


SHANGHAI: A woman gets out of a BMW i8 Roadster on the opening day of the Shanghai Auto Show in Shanghai yesterday. — AFP

Global carmakers face bumpy road

Optimism combined with worrying new realities as Shanghai Motor Show opens

SHANGHAI: Global carmakers flock to the Shanghai Auto Show this week with the world's largest vehicle market facing an unfamiliar sales slump just as China veers toward an ultra-competitive electric future. Fuelled by rising incomes and government sales incentives, China has been the golden goose upon which the global automotive industry has staked its future.

But after years of strong growth, car sales fell last year for the first time since the 1990s, hit by a slowing economy, US trade tension, and a Chinese crackdown on shady credit practices that has crimped car-financing channels. Sales dipped 2.8 percent in 2018 to 28.1 million units, according to that China Association of Automobile Manufacturers (CAAM), a pace that has accelerated in recent months.

"This is the first time since the takeoff of the Chinese market that there has been such a long and sharp decline in sales," said Laurent Petizon, an auto analyst at Alix Partners.

"We are starting to worry a little bit. It's a new phenomenon."The decline is magnified by a prior buying rush as consumers moved to beat the government's recent removal of tax rebates for small car purchases.

Cut-throat

Major carmakers still see solid potential, particularly in bright spots such as SUVs and electric vehicles, which will account for many of the new models on display in Shanghai. But cut-throat competition is expected to intensify even in EVs with Beijing moving to phase out policies that encourage the purchase of "green" vehicles.

This mixed picture-optimism combined with worrying new realities-is reflected in the plans of carmakers like Ford. The US manufacturer this month announced plans to launch 30 new models in China within three years, a dozen electric.

But it also unveiled a strategy to cater more directly to the evolving needs of Chinese car buyers.

This includes incorporating the artificial intelligence technology of China's Baidu into Ford vehicles, giving Ford's Chinese joint ventures more freedom on design choices, and other steps.

Although China is the world's largest "new energy" vehicle market and sales soared 62 percent last year, they remain a drop in the China bucket with 1.3 million units sold, thanks in part to purchasing incentives. But they represent the future for China, especially with the government planning to impose quotes requiring carmakers maintain a certain percentage of new energy vehicles in their Chinese production.

This has given rise to a number of Chinese EV start-ups seeking to stake out territory that will have to face off against the likes of Tesla.

Tesla ups ante

The California automaker, widely seen as the EV standard-setter, is putting more eggs in China's basket. Tesla chief Elon Musk broke ground in January on a factory in Shanghai-the company's biggest overseas move yet.

The new plant will eventually have an annual production capacity of 500,000 vehicles, dramatically increasing Tesla's output. Foreshadowing further competition, Beijing has vowed to open its market, removing a requirement that foreign manufacturers form manufacturing joint ventures with Chinese partners. Tesla's planned factory is believed to be the first to take advantage of this.

Regardless of short-term jockeying for position, China will remain a crucial market, particularly in electrics, said Ferdinand Dudenhoeffer, director of the Germany-based Center of Automotive Research. "The situation will slowly improve. Next year, the market will recover little by little and in three to four years, will have resumed its earlier growth," he said. — AFP

Flight suspensions hit Jet Airways shares amid crisis meeting

MUMBAI: Jet Airways shares plunged yesterday amid reports the board of the stricken Indian airline would suspend all operations after lenders refused to release emergency funds to keep the carrier flying. An emergency board meeting was called yesterday after the latest blow to the debt-laden company which is teetering on the brink of collapse.

Thousands of passengers have been stranded in recent weeks after the airline, which has debts of more than $1 billion, cancelled international flights because it cannot pay its bills. Chief Executive Vinay Dube called the board meeting after lenders led by the State Bank of India failed on Monday to agree to give needed emergency cash.

"The management will seek guidance from the board on the next steps forward," Dube said in an email to staff late Monday as he announced that the cancellation of international flights was being extended to Thursday.

Shares plummeted about 19 percent on the Bombay Stock Exchange's Sensex index as the exchange sought clarification from Jet over a CNBC TV18 report that the airline was "likely to temporarily shut down its operations". Jet's share price is now worth barely a third of its value of 640 rupees (95 cents) of one year ago. Indian dailies and news channels said suspending all flights was one option open to the board although this could mean Jet would lose its operating license.

Business Standard quoted sources saying the airline had only enough fuel to keep its seven remaining jets running until yesterday afternoon.

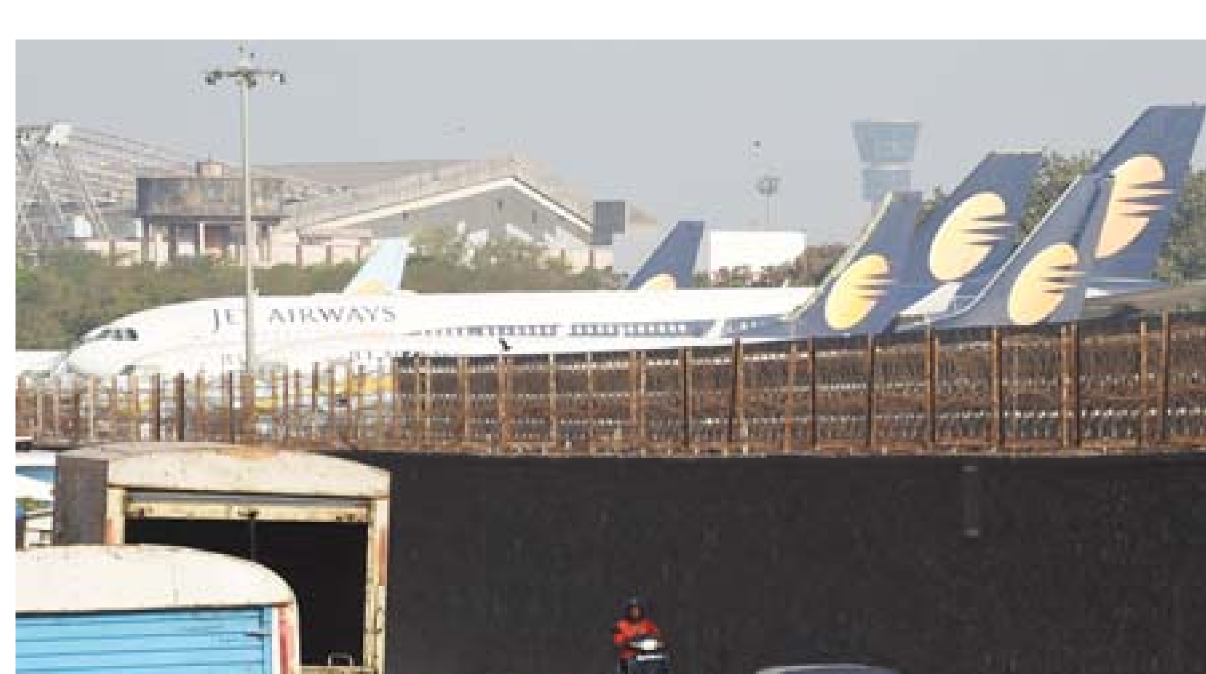
An official from the National Aviation Guild, the union for Jet pilots, told AFP: "The airline is flying seven planes right now. The minimum number to keep its scheduled operations license." Jet has been in a tailspin for months. Its fleet has been cut from about 120 in December. It has defaulted on loans and most staff have not been paid for many months.

A consortium of lenders took control of Jet in March, pledging to give $218 million of "immediate funding support" as part of a debt resolution plan.

Goyal pulls out

The lenders met for several hours on Monday but failed to agree on how to proceed. Later the State Bank of India released a statement saying the banks were trying to help Jet. "Cooperation by and support from all the other stakeholders will be the key to the success of the process," it added.

The SBI-led consortium is trying to find a buyer for Jet, which was until recently India's second-biggest airline by market share. A deadline passed Friday for prospective bidders to express an interest in acquiring a 75 percent stake in the carrier.



MUMBAI: Vehicles (below) ply along a road adjacent to Jet Airways aircraft parked at the airport in Mumbai. —AFP

Etihad Airways, which owns a 24 percent stake, has reportedly submitted an expression of interest to buy a controlling stake. The Press Trust of India news agency reported yesterday that Jet founder Naresh Goyal had pulled out of bidding, deciding not to try to retake control of the airline that he ran until last month.

The SBI was expected to announce a shortlist of prospective bidders later yesterday. They would then have until April 30 to submit formal bids. A collapse of Jet would deal a blow to Prime Minister Narendra Modi's pro-business reputation as he seeks a second term in ongoing national elections. — AFP