



7 Hammers on China's Global competitiveness

对中国全球竞争力的7锤重击



the PAC Group



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The big China risk 巨大的中国风险

Investors are counting on China to keep the global economy chugging while the U.S. and European economies slow

当美国和欧洲经济增长缓慢的情况下,投资者指望中国能保持有力的全球经济增长

IS MADE IN CHINA STILL A VIABLE OPTION?

中国制造是否还是可行的出路?

Is the China Production miracle over?

中国制造的神话是否已经结束?

1. RMB appreciation 人民币升值
2. Raw material cost increases 原材料成本上涨
3. VAT drawback policy changes 增值税退税政策改变
4. Annual salary increase expectations 预计中将增长的年薪
5. New Labor Law 新劳动法
6. Uniform Environmental Regulation conformance 统一的环保法规
7. Price of Oil affect on transportation 油价对运输的影响



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1. RMB appreciation

人民币升值

- 8.27 RMB/\$ then vs 6.92 RMB/\$ today – 16% appreciation in 3 years
人民币对美元已从8.27升值到今天的6.92 - 三年中增值达16%
- OEMs beginning to acknowledge 15% Ex rate swing a lot for Suppliers to absorb
主机厂开始了解到要消化15%的利率变化对于供应商来说是个很大的数字
- RMB vs Euro today – 20% depreciation in 3 years
人民币对欧元汇率- 三年中降幅达20%
- European Customers more willing to grant price adjustments than USA Customers
相比美国客户，欧洲客户更愿意批准价格调整

2. Raw material cost increases

原材料成本持续增长

- Raw Material costs have been increasing at a double digit pace, for several years
许多原材料成本在几年里中有两位数字的增长
- Most new Contracts have an automatic periodic adjustments
大多数新的合同会做自动周期性调整



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3. VAT Drawback Policy changes

增值税退税政策的变化

- 12% drawback for many, not all, low value/high energy products eliminated
大多数低价值/高能耗的产品取消了12%的退税,

4. Annual Salary Increase expectation

预期中将增长的年薪

- Direct Employees – 10+ %/year expectations to offset inflation
直接雇员 – 每年10%的预期增长
 - Turnover Consequences – Retraining, Staff shortages, Quality Mistakes
人员流动导致 – 再培训, 员工短缺, 质量错误
- High caliber Management Personnel 才能卓越的管理人员
 - Extremely high expectations for job scope, challenge, and promotion 对于工作范围, 挑战和晋升有非常高的期望
 - Many special incentives offered for recruiting strong Candidates
为招募优秀员工, 提供很多特殊的激励措施



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4. More on finding and keeping good Staff – quote 更多关于寻找和保留优秀员工的内容—引用

- Honda Executive at a recent conference in Guangzhou said:
本田执行官近期在广州的一次会议中所述

“We came to China not because of the low cost labor force, but because of your huge talent pool...to pick the very best, and train them for our Team”

“我们来中国不是因为低廉的劳动力，而是因为你们巨大的智库，从中挑选最好的，然后培训他们成为我们团队的一员”



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5. New Labor Law

新劳动法

- Paid overtime, full Social Benefits, more stringent dismissal policy revision
支付加班，全额社会福利，并使解雇员工比过去要困难得多
- A positive step to improve employees rights and benefits
对增进员工的权利和福利是个进步
- Estimated 20+% additional increase to actual labor costs
预计在原有劳动成本上增加20%
- China's full labor cost still retains an advantage over Western labor costs but not much anymore against other LCC competitors.
中国总体劳动力成本仍低于西方，但较之其他低成本国家竞争者优势不那么明显了

6. Environmental impact

环境影响

- Uniform, all China Companies compliance now required
一致化，所有中国公司都被要求按法规行事
- Positive step to improve environment but with small through-put impact
对改善环境是一个进步，但对生产率带来一定影响



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7. Cost of oil's affect on transportation

油价成本对运输的影响

- Inter and Intra - Regional shipping cost will be affected by oil price rise
地区间和地区内的运输成本都会受到油价上涨的影响
- Sea freight 20%-50% of the cost of getting goods from China to Europe or USA so affects larger bulky items more than small items
海运费用仅占从中国到欧洲或者美国总运费的20%-50%
- Land transportation from California or Mexico to Detroit nearly the same
从加利福尼亚或者墨西哥到底特律的陆地运输和从中国出发几乎一样
- Better, innovative container utilization and packaging could help reduce overall transportation costs
更好的，改良的集装箱使用能帮助降低总运输成本



Pure China Company CEO's comments 中国本土公司CEO们的意见

Immediate actions to improve their bottom line

改进他们底线的紧急措施

- **Cut spending**
消减开支
- **Better Utilize existing Staff**
更好地使用现有员工
- **Reduce Scrap**
降低废品
- **Get LEAN**
学习精益思想
- **Talk to Government for help**
和政府沟通寻求帮助
- **Price Increases**
提价



OEM/Tier 1 Sourcing strategy changes

主机厂/一级供应商采购策略的变化

A. Future Contracts quoted Internationally with justification given for sustainability

以可持续发展为前提，未来的业务会向全球询价

- Multi-year, Multi-country quotes, utilizing future state cost models to compare Total Landed Cost to support each Business Case decision
多年，多国家报价，使用未来状态成本模型来比较总运抵价，以此支持每个业务个案的决定
- Cost of Supplier development being factored into decisions now as well
供应商开发的成本现在也被纳入决定时的考虑因素

B. Commodities still making sense from China

从中国采购货品仍是有意义的

- Higher value items such as Electronics, Module Assemblies, Machined parts, multiple technology parts, or those requiring extensive post processing.
高价产品例如电子类，总成模块，机加工零件，多个技术零件，或其他要求许多后道加工的零件
- Commodities requiring higher tooling or special equipment investment also makes good sense from China
需要高额模具或特殊设备投入的货品在中国采购也有优势



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C. Re-sourcing of existing awarded business not easy

对现有业务进行重新采购不是件易事

- Re-validation costs and Engineering support
重新认证的成本和工程支持
- Cost for duplicate tooling often prohibitive
重开模具的费用常得不到批准
- Additional SQE resources to work on an old project instead of the next generation project
在旧的项目，而不是新产品项目上投入额外的SQE资源
- Don't see major loss of existing awarded business to China Suppliers but much discussion on sourcing strategies direction for 2009/2010 projects
目前没有发现中国供应商现有业务的明显流失，但有很多关于2009/2010年项目采购策略方向的讨论

D. International OEM's search for pure China companies

国际OEM寻找本土中国公司

- Lower cost but often higher quality risk
更低的成本但是更高的质量风险
- Additional inspection demanded to ensure defect free shipments
为了确保无次品的发货，需要额外的检验



OEM/Tier 1 Sourcing strategy changes

主机厂/一级供应商采购策略的变化

- Those successful have 3 distinct features:
这些成功的公司有以下3个明显的特征:
 - A. Have large Domestic Operations so placing export business with their larger, more developed, existing Suppliers
有庞大的国内分部，所以出口的业务都交给他们下面规模较大，发达的现有供应商
 - B. High volume parts for vehicle platforms being launch in China and other Regions of the world
对在中国和世界其他地区投产的汽车平台配套的大量零件
 - C. Parts launched and proven on China vehicles before allowed for export
在允许出口前，这些零件已经在投产，并在中国汽车中得到验证



OEM/Tier 1 Sourcing strategy changes

主机厂/一级供应商采购策略的变化

E. Profound Product Knowledge 深厚的产品知识

- Local Staffs lack detailed Product knowledge and history
本地员工缺少具体的产品知识及其相关历史
- Most International OEMs setting up Technical Centers in China so to develop Local Design Engineering capabilities
大多数国际主机厂在中国建立技术中心来开发本地设计工程能力
- All International OEMs bringing experienced SQEs to transfer their wealth of knowledge and experience to local SQE Staffs
大多数国际主机厂将有经验的SQE带到当地，以给当地的同事传授他们丰富的知识和经验
- Some are sending Local Staff to home units for several months worth of on-the-job training experience
同样也送当地人员到国外进行数月的现场培训，以累计经验

F. Price increase requests 提价要求

- OEMs reporting not getting many requests for price increases other than material and RMB. Local Companies absorbing the other hammer elements?
主机厂反映，除了材料和人民币方面的原因，其他方面的提价要求不多。本土的公司是不是自行消化了其他重击元素？
- Expect future programs quotes will show full effect of all the 7 Hammer elements. 希望未来项目的报价中能充分体现所有7锤中级元素的影响



Closing Comments and suggestions

总结意见和建议

To China Suppliers

致中国供应商

- There is a tremendous need to “Evolve” to face Global Competitors who are quoting against your future 2009/2010 business
面对正在同你一样为2009/2010业务报价的全球竞争者，你急需要“进化”
- You need to improve Through-put, Efficiency, Effectiveness, investment and Staff utilization, and your true operating costs.
你需要改进生产率，效率，效力，投入和人员利用，和你的实际运营成本
- At the same time, quality systems require improvement to change people’s opinions of China products from one of low cost to one of guaranteed quality
同时，质量体系也需要改进，来改变人们对中国产品的观念，不光是低成本，更应是有质量保证的。



Closing Comments and suggestions

总结意见和建议

To International OEMs and Tier 1s 致全球主机厂和他们的一级供应商

- China Suppliers will still remain competitive for most higher end commodities because of huge Domestic demand for similar, and increasingly higher technology, parts
对于大多数较高端的商品，中国供应商仍有竞争力，因为国内对这些类似，技术不断提升的产品有巨大的需求
- Lower costs in China for Tooling and Specialty equipment should reduce your up-front investment
模具和特殊设备在中国较低的成本能帮你们减少先期投入
- Expect multiple rounds of negotiations to get what you want from China Suppliers
若想从中国供应商处得到你需要的价格，你需要准备好多几轮商谈
- Currency valuation, transportation cost, Supplier development costs, rising material costs...are LCC global problems, not just China unique problems.
币值估算，运输成本，供应商开发成本，上涨的原材料成本。。。是低成本国家都面临着的全球问题，不光是中国的问题。



Closing Comments and suggestions 总结意见和建议

Final quote: 总结引述:

- *“To continue to do the same thing, but expect different results, is insane”* – Albert Einstein
“持续做同一件事情，却期望有不同的结果，是不明智的”
--艾伯特 爱因斯坦