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AUTOMOTIVE

Ford Motor opens new factory in Chongqing

Ford Motor Co opened its fourth passenger vehicle assembly plant in China. The new USD490 million factory in Chongqing will initially produce the latest Focus compact model. With a yearly output of 150,000 units, it will take the annual capacity of Ford's Chinese passenger vehicle joint venture, Changan Ford Mazda Automobile, to 600,000 vehicles. The opening of Chongqing Assembly Plant 2 is a crucial step in Ford's stated plan to introduce 15 vehicles to the country by 2015. Ford said Chongqing will become its second-largest manufacturing center in the world by production capacity, after Michigan, once two additional plants under construction are completed next year. Ford executives say they also plan to expand production at the newly opened Chongqing assembly plant over time. The new facility is able to produce six different kinds of vehicles, including the Focus. Joe Hinrichs, Ford's President for Asia-Pacific and Africa, said production capacity in China will be devoted to the Chinese market. Ford sold 519,390 vehicles in China in 2011, 7% more than the year before. By comparison, Volkswagen's China sales rose 18% to 2.26 million vehicles and GM sales rose 8.3% to 2.55 million. “We think for the rest of this decade the Chinese market will grow on average about 5%,” Hinrichs said. Namrita Chow, Analyst at IHS Automotive, said the new Chongqing plant will give Ford a much-needed lift in a tighter market. “Chinese consumers are moving upwards. They want bigger cars,” Chow said. “The interior regions are going to have much more growth”, she added. The move to the interior “is Ford's plan because it's really aiming to compete with the big players in China,” the Wall Street Journal reports.

Wanxiang to manufacture electric school buses

Wanxiang America, the U.S. subsidiary of the Chinese conglomerate Wanxiang Group Corp, signed a USD100 million investment agreement with Smith Electric Vehicles Corp, a producer of all-electric commercial vehicles, to set up a joint venture to develop, manufacture and sell all-electric school buses and commercial vehicles in China. Wanxiang Group Corp, headquartered in Hangzhou, Zhejiang province, is the biggest supplier of auto-parts in China. Its U.S. subsidiary owns 28 manufacturing plants in 14 states throughout the U.S. and employs 5,686 people. The company’s yearly sales have totaled more than USD2 billion, making it one of the most successful Chinese companies to go abroad. Since last year, the company has invested heavily in solar panels, electric trucks and school buses, as well as light-emitting diodes (LEDs). It is one of the first Chinese companies to produce solar panels in the U.S. Its investments in new energy started with a JV with the battery company Ener1 to make lithium-ion battery cells and packs for vehicles in China. The venture was expected to produce about 40,000 electric vehicle battery packs by 2014. Only about 10 Chinese people work for Wanxiang America, which operates like a U.S. company.

Only Chinese models on governments' buy list

The central government plans to stop buying cars from Volkswagen's Audi and other foreign brands, threatening to lock them out of an estimated USD13 billion segment of China's vehicle market. All 412 models approved for purchase by state agencies this year will be limited to Chinese brands from 25 carmakers, according to a proposal by the Ministry of Industry and

Information Technology (MIIT). Foreign brands have accounted for about 80% of the official pool, with Audi making up about a third of government fleets and those of state enterprises. SAIC Motor, China's largest auto company, has 45 models under the Roewe and MG brands on the list. The list also includes models made by FAW Besturn, Dongfeng, Chery, BYD and Geely. An official from Shanghai GM, which has Buick models used for the government fleet in Shanghai, said official fleets accounted for a small part of its total sales and the new list would "almost have no impact on its sales," — a view echoed by BMW. Even the most lavishly apportioned FAW Besturn B70 sells for CNY165,000, little more than half the starting price of the cheapest Audi, the compact A3 at CNY260,000. With 14.5 million passenger cars sold in China last year, annual government purchases of some CNY80 billion are still a small slice of the overall market, which is dominated by increasingly wealthy individual consumers. Domestic carmakers, such as SAIC Motor, FAW Group, Great Wall Motor Co and Chery, could get a boost from the policy. Minister Miao Wei later clarified that the policy only applies to functional vehicles for government departments, not to the leaders' cars, whose vehicle purchases are controlled by the State Council. That means the impact of the plan on domestic and foreign car manufacturers could be much less than originally thought.

Volvo and Geely to set up JV to meet requirements

Even though it was sold to Geely in 2010, Volvo Cars will have to form a 50-50 joint venture with its new owner to meet government requirements on local production. Volvo has applied as a foreign brand for permission to build cars locally, so it must meet prerequisites that include a local partner, R&D facilities and developing a new brand owned by the joint venture, said Freeman Shen, Senior Vice President of Volvo Cars and Chairman of Volvo's China operations. Volvo CEO Stefan Jacoby said the joint venture between Volvo and Geely will be more efficient than other Sino-foreign partnerships because both companies are "in the same boat going in one direction". Pending government approval, Volvo's plans include plants in Chengdu and Daqing as well as an R&D center in Shanghai. Shen said that the company is developing two new models in Shanghai for future local production, the first of which will be a mid-sized sedan that is expected to roll out next year. Shen said the company is sticking to its original plan to sell 200,000 cars a year in China in 2015, when it expects local production to play a decisive role. Volvo now imports the C30 and C70 coupes, S60 sedan, V60 wagon and the XC60 and XC90 SUVs to China. It also makes a small number of S40 and S80L models in the country at a Ford joint venture under contracts that will expire in 2015 and 2018. Volvo's China sales surged 55% last year to more than 47,000 cars, making the country its third-biggest market globally. CEO Jacoby said the company expects to deliver about 60,000 cars in China this year, a 25% increase year-on-year. Shen added that the company will nearly double its number of employees in China to about 1,700 to 2,000 by the end of this year, the China Daily reports.

Beijing-Benz to expand production capacity

Sino-German joint venture Beijing-Benz Automotive Co plans a five-fold hike in production capacity to as high as 420,000 units by 2015 from 80,000 last year with more new models to meet growing demand. Fu Qian, the joint venture's Executive Vice President for Sales and Marketing, said the company will introduce one new Mercedes-Benz model every year until 2015. The joint venture will then have seven models including some with Mercedes front-wheel drive architecture, he added. The venture now assembles Mercedes E-Class and C-Class sedans as well as the GLK mid-sized SUV. The GLK will hit the market in the first half of this year, going head-to-head with the Audi Q5. Last year, the company sold 93,000 E-Class and C-Class cars, a surge of 86% from 2010. The figure is higher than its total 2011 target of 80,000 units. Sources from the joint venture said it expects to sell 120,000 cars this year. Beijing-Benz is also building an engine plant in the capital to produce three types of engines — two four-cylinders and one six-cylinder. The engine plant, scheduled to begin operations in the middle of next year, will have the capacity to make up to 250,000 engines in its first phase, which will be raised to 500,000 units in 2015.

BYD hopes to build charging tower in Hong Kong

Electric carmaker BYD Automobile said it would consider building a multi-story charging tower in Hong Kong if the government provided land and policy support. The move would be part of the company's ambitious plan to convert the city's 18,138 taxis fueled by liquefied petroleum gas (LPG) into electric cars. The success of that plan will depend largely on a trial run in which more than 40 electric taxis are to hit Hong Kong roads later this year. Brandon Tong, Chairman of the Hong Kong Taxi and Public Light Bus Association, said it would buy about 40 BYD e6 cars to be used as taxis if the firm could provide a means to charge their batteries. BYD's ultimate goal is to have several charging towers in the city – each about six stories high, with quick-charge outlets for 240 taxis plus dining facilities and shops. That would allow taxi drivers to relax and have a meal during the charging process, which takes up to an hour. “The concept is similar to the nine government-subsidized LPG stations in Hong Kong. Taxi drivers get cheaper gas there because the government waived the land premium for the stations,” said Paul Lin, Senior Manager of Overseas Marketing for BYD. “Without government support, it is very difficult to promote the use of green vehicles, because developers have to factor the cost of building the infrastructure into the tariff, which would push up costs for the users.” BYD's first taxi charging tower, which is to begin operation in Shenzhen in June, cost about CNY12 million. BYD sold only 92 e6 vehicles after the model's debut last October. Some critics say the retail price of nearly CNY370,000 is too expensive, even with a government subsidy of up to CNY120,000. There are only 330 charging spots in Hong Kong at present, and most offer only outlets for standard charging, which takes hours. BYD's 2011 net profit was down 44% on the previous year due to fierce competition in China and a sharp fall in photovoltaic product prices. Backed by U.S. billionaire Warren Buffett, BYD posted net profit of CNY1.4 billion last year, down from CNY2.52 billion in 2010.

Car finance firm to sell securities backed by assets

GMAC-SAIC Automotive Finance, the financing arm of General Motor's joint venture with Shanghai Automotive Industry Corp, is set to issue a securities product backed by car loans. The issue is set to be launched within the first half of this year. The car financing firm will launch CNY2 billion worth of the car loans-backed product, four years after it issued a similar Tong Yuan securities product in January 2008. The move is in line with the Chinese government's plan to reinvigorate the asset-backed securities (ABS) market to help banking and non-banking financial institutions hedge against defaults while raising fresh funds. Beijing started a pilot ABS program in 2005 when it allowed China Construction Bank (CCB) and China Development Bank (CDB) to issue ABS products. Under the scheme, each product was subject to getting approval from the China Banking Regulatory Commission (CBRC). ABS products were valued at CNY67 billion at the end of 2008, but the CBRC halted approvals in 2009. Until now, most of China's ABS products were backed by mortgage loans and loans extended to major state-owned firms. GMAC-SAIC, established in 2004, was the first car financing firm in China.

Daimler's van making JV changes its name to Fujian Benz

Daimler’s joint venture making Mercedes-Benz vans changed its name to Fujian Benz Automotive Co to improve brand recognition among Chinese consumers. “What we found in China is that the name Daimler is not as well known as Benz,” said Rene Reif, President and CEO of the company formerly called Fujian Daimler Automotive Co. Established in 2007, the three-way joint venture between Daimler, Fujian Motors Group and China Motors Corp from Taiwan began building Mercedes-Benz Viano and Vito vans in China in 2010. Production of a larger van, the Sprinter, began in late 2011. The plant has the capacity to make 40,000 vehicles annually. The company sold about 13,000 vans last year — including a handful of imported models — an increase of more than 40% over the sales of about 9,000 vehicles in 2010, the year it started local production. China is already one of the top five markets for Mercedes-Benz vans worldwide. The nation even surpassed Germany to be the No 1 single market for the Viano in 2010, though it fell to second place last year. Reif said the MPV segment in China grew by 12% in 2011 and will maintain double-digit growth this year. The majority of Mercedes-Benz van buyers in China are government or business customers, although more and more private buyers are also interested in the Viano. This year, Fujian Benz will add 10 to 15 dealer outlets in China to an existing network of 54 dealerships, Reif said. The joint venture currently has two R&D facilities under construction at a cost of CNY500 million in the outskirts of Fuzhou that will be completed in the fall.

EU keen to avoid China car war

The European Union Chamber of Commerce in China dismissed suggestions that it would mobilize companies to retaliate against Beijing's proposal to exclude foreign carmakers from a public fleet procurement program expected to be worth CNY12 billion a year. The Chamber said the last thing it wanted is a war between countries that hurts development of the car industry. The tensions follow the issuance of a procurement list by China's Ministry of Industry and Information Technology (MIIT) on February 24, which proposed 412 domestic brands made by 25 carmakers from which officials could buy vehicles. Former favorite brands for officials such as Audi, Honda and Toyota were all excluded. Chamber Secretary General Dirk Moens told Bloomberg earlier that “as an industry you cannot expect to be warmly welcomed outside of your country if at the same time you start closing the industry in your country.” The comment was considered a threat to Chinese carmakers' expansion in Europe, the South China Morning Post reports. Great Wall Motor recently opened the first Chinese car plant in Bulgaria, and Zhejiang Geely planned to set up a car sales network in Italy. The Chinese government also took car making off the “encouraged” foreign direct investment list a few months ago. However, Bill Russo, Senior Analyst at consulting firm Booz & Co and former head of Chrysler's business unit in China, said it was not uncommon for governments to prefer domestic car brands in the procurement of vehicles. He doubted the European Union could retaliate in any way. “Whatever the Chinese government wants to buy, it really is their own choice, I don't see any trade issues there,” he added. Audi said earlier the new restriction would hurt less than 55 of its sales this year.

Industry Minister pessimistic about car sales

Minister of Industry and Information Technology Miao Wei said China’s car sales may fail to meet this year’s growth forecast as the slowing economy discourages consumers. Automakers will find “big difficulties” delivering as many cars as the China Association of Automobile Manufacturers (CAAM) projected for this year, he told reporters in Beijing. The Association in January predicted passenger vehicle sales would rise 9.5% in 2012. The government should take measures to help support domestic automakers because the state is obliged to help any industry where the homegrown companies are early in their development cycle, Miao said. China is set to announce its alternative-energy vehicle plan after all the relevant ministries involved in drafting the proposal reached a consensus on development of such vehicles, he said. Total auto sales, including those of commercial vehicles, will probably accelerate to 8% in China this year after slowing to 2.5% in 2011, according to CAAM. Separately, Li Yizhong, China’s former Industry Minister, said the government will focus its efforts on developing the electric-car industry over hybrids and other fuel-efficient vehicles. Electric-car sales in China are forecast to exceed those in the U.S. by 2020 as Chinese consumers are more receptive to the technology than their U.S. and European counterparts, according to the Boston Consulting Group.

Rising car sales no sign of booming market

The number of passenger vehicles sold in China increased by 22.3% in February from a year before, the greatest increase in 14 months. Even so, analysts noted that the good news pertains to only one month and said it should not be taken as a sign that the market is once again booming. The China Passenger Car Association (CPCA) said that February saw sales of 1.94 million cars, sport-utility vehicles, multi-purpose vehicles and minivans. The four previous months had all shown decreases. “The 21 working days that fell in February supported an increase in production and sales,” said Rao Da, Secretary General of the Association. “But if we put together the sales that occurred in the first two months, then the figure has still declined by 1.4% from last year.” Rao said it’s possible the sales figure for March will also show a decline, especially if gasoline prices in China hit a record high. “China’s vehicle sales won’t go back to skyrocketing as they did in 2009 and 2010 and as the country’s economy continues to make a soft landing,” he said. Rao predicted 19.8 million automobiles will be sold this year, which would be an increase of 7% from 2011. He said he expects 15.55 million of those to be passenger vehicles. Vehicle sales in China increased at a much slower pace in 2011 than in recent years, going up by only 2.45% from 2010, the lowest rate seen in 13 years. In 2009, the number of vehicles sold increased by 46% from the year before and, in 2010, it went up by 32% from 2009. Mu Qizheng, Analyst with UBS Securities, said that the largest vehicle market in the world will make a mild recovery in 2012, with the number of automobiles sold expected to increase by 10.6% to 20.5 million. “The fact that owning a vehicle in China is still relatively uncommon will lead to market demand maintaining an average annual growth rate of 13% to 14% over the next three years,” he added. He also said automakers’ profits will continue to shrink in 2012. “Big price cuts are coming,” he said. General Motors Co said it sold 240,554 cars and trucks in February in China, setting a new record for the month. Its sales figure increased in February by 30.4% year-on-year, which was the third-highest for any month in General Motors’ history in China. In January and February, the U.S. automaker sold a record 487,208 cars and trucks in China, an increase of 7.7% from the same period last year. Ford Motors Co said its February sales in China had surged by 28% from a year earlier, rising to

40,978 units, the China Daily reports.

British carmaker McLaren setting its sights on China

Formula One carmaker McLaren plans to opens its first dealership in China next year. But the company said it first had to boost production capacity before it can tap the market to avoid delays for Hong Kong buyers. “We will have cars in China early next year but we will have to make sure to ramp up production before that,” said Ian Gorsuch, Regional Director for the Middle East, Africa and Asia-Pacific. “Because if I was a Hong Kong buyer I would be very unhappy if the allocation for Hong Kong is being put to China.” The 60 MP4-12C cars earmarked for Hong Kong buyers for the next two years have already been bought, and customers will have to wait up to 18 months for delivery, compared with about 12 months' delivery time for rivals Ferrari and Lamborghini. While McLaren's new production center in Britain can produce about 1,000 MP4-12Cs every year, Gorsuch said annual capacity could be increased to about 1,500. He also expected delivery time would be shortened to slightly more than a year by the middle of this year. “We see now the right volumes for China may be around 150 cars for a full-year production, and around 60 for Hong Kong,” Gorsuch said. The estimate seems modest compared to sales by Lamborghini and Ferrari of more than 340 sports cars in China last year. Lamborghini has projected that China will become its biggest market this year. McLaren said it would open two to three dealerships in Beijing, Shanghai and Guangzhou next year, and would develop sales centers in Hangzhou and Chengdu, although Gorsuch said there would be no more than six dealerships. Goodwood Motor, part of Sime Darby, which is the McLaren dealership in Hong Kong, will be considered, he said. McLaren opened its first showroom in Hong Kong earlier this month. The MP4-12C will be on sale in Hong Kong for HKD3.9 million. Gorsuch said the car had not yet been priced for China but was likely to be cheaper than the Ferrari 458 which costs CNY3.88 million, the South China Morning Post reports.

Guangzhou Automotive Chairman calls for innovation

China's vehicle manufacturing industry must innovate to improve the quality of self-developed products and cut costs if it is to avoid losing more market share to foreign goods, said Zeng Qinghong, Vice Chairman of Guangzhou Automotive Industry. “We have adult-level manufacturing and production management, but in terms of research and development, we are still in our infancy,” he said. Multinational firms controlled more than half of China's vehicle market and 70% of the profit, but accounted for less than 40% of the investment, Zeng said. He added that there had been a worrying trend of shrinking market shares for domestic brands in the past two years. Citing China Association of Automobile Manufacturers' figures, he said last year domestic brand passenger car sales fell 2.6% from 2010 to 6.11 million units, with market share declining 3.4 percentage points to 42.23%. “China's vehicle industry is too fragmented. There is a lack of concentration on human and other resources,” Zeng said, adding the industry would probably see its present 140-plus vehicle manufacturers eventually consolidated into five or six groups. In 2009, Beijing released targets for consolidation, which would result in two to three firms with an annual output of more than two million units and four to five other makers with outputs of over one million units. Zeng said the former objective had been reached, but the latter had not, as progress had been hampered by local governments reluctant to lose control over their carmakers, which are key job providers and tax revenue generators. Hong Kong-listed Guangzhou Automotive aims to sell three million units and generate revenues of CNY400 billion in 2015, up from 0.72 million units and CNY60 billion in 2010. It now makes sedans in joint ventures with Japan's Toyota Motor and Honda Motor, the South China Morning Post reports.

Land Rover and Chery to set up joint venture

Land Rover plans to partner with Chery Automobile Co to produce cars in the Changshu Economic and Technological Development Area in Jiangsu province, pending approval from the National Development and Reform Commission (NDRC), which is requiring the partnership to produce a new wholly owned brand, and have an engine factory and R&D center. Jaguar cars are not part of the current deal for local production in China. According to the agreement, the joint venture will have a planned production capacity of 50,000 units at its initial stage. Ralf Speth, Jaguar Land Rover CEO, said Land Rover plans to invest GBP100 million in the joint venture, which will have 5,000 employees. Chery, headquartered in Wuhu, Anhui province, already has production facilities in Changshu. Chery and U.S.-based Quantum formed the Chery Quantum Auto Co — the domestic automaker’s first joint venture — in Changshu in

2007. The partnership's first car, the Quantum compact, will hit European and Chinese markets by late 2013, Chery said. China became Jaguar Land Rover's third-largest market in 2011 as it sold more than 42,000 vehicles in the country, a 61% increase from a year previous. The majority were Land Rover vehicles, some 36,087 of the total, up 54% from 2010. Its dealer network expanded to 113 authorized outlets by the end of the year. China is expected to surpass the UK to become Land Rover's second-largest market following the U.S. this year, and become the biggest in 2013, Hu Bo, Deputy Executive President of Land Rover China said. The Chery-Land Rover partnership in Changshu will have Land Rover's first manufacturing factory outside the UK. Last year, Chery and Fuji Heavy Industries, the parent of Subaru, agreed to make Subaru vehicles in Dalian, Liaoning province, but local media are reporting the plan failed to win approval from the NDRC. In 2011, Chery was the nation's largest domestic automaker for the 11th consecutive year, selling 643,000 vehicles globally. It exported 160,200 cars, the most from China for the ninth consecutive year, the China Daily reports.

Half Shenzhen's buses to be electric or hybrid

In a bid to become China's electric vehicle capital, Shenzhen has set a goal to replace more than 50% of its combustion engine buses with electric or hybrid ones by 2015, a move that would reduce air pollution, especially of dangerous fine particles (PM2.5). Shenzhen Mayor Xu Qin said that within three years the city would ban from the road all vehicles that failed to meet the country's advanced emission standards. Xu said adopting electric cars would greatly reduce air pollution in Shenzhen, which ranks second to Beijing as the city with the most vehicles in China. Xu said 3,000 electric or hybrid vehicles were put into use in Shenzhen last year, and a further 2,000 were planned for this year. Shenzhen's Transport Commission said earlier that the city planned to put on the road 5,000 hybrid and 1,000 electric buses, and 3,000 electric taxis, by the end of 2015. This could cut 300,000 tons of carbon dioxide a year. According to Shenzhen's Environmental Protection Bureau, the city's roughly 2.3 million vehicles emitted nearly 50% of total PM2.5 and nitrogen oxides, and 23% of the city's emissions come from its 13,000 buses and 14,000 taxis. In Shenzhen, every electric bus put on the road has received a CNY1 million subsidy since 2010, half from the central government and half from Shenzhen's. Subsidies for hybrid buses have increased from CNY300,000 to CNY600,000 last year.

Renault unveils its latest electric-powered sedan

Renault unveiled Hong Kong's fourth wholly electric car amid growing demand for green vehicles. While only 300 out of the 630,000 locally licensed vehicles are powered by electricity, Renault hopes its launch of the Fluence Z.E., a HKD388,000 electric sedan, will draw 100 local buyers in its first year. "We expect Hong Kong to lead our Asian markets including Australia, South Korea and Singapore in the sales of electric cars," said Arnaud Mourgue, ASEAN and Japan Area Operations Manager. The government is targeting 30% of private vehicles and 15% of buses to be hybrid or electric vehicles by 2020. It ordered 30 Fluence Z.E. cars which will arrive before September. Renault is the fourth passenger electric car model being marketed in the city, behind Mitsubishi, Nissan and electric sports car maker Tesla. Electric carmakers worldwide are keen to tap Hong Kong's market, as the city has no car production industry to compete with. Furthermore, the city's compact urban setting fits the relatively short driving range of electric cars, and the government is offering incentives to green car buyers. Evan Tang, Brand Manager at Wearnes Motors, Renault's local distributor, said it might be overly optimistic to expect annual sales of 100 cars. Tang said Nissan's Leaf and Mitsubishi's i-MiEV have only sold a total of about 150 electric cars in the past two years. There are currently about 370 standard charging locations and four quick-charging locations in Hong Kong. They will be respectively increased to 1,000 in the next few months and 1,500 by next year. But few charging outlets are located at shopping malls and fewer still at private properties. That is why most of the city's 300 electric cars are owned by the government and public utilities. Renault's new electric model cannot use quick-charging outlets because it uses alternating current, not direct current.

Great Wall aims for 20% sales growth

Great Wall Motor said it expects sales to rise 20% this year, building on a 27.3% gain last year to 462,679 vehicles and outstripping the 5.5% growth in China passenger car sales for 2011. Its latest sales projection is lower than the Hong Kong-listed carmaker's earlier target to sell 600,000 cars this year. The company also planned to produce an electric vehicle in 2014. The carmaker leads in the Chinese market in sales of sports utility vehicles (SUV) and pick-up trucks, and is expected to increase export volume by some 20% year on year to 100,000 next year, despite weakening demand in Europe. Sales in Russia and other emerging markets such as South Africa, Chile and Brazil were going well, Group Chairman Wei Jianjun said, adding Great Wall has no further plan to acquire any facilities outside China. It acquired stakes in a manufacturing plant in Bulgaria last month. The company is set to produce seven to eight new truck and SUV models in the next four years, although it would keep research and development (R&D) spending at around 3% of its revenue. Wei said new models' prices will be about 10% higher. Great Wall, which reported a net profit increase of 26.8% year on year to CNY3.43 billion in the past 12 months, saw its gross profit margin edge up 0.2 percentage points to 24.9% last year due to higher sales prices and lower average costs caused by larger production volume.

BMW, Audi and Daimler offer discounts to boost sales

The economic slowdown is beginning to affect the Chinese luxury car market, with dealers cutting the prices of top-end models such as BMW and Audi. Rolls-Royce on the other hand expects its China sales to grow at a double-digit pace – without having to offer discounts, according to Director of Sales and Marketing Jolyon Nash. “There will be ups and downs in the industry but we are optimistic. In the medium to long run, the luxury car segment will continue to grow,” Nash said at the opening of Rolls-Royce's first showroom in Macao. Credit Suisse expects the profit margins of three high-end German carmakers in China – BMW, Daimler and Audi – to fall four percentage points from current levels of 16% to 18% by 2014. According to a website that tracks prices of more than 3,000 dealerships, Mercedes dealers recently offered record markdowns of 25% on high-end models, while BMW and Audi cars are on sale at 20% below sticker prices. Salesmen were offering perks, such as free iPhones and Hermes bag coupons, to boost sales of cars that cost up to CNY3 million. Rolls-Royce said it had set a bottom limit to prices that dealers could offer, to safeguard the brand's image. The luxury car maker is set to open more dealerships in Chongqing, Tianjin and Qingdao. Nash said that proved the firm's optimism about sales in China. The country surpassed the United States as Rolls-Royce's biggest market last year.

Short news

- The General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said GM (China) Investment Corp and Shanghai GM started to recall some imported cars, including 1,586 Opel Antara and 16,618 Chevrolet Captiva cars. The models were made between April 11, 2006, and November 9, 2009. The two companies reported flaws in the anti-lock braking system, resulting from impure brake fluid. The flaw might cause safety risks as drivers needed a longer braking distance.
- U.S. school bus maker Blue Bird Corp said it wants to work jointly with Chinese partners, but it denied a Reuters report saying that China’s Zongshen Industrial Group Co is discussing with the company a USD250 million acquisition deal. The company is reportedly also discussing with Xiamen Winterthur International New Energy Automobile Co about local production of school buses in Xiamen. The sales of school buses may hit 70,000 units this year, Sinolink Securities Co said, adding the demand may grow explosively.
- Shanghai-based SAIC Motor, China's largest carmaker, plans to sell 4.33 million vehicles this year, up 8% from last year, President Chen Hong said. In the year's first two months, sales grew 6.9% year on year to 747,000 units.
- Chinese car parts maker Hebei Lingyun is buying German peer Kiekert for an undisclosed sum. The merger would create a company with a turnover of €1 billion, Kiekert said. Lingyun would take over 55% of Kiekert from a foreign consortium including Blue-Bay Asset Management, Silver Point Capital and Morgan Stanley. Henan North Xingguang Machinery and Electric Co will have a 25% stake, and an investment foundation from Tianjin will have the rest. In 2011, Kiekert sold more than 41 million latch systems.
- BMW's China sales rose about 30% over the same period last year after it reported record deliveries of more than 232,000 vehicles in China in 2011, according to Ivan Koh, President of BMW China Automotive Trading. A major force expected to drive production and sales this year is its newly completed plant — BMW’s second in Shenyang — that will increase annual output in China to 200,000 vehicles or more. An

expanded product lineup is another positive factor.

- About 30 million vehicles are expected to be sold in China annually by 2020, making it overwhelmingly the largest car market in the world, new forecasts reveal. The country's current auto sales of 17 million a year, already the highest of any country, will leap 73% in the next eight years as first-time drivers take to the roads, according to data from IHS Global Insight, a European research firm. In third- and fourth-tier cities car use is still extremely low. Gansu and Hunan provinces, for example, have fewer than 40 cars per 1,000 people, compared with more than 400 cars per 1,000 in the U.S.
- Volkswagen said it is not considering a recall of vehicles to fix a defective direct-shift gearbox despite the General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) urging it to launch a thorough investigation into potential risks. The problem involves about 500,000 vehicles sold in China.
- Illegal car factories remained widespread in Hubei province's Shiyan city – a major source of car parts – CCTV reported. In the city's Bailang Economic and Technical Development Zone alone, about 30 factories provide vehicles that are pieced together with car parts made on site. The illegally-made vehicles were found to have many problems. Fake certificates of authenticity could be purchased from legal vehicle manufacturers.
- The price of a license plate in Shanghai reached an all-time high of CNY58,625 in March with the average cost rising CNY2,993 from a month earlier. The lowest price for a plate hit CNY58,300, also a record, up CNY2,900 from a month earlier. The municipal government put 8,000 car plates up at this month's auction, the same as last month. The number of bidders rose to 24,897, compared to 23,391 in February.
- Full-year vehicle sales may increase less than 5%, said Gu Huaxiang, Deputy Secretary General of the China Association of Automobile Manufacturers (CAAM). The weaker outlook was lower than CAAM's estimate at the start of this year of an 8% rise to 20 million units. Sales of commercial vehicles will be hit the hardest, he added. In the first two months of this year, vehicle deliveries fell 6% year on year to 2.95 million units.
- The State Administration for Industry and Commerce (SAIC) ordered an investigation into allegations of fraudulent sales of Chrysler jeeps. CCTV has alleged some of the jeeps contained components which did not originate from the factories where the vehicles were manufactured, leading to suspicion of fraud. Chrysler ordered distributors to apologize to customers if problems were found and to replace their faulty jeeps.
- Mercedes-Benz said China sales grew 61% year on year to 20,250 units in February, including Mercedes-Benz, smart, AMG and Maybach vehicles. Total sales in the first two months reached 35,640 units. Sales of S-Class vehicles reached a monthly record in February with 7,030 units, up 213% year on year. The locally-produced E-Class and C-Class sedans posted combined sales of 7,390 units in February.
- Bosch Group has agreed to invest CNY1.6 billion to build the second manufacturing plant for its diesel system in China. The new facility will be located in the Qingdao National Hi-Tech Industrial Development Zone and mainly produce advanced fuel injectors. Bosch said demand for energy-saving diesel technologies is expected to grow rapidly in China as the national IV diesel emission standard would take effect in 2013.
- Renault will appoint its Executive Vice President Katsumi Nakamura to take full charge of its China business starting from April. He joined Nissan in April 1978 and was appointed President of Dongfeng Motor Co in 2003. Company officials said the move highlights the importance of the Chinese market while industry observers noted it may also help speed up the localized production of Renault cars in China.

METALS

EU launches anti-subsidy investigation in organic coated steel

The EU officially began investigating whether Chinese makers of organic coated steel have received government subsidies and threatened to impose tariffs on Chinese imports of the metal. Europe is the main export destination for Chinese producers of organic coated steel, said Xu Xiangchun, Senior Analyst at Mysteel.com. According to China Iron and Steel Association (CISA) statistics, China produced 5.54 million tons of organic coated steel in 2010, of which 3.05 million tons were for export. In the first 10 months of 2011, the country exported 4.56 million tons of organic coated steel, 49.5% more than the total amount for the previous year. Xu said it is still too early to estimate how badly Chinese producers will be harmed if the punitive tariffs are imposed. He said the China Iron and Steel Association is helping the steel companies that will be affected by the EU's investigation prepare for the approaching legal process. Organic coated steel is mainly used in home appliances, construction materials, heating equipment and furniture. Of the organic coated steel that China exported, only 15% went to the EU. That percentage decreased further in the second half of 2011, in part because of the gloomy economy in Europe. Tang Hanming, Manager of the pre-painted galvanized steel department at Mysteel.com, said 246 production lines now make organic coated steel for about 100 companies in China. About half of those lines are now not in operation because the market is oversupplied. "Fewer than 20 of those companies have the qualifications to export products and they will be the ones mainly harmed by the anti-subsidy investigation," he told the China Daily.

Chinese steel companies to diversify as demand falls

Chinese steel companies are investing more in non-core business to diversify rather than in furnaces this year. That included a hog-raising plan announced by Wuhan Iron & Steel (Group) Corp President Deng Qilin. The industry is being squeezed by weaker demand and higher raw material costs. Wuhan Steel's budget for non-core activities will equate to nearly 20% of the company's 2011 sales and more than 10 times its profit. Demand for steel is expected to continue slowing this year. BNP Paribas Analyst James Clarke said that demand for construction steel remains weak, although demand from non-construction sectors has shown signs of some improvement. Moody's said Chinese mills will have to cut capital expenditure, lower capacity utilization rates and reduce selling prices. At Baoshan Group Corp, parent of Baoshan Steel, non-steel businesses contributed more than half of group profit last year but a far smaller proportion of its revenue, Baosteel Chairman Xu Lejiang said. He sees such diversification as a contingency measure until the steel industry recovers. He also said mills should be careful and selective when branching out into other businesses. At Wuhan Steel, non-steel activities last year accounted for nearly 60% of the company's profit, helping it to show a 17.4% rise in net profit. President Deng said the current stagnation in steel demand could last another three to five years.

Short news

- China is likely to export more rare earths this year as demand increases amid a decrease in their price and as the country maintains export quotas. Wang Caifeng, who was in charge of the rare earths industry at the Ministry of Industry and Information Technology (MIIT), said that China has no intent this year to greatly change the quotas on exports. In 2012, no more than 31,130 metric tons of rare earths are to be exported, only slightly more than in 2011.
- China's steel output growth may slow to 4% this year, less than half of last year's, due to weak demand from industries such as construction, Zhu Jimin, Chairman of the China Iron and Steel Association (CISA) and of Shougang Corp, said. Last year, China's crude steel production rose 8.9% to 683 million tons. The country's annualized steel output was 620 million tons in the first two months of this year. BNP Paribas Analyst James Clarke predicted demand for construction steel to rise meaningfully only late in the second quarter. Demand from transport infrastructure construction has been sharply cut by the fallout from July's highs-peed train crash in Wenzhou.
- Aluminum Corporation of China posted a 69.4% year-on-year drop in net profit to CNY237.97 million last year even as revenue grew 20.6% to CNY145.87 billion.
- Baoshan Iron and Steel Co said it will maintain April prices for major products at March's level, reflecting the uncertain outlook the industry faces for steel demand going into the second quarter. The firm's pricing policy is regarded as a benchmark in the domestic steel industry. Moody's predicted China's steel demand to grow 5.7% this year, down sharply from the 11.1% average rise in the previous three years.
- The profit margin of China's private-sector steel companies is better than that of state-owned mills, according to a report by Roland Berger. The private mills posted a profit margin 2.8 times higher than that of state-owned peers on average in the third quarter

of last year, a survey of 29 listed Chinese steel firms showed. BNP Paribas said small private mills rebounded faster than the large state-owned mills because they mainly purchase iron ore from the spot market and are more flexible in iron ore sourcing.

MINERALS

Costs hit delayed Citic Pacific Australian mine

Citic Pacific, which has suffered major cost overruns at a major Australian iron ore project, says it is confident it can start up its first two production lines on time this year but will not rule out further rises in overall project costs. Chairman Chang Zhenming, said the project is three to four times the size of China's largest iron ore mine, with a high degree of automation. It is also the first large-scale magnetite iron ore mine to be commercialized in Australia, he added. 'It is only natural for such an unprecedented project to have difficulties." Magnetite contains lower iron content than conventional ore and needs processing before it can be used by steelmakers. The mines with the best quality ore had been snapped up by the mining giants by the time Citic Pacific joined the fray, Chang said last August. It amassed a portfolio of iron ore mining rights in West Australia's Pilbara region six years ago. In 2007, it contracted state-owned construction contractor China Metallurgical Corp (MCC) to build ore mining and processing facilities for USD1.75 billion. MCC's four-year budget doubled to USD3.41 billion, hit by surges in the costs of material, labor, and management and by the rising Australian dollar, and also reflecting miscalculations by MCC. Chang said he was confident the first production line would enter trial production by the end of August, compared to the original schedule of the end of 2011, and the second one by year-end. He said Citic Pacific was considering engaging another company to install the last four production lines. It was also pondering whether to cancel construction of an ore-pelleting plant near the mine, given rising construction costs and a new carbon tax in Australia, the South China Morning Post reports. Citic Pacific posted a net profit of HKD9.23 billion, up 3.8% from 2010, but 8% below the average estimate of 13 analysts polled by Thomson Reuters.

Citic Dameng looks to acquire South African manganese mines

Citic Dameng, which controls nearly a third of all manganese reserves in China, is searching for manganese mines to acquire in South Africa. China is the world's largest steel producer and currently relies on imports of manganese. “We are looking at several mines in South Africa, which has the largest reserves of manganese in the world,” said the company's Chief Executive, Tian Yuchuan. Last year, the company recorded a 78% increase in net profit to HKD408.6 million. Stripped of a HKD262 million one-off gain from the acquisition of a manganese mining and alloy processing plant in Guizhou, the underlying profit of the company dropped 36% year on year. Production disruption in the fourth quarter dented profits, Citic Dameng said. An extreme drought in Guizhou cut hydroelectric power supplies and led to a severe power shortage at the company's mining and production facilities. As a result production dropped more than 60% year on year in the quarter, but had picked up again in the first quarter of this year, Tian said. The company expects to produce 140,000 tons of electrolytic manganese (EMM) in 2012, up 40% year-on-year. Tian predicted that the price of EMM would fall to as low as CNY16,500 a ton this year from CNY19,000 a ton on average last year, because of the slowdown in new house construction, which would reduce demand for steel. Consolidation of EMM plants would offer opportunities for acquisitions, he said. In the longer run, manganese would become a sought-after commodity when the technology of electric cars is mature enough to support mass production, Tian said. Lithium manganite, a processed product of manganese, is one of the essential materials for car batteries, the South China Morning Post reports.

Chinese to invest more in iron ore mining abroad

The high price of imported iron ore and China’s sluggish steel market will prompt domestic companies to invest heavily in overseas mining operations, according to Zhu Jimin, Chairman of the China Iron and Steel Association (CISA). “It is estimated that Chinese-invested overseas sources will bring in 100 million to 200 million metric tons of iron ore annually in the coming three to five years,” he said. Zhu said an over-reliance on high-priced imports of the mineral is squeezing profits at Chinese steel mills, piling further pressure on an industry that is already experiencing a decline in domestic demand. In 2011, China imported 686 million tons of iron ore, equal to 60% of the domestic steel industry’s consumption during the year. The majority of the imports came from Australia, Brazil and India. China is the world’s biggest consumer of iron ore, but Chinese companies currently own less than 10% of the imported ore, said Li Xinchuang, Deputy Secretary General of CISA. China's steel makers saw the industry's average profit margin reduced to less than 3% in 2011. India and Vietnam raised export duties on iron ore, while Australia, the largest overseas provider of iron ore to China, will also introduce its Minerals Resources Rent Tax on July 1. The high prices set by overseas suppliers will push more Chinese companies to invest overseas in the hope of relieving the pressures of shrinking profit margins, Zhu said.

MMC banking on coal demand from China

Mongolian Mining Corporation (MMC) expects to continue to benefit from rising demand for coal this year. "We remain optimistic on the demand from China," MMC's Chief Executive Dr Battsengel Gotov said in Hong Kong. This is because China is forecast to increase its annual steel production, which is dependent on coal, by 2% to 3% to about 700 million tons this year, he said. MMC, the largest coking coal exporter in Mongolia, sold 3.3 million tons of raw hard coking coal and 1.5 million tons of washed hard coking coal to Chinese customers last year. The Hong Kong-listed company said nearly all of Mongolia's 21.1 million tons of coal exports went to China last year, accounting for about 45% of China's total coal imports. Announcing its 2011 annual results, MMC reported that its net profit nearly doubled to USD119.1 million last year from 2010. Revenue grew 95.5% to USD542.6 million, mainly due to an increase in prices and sales volumes. The group said the average selling price of its coal products was USD113.9 per ton last year, up 60.9% from the year before, partly because it started offering washed coal, which is more expensive than raw coal. It sold about 4.8 tons of raw and washed coal last year, up 23.1% year on year. Gotov expects annual production to increase to 12 million tons this year, and all additional coal production will be turned into value-added washed coal that commands higher prices. He also said the group would budget up to USD190 million for capital expenditure this year, of which about USD100 million would be spent on coal washing facilities, up to USD50 million on water facilities and around USD30 million on its Baruun Naran mine that the company acquired last year.

Chinese interest in Australian ore projects cooling

China's appetite for iron ore projects in Australia is shrinking fast as the billions of dollars they have sunk into mines, ports and railways fail to blunt the power of the "big three" producers Vale, Rio Tinto and BHP Billiton. This means Australia's junior miners can no longer take China for granted as a source of cheap funding to help cope with soaring costs. The only ore so far delivered is from Fortescue Metals Group, now shipping more than 50 million tons a year, and slim output from one of Sinosteel's projects in Western Australia's new mid-west iron ore belt. Other investments, like Sinosteel Midwest's magnetite project, Citic Pacific's Sino Iron mine and Angang Steel's stake in the Karara iron ore project have run into problems that have delayed output and sent costs through the roof. The Sino Iron project budget has more than doubled to USD6.2 billion over the past five years due to a labor shortage, higher prices for equipment and building materials and an expansion. First production is now targeted for late 2012, two years later than planned. As well as buyers becoming more choosy, Chinese lenders have set a higher bar for project finance, while Australia has imposed new taxes. "I personally don't think it's proper to invest overseas now as the investment cost is high," said Wang Xiaoqi, Vice Chairman of the China Iron and Steel Association (CISA). Chinese are now seeking assets with hematite ore that can be mined more cheaply and quickly, producing cash flows that can then be used to develop magnetite lodes, said James Stewart, Partner at law firm Norton Rose. "We're still seeing plenty of interest from Chinese investors wanting to invest in projects, but they're looking for quality projects now," he said. Still, iron ore profit margins are around 46% for good projects, against a 2.4% average in 2011 for China's steel firms, according to the China Iron and Steel Association (CISA).

China to consolidate rare earth industry

China will establish two or three large rare-earth enterprises by consolidating companies in the sector, Miao Wei, Minister of Industry and Information Technology, said. The first large rare earth enterprise had already been created in Inner Mongolia by consolidating 14 related companies under the leadership of Baotou Steel Rare-Earth Hi-Tech Co. Although its rare-earth deposits account for only 35% of the world's total, China remains the world's largest rare-earth exporter. It accounts for more than 90% of global output of the 17 rare earth metals. According to Miao, after the rationalization, export quotas will be set in accordance with the annual production amount, in line with WTO rules. Miao said that the rare-earth export quota in

2012 would be the same as in 2011. The full-year quota for 2011 was 30,184 tons, but actual exports amounted to just half of the quota. Miao said the industry regrouping will cover firms in more than 10 provinces, adding that the domestic industry’s value stands at about CNY40 billion. Tu Hailing, Vice President of the Chinese Society of Rare Earths, said also the downstream industry – including product processing – should be developed and profits should be reinvested in research and development (R&D). Tu suggested the government should involve venture capital to facilitate a combination of financing and technology, as well as special funds to aid technology upgrades. “Only a developed downstream could stabilize market demand and production for the upstream,” Tu said.

Kinetic Mines and Energy to launch HKD1.6 billion IPO

Kinetic Mines and Energy, controlled by Guangzhou developer Zhang Li, aims to raise up to HKD1.61 billion through an initial public offering (IPO) to develop a coal mine, cut debt and fund acquisitions. The company owns an underground mine in Erdos, Inner Mongolia, which has 201.2 million tons of coal reserves. It began trial production in January and expects to start commercial production in June, with an annual capacity of 2.4 million tons. Next year, it plans to ramp it up to 5 million tons. The company has signed non-binding long-term framework agreements to sell 2.9 million tons of coal annually to three power producers, in Shanghai, Shandong and Guangzhou. The company has set up a joint venture with China Shenhua Energy to build and operate a 15-million-ton-a-year coal-loading station. China Shenhua has a 55% stake in the venture and Kinetic the rest. The venture would help secure rail capacity to move Kinetic's coal to China's largest coal port, Qinhuangdao. Kinetic plans to use 35% of the IPO proceeds to build mining and coal-washing facilities, a loading station and rail spur lines. A further 30% has been earmarked for retiring a short-term bank loan, 25% for potential acquisition of small miners in Inner Mongolia and Guizhou, and the remainder for working capital. Hong Kong-listed Sany Heavy Equipment International has committed to buy USD30 million worth of Kinetic shares, about 18% of the shares on offer, and a 2% stake after Kinetic's listing. The stock is expected to debut on the exchange on March 23.

U.S. submits rare earth case to WTO

The U.S. launched a case at the World Trade Organization (WTO) – in cooperation with the EU and Japan – against China’s export controls on rare earths. “It is rash and unfair for the United States to put forward a lawsuit against China before the WTO, which may hurt economic relations between the world's largest and second-largest economies,” China's Ministry of Commerce (MOFCOM) said. The United States and European Union plan to challenge export taxes and quotas on rare earths. Chinese trade officials are to join the WTO’s monthly dispute-settlement meeting for all member nations in Geneva on March 23 to discuss the matter. Michael Silver, CEO of Los Angeles-based American Elements, which sources rare-earth materials in China and processes them in the U.S. and Mexico, said the problem with China's export quotas is how they force international prices of the metals so much higher than the prices for them in China. Silver said that he is hopeful that regardless of what the WTO might ultimately decide about China's quotas, the U.S. action may lead to negotiations with China about how to narrow the pricing gap. The case could take years to resolve, including appeals. While WTO rules technically permit export quotas on natural resources for environmental protection, trade lawyers say China's export caps on rare-earth minerals violate the spirit of those rules. They note while Beijing has been cutting access to the resources by other countries through the quotas, it has been slow to implement rigid production limits at home that might truly protect the natural resources, the Wall Street Journal reports. “China’s restrictions on rare earths and other products violate international trade rules and must be removed,” EU Trade Commissioner Karel De Gucht said. China's Minister of Industry and Information Technology Miao Wei countered that some rare earth metals would last only 20 years if China does not stop excessive mining, and vowed that China would defend its case. China had 10 days to respond and must hold talks with the U.S., EU and Japan within 60 days. If an agreement cannot be reached within that time, the U.S. and its partners could request an investigation of Chinese practices.

China to raise uranium imports, acquire mines

China plans to import more uranium this year than last year and to buy uranium mines abroad, looking particularly toward Canada for that purpose, said Qian Zhiming, Deputy Director of the National Energy Administration (NEA). China imported 16,126 tons of uranium in 2011, not much less than the 17,135 tons it had imported in 2010. China will resume approving and building new nuclear projects in 2012. No new nuclear project was either approved or started in China last year. China has 15 nuclear reactors, and is now building at least 25 reactors more and has 50 more planned. Of all the countries that supply uranium to China, the top four exporters are Kazakhstan, Uzbekistan, Namibia and Australia. They contributed more than 95% of China's imports last year. China Guangdong Nuclear Power Group Co has offered to buy 261.9 million shares from Kalahari Minerals, a global resource company owning uranium and gold reserves. The deal, which concerns 98% of the ownership of Kalahari Minerals, was approved in February. China can produce 850 tons of uranium a year, an amount expected to increase to 2,500 tons in the future, according to Ux Consulting, the China Daily reports.

Ore processor Hanking to double capacity by 2015

Iron ore producer China Hanking plans to more than double its ore-processing capacity by 2015, as it puts two new mines into operation. The Liaoning province-based firm aimed to have an annual processing capacity of 11.4 million tons in 2015, Chief Executive Pan Guocheng said. The iron ore producer processed 4.5 million tons last year, and plans to handle 7.3 million tons this year and 9.25 million tons next year. Hanking posted a net profit of CNY403.54 million for last year. Underlying profit was up 35.1% at CNY670.56 million from the previous year minus costs and compensation to warrant-holders after its stock market listing last September. The profit growth was driven by a 14.3% rise in the average selling price to CNY1,060.8 per ton. Sales fell 4.5% to 1.26 million tons, due to restrictions at its Xingzhou mine. Including value added tax, the company's selling prices fell to as low as CNY1,000 a ton in the fourth quarter amid a global economic slowdown triggered by Europe's sovereign debt crisis. Chief Executive Pan said Hanking was in talks to invest in mines in Western Australia and take over other mines in northeast China, adding it would only invest in high iron-content mines.

BHP sees China demand for ore flattening

Australian iron ore miners signaled demand growth was slowing in response to China's moves to cool its economy. BHP Billiton said it was seeing signs of "flattening" iron ore demand from China, though for now it was proceeding with ambitious plans to expand production. Rival Rio Tinto said it, too, was continuing with plans to raise capacity from its huge mines in Western Australia's Pilbara iron ore belt, betting on a soft landing for the Chinese economy. "The [Chinese] economy is shifting, it's changing. Steel growth rates will flatten and they have flattened," Ian Ashby, President of BHP's Iron Ore Division, said before the Global Iron Ore & Steel Forecast Conference in Perth. China's demand for iron ore would slow to single-digit growth, but the country's annual steel output would still rise by 60% by 2025, Ashby said. Any easing in demand growth would have an impact on China-Australia trade. BHP was sticking with its USD10 billion iron ore expansion plan and was mining 165 million to 170 million tons per year, Ashby said. Analysts agreed even single-digit growth in Chinese ore demand should be enough to spur miners to go ahead with production expansion plans. "Although the rate of [gross domestic product] growth in China is more immediately slowing, we remain confident, on the basis of the figures we have seen, of a soft landing, with solid growth for this year," said David Joyce, Rio Tinto's Managing Director of expansion projects.

Platinum Australia looking for Chinese partner

Platinum Australia, operator of a mine in South Africa, is considering a Chinese partner to develop a USD170 million project in Western Australia that may hold the biggest reserve of platinum in the Asia-Pacific. The Panton mine would be able to supply customers in Japan and China, Managing Director John Lewins said in Hong Kong. China, the largest consumer of platinum, barely produced any of the metal. The Perth-based company is focusing on the home market as it joins Anglo American Platinum, the largest producer in the world, and Lonmin in facing mounting labor and power costs as well as supply disruptions because of strikes in South Africa. The nation produced as much as 75% of the world's platinum, Lewins said. The Panton project would generate net cash flow of as much as USD136 million, the company told the Australian stock exchange. The mine would produce 83,000 ounces of platinum, palladium and gold a year. Platinum Australia's staff increased from 30 to 800 in January after it hired employees directly from its South African contractor, which failed to meet production targets, Lewins said. The company lost production last year when employees of JIC Mining Services at its Smokey Hills mine in South Africa went on strike.

Short news

- Standard & Poor's has cut Winsway Coking Coal Holdings' long-term corporate credit rating from BB- to B+, saying Winsway's business risk profile may weaken after its acquisition of a Canadian coal miner because of the likelihood that its profits will be affected by volatile coal prices. Winsway, which distributes Mongolian coking coal used to smelt steel to Chinese steelmakers, has received shareholders' approval to form a joint venture with Japanese trading house Marubeni to buy Canadian coking coal miner Grand Cache Coal for almost USD1 billion.
- The Chinese-owned mining company Ecuacorriente has signed a contract to invest USD1.4 billion over five years for extracting copper in Ecuador's southern Amazon region. Production could begin as early as 2013.
- Chinese rare-earth company Rare Earths Global (REG) has announced its intention to list on the Alternative Investment Market (AIM) of the London Stock Exchange. The company is looking to raise USD50 million. Last year Rare Earths Global was awarded a production quota of 300 tons and an export quota of 137 tons.
- Iron ore prices may rise as much as 7.4% this year on speculation that further easing of curbs on lending in China, the biggest buyer, will boost demand, according to the Commonwealth Bank of Australia. Prices might average USD155 per ton in the fourth quarter, up from about USD140 this quarter, Analysts Lachlan Shaw and Vivek Dhar said in a report. Imports grew 9.5% to 64.98 million tons last month. Prices might remain volatile in the first half of this year.
- Australia's Fortescue Metals Group (FMG) has become a formal member of China's first iron ore physical trading platform launched by the China Beijing International Mining Exchange. The exchange kicked off the online platform together with the China Iron and Steel Association (CISA) and the China Chamber of Commerce of Metals Minerals and Chemicals Importers and Exporters in January to try to strengthen its pricing power. FMG is the first overseas iron ore supplier to join the platform. The big three iron ore suppliers were in talks to join.

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