hyundai & Kia steps into the world. For the bus and coaches assembling sector, it has now already extended to various continents in the world. The sector can even step further and faster by this few years time.

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