

2018 Top Markets Report **Recreational Transportation** Case Study

The following country case study discusses new developments in Recreation Vehicles (RVs) in China. This updates the information found in the [2016 Top Markets Report for Recreational Transportation](#).

Country Case Study

China: Recreation Vehicles (RVs)

Overview of the RV Market

China's RV market has undergone significant changes over the past several years, including a national focus on the development of tourism, campgrounds and the RV industry. With a growing demand for RVs and a shift in consumers' travel preferences, tourism experts in China anticipate a surge of RV-related business in the coming years. More people are choosing to explore the countryside and hit the roads with recreation vehicles.¹

China's domestic RV market is in the early stages of development. By the end of 2016, Chinese consumers purchased an estimated 25,000 RVs; this number could reach 500,000 by 2020 as China's growing economy and rising middle class continue to energize an increasing demand for leisure-related goods and activities, such as RVs and RV camping.²

In 2016, China ranked second as a destination market for U.S. RVs. Total U.S. RV exports in 2016 increased to \$13.7 million, compared to \$7.9 billion in 2015. Towable RVs (travel trailers) were 58 percent of 2016 RV exports, and 42 percent were motorhomes.³

China has 56 active RV manufacturers. Chinese manufacturers offer a variety of products from towable RVs to motorhomes. Domestically produced RVs dominate the marketplace, accounting for the majority of overall RV sales.

Despite the growing popularity and demand for RVs, China has a shortage of available campgrounds. In 2014, China had around 200 campgrounds nationwide, of which less than 50 were RV-ready. By the end of 2016, the number of operational campgrounds increased to 469, with an additional 489 under construction.⁴ The lack of an adequate RV infrastructure, however, has led to unrealized need for downstream goods and services by RV travelers (e.g., camping equipment, clothing, gasoline, food, etc.).⁵

Growth of the RV industry has also been hampered by the lack of standards and a regulatory framework governing the manufacture and use of RVs. Although some government agencies have adopted their own rules and regulations for RVs, these are not uniform across agencies. Also, existing standards and regulations commonly are based on motor vehicle-related standards without regard to the unique characteristics of RVs.

China has made a push in recent years to develop domestic tourism, including campgrounds and the RV industry. At the national level, China's State Council has repeatedly called for accelerating development of the tourism industry and has specified that China should vigorously support the emerging tourism industry, including RVs.

Campground development has received great support from the government in China. In August 2014, the State Council called for the development of campgrounds and campground standards and an updating of existing requirements on travel trailers. In October 2014, it called for "building auto campsites and RV campgrounds," and it included RVs and camping among one of the six growth areas the government is focusing on in an effort "to promote consumer spending on tourism and leisure activities."⁶ In August 2015, the State Council set a goal of establishing 1,000 RV campgrounds by 2020 nationwide as part of China's 13th Five Year Plan (2016-2020). In a March 2016 government report presented at the annual session of the National People's Congress, Premier Li Keqiang reiterated the government's support for developing campgrounds in the country.

In November 2016, China's National Tourism Administration (CNTA) and 10 other national ministries and departments that have oversight of RV and camping-related issues made a joint announcement endorsing the promotion of "self-driving" tourism and RV tourism. The announcement included a number of guidelines, from RV manufacturing to land use for campground development and infrastructure for RVs, such as roadside services, campground networks, self-driving clubs and related outdoor activities, and RV rental services. The guidelines also called for the development of 2,000 campgrounds by 2020 (which is an increase over the State Council's goal in August 2015 of establishing 1,000 campgrounds by 2020). Among the areas identified for construction of additional campgrounds were the Silk Road and Yangtze River Economic Belt.⁷ In addition, the guidelines indicated some specifics on promoting the use of RVs, including a call to review and improve driver's license requirements, vehicle registrations, and an allowance for motor vehicles to tow travel trailers weighing 2.5 tons or less.⁸ The State Council noted in a statement accompanying the announcement that RV tourism has developed at a "staggering speed" over the past two years with an annual growth of 85 percent.⁹

In addition to public funding for campground development, the government has begun promoting private-public partnerships as well as encouraging private investment to speed up the development of campgrounds. Also, the Chinese automotive industry has listed RVs as a key emerging sector to boost healthy, rapid and stable economic development. Groups and organizations representing the growing interests of the RV industry, campgrounds and campground development also continue to emerge.¹⁰

At the local level, large cities, such as Beijing and Shanghai, have been actively involved in efforts to develop tourism, campgrounds and the RV industry. In October 2014, the first campground for RVs in

Shanghai opened on Chongming Island. It features recreation areas that offer a range of activities for RV owners and visitors wanting to rent RVs onsite.¹¹

Newly developed campgrounds continue to emerge monthly across China. Among these include sites in the Anhui, Chengdu, Guangdong, Guizhou, Heilongjiang, Hebei (including Zhangjiakou City where many of the events for the 2022 Winter Olympics will be held), Henan, Liaoning, Ningxia, Shaanxi, Sichuan, Yunnan, and Zhejiang provinces. National and local tourism officials have plans to develop other campgrounds in some other locations, as well.¹²

Challenges and Barriers to Exports

The biggest challenge U.S. exports face in China is the country's duty and tax rates for imported RVs. Since these rates are high, they essentially price most potential Chinese RV buyers out the market. U.S.-made RVs would be very competitive — compared with RVs made in China — if they faced lower duties and taxes.

Currently, imported motorhomes are subject to a duty rate of 25 percent, a value-added tax of 17 percent and consumption taxes of up to 50 percent. The consumption taxes on motorhomes comprise a tax of up to 40 percent (based on engine size), and an additional 10 percent tax imposed in December 2016 on passenger vehicles and small and medium-sized commercial vehicles retailed at RMB 1.3 million (approximately \$195,000). Though the new tax affects almost exclusively imported automobiles, it also impacts motorhomes.¹³ As a result of the high duties and taxes, imported motorhomes in China can cost up to three times more than the same units sold in the United States when insurance and freight are included. China does not have a separate tariff classification and duty rate for motorhomes, so they are treated the same as imported automobiles.

Imported travel trailers can cost up to two times more in China than they do in the United States, as they are subject to an import duty of 10 percent and value-added tax of 17 percent in addition to insurance and freight. In comparison, imported travel trailers enter the United States duty-free, and motorhome imports are subject to a 2.5 percent duty rate.

Another challenge for U.S. exporters is that China has few dedicated standards and regulations for the manufacture and use of RVs. China's standards system has multiple levels — national, industry, provincial and city — and each level has mandatory and recommended standards. The few RV-related standards that exist either reference automobile standards or incorporate outdated International Organization for Standardization standards. China is currently in the process of reviewing or writing RV-related standards to catch up with the market. According to Chinese standards developing organizations, they plan to have most of the necessary RV standards in place within the next several years.

The regulatory challenges include registration and licensing requirements for RVs. China does not have a separate category for motorhomes. Passenger vehicles are categorized by the number of seats and vehicle exterior length. For most Class A and Class C motorhomes in China, a Class A or Class B driver's

license is required while the majority of drivers have a Class C driver's license. Driver's license requirements for towing travel trailers are inconsistent.

In addition, vehicle registration can be a challenge in China. Large cities, like Beijing and Shanghai, limit registrations via a lottery system. While many smaller cities do not limit registrations, this can still be difficult because registration officials in those cities are often unfamiliar with RVs. Highway toll fees in China also impact RV owners. For motorhomes, fees vary according to the types of seats and number of seats in the vehicle. For travel trailers, even though China's road safety law has allowed the towing of trailers weighing up to 750 kilograms, toll station personnel often have not been familiar with the law and have thus not allowed travel trailers to enter highways. At present, travel trailers are primarily being used in China for destination camping in campgrounds. They are delivered to a campground and rented out for use by campground visitors, remaining there permanently.

Testing and certification requirements for the China Compulsory Certification (CCC) mark also have been a challenge for U.S. manufacturers. The certification process is very expensive, and it was developed for cars and trucks without taking into account the unique nature of RVs. Domestic manufacturers face less costly CCC procedures, which puts U.S. producers at a competitive disadvantage.

U.S. producers also face growing competition from other major global RV manufacturers. Some leading RV producers, mostly from Europe, have been actively seeking opportunities in China, including involvement in the country's development of campground and RV standards. Adoption of international standards for RVs and campgrounds in China would pose additional challenges, as these generally are not compatible with U.S.-made RVs.

The rise of Chinese RV manufacturers poses another challenge. Although most Chinese manufacturers entered the RV market within the last five to 10 years, they are advancing quickly and, due to their low cost and understanding of the market, have begun competing for market share among China's early adopters. Competitive pricing, much shorter lead-time compared to U.S. imports, and nationwide after sales services are the major factors that drive domestic industry growth.

In 2009, Yutong Bus, a traditional bus manufacturer located in Zhengzhou in the Henan Province, established a branch company for manufacturing RVs and specialty vehicles. After eight years of development, Yutong now claims a large share of the Chinese market. In 2016, Shanghai Automotive Industry Corporation (SAIC), China's largest domestic automaker, announced plans to construct a RMB 1.7 billion plant in Liyang, Jiangsu Province, which will produce up to 16,000 RVs per year when fully operational. The company also recently announced plans to expand its RV rental service in 18 cities and become the top RV brand in China.¹⁴

Opportunities for U.S. Companies

ITA believes there is great potential for U.S. companies to export RVs to China. China should be a key target market for U.S. RV exports due to a rapidly growing economy, a burgeoning middle class with

discretionary income, rising consumer interest in RVs and RV camping, and a national focus on RV and campground development.

As noted, the biggest obstacle for U.S. exports is China's high duty and tax rates for RVs. A crucial way to help U.S. companies is to work with Chinese officials and Recreation Vehicle Industry Association (RVIA) to have these reduced. Lower duty and tax rates would not only help U.S. exporters, but would also allow Chinese consumers greater access to a variety of high-quality RVs. Increased competition would also improve the quality of domestically produced RVs, further enhancing efforts to develop the RV industry and campgrounds.

Also as noted, because China does not have a separate tariff classification and duty rate for motorhomes, these products are treated the same as imported automobiles. The creation of motorhome-only tariff classification codes would help clarify within the Chinese government that these products are a distinct category of vehicle. This should also help in other areas where the government regulates motorhomes (e.g., driver's license type, standards, road travel).

Another key way to increase opportunities for U.S. exports is for industry and ITA to continue support of the RVIA's programs and initiatives in China under the association's 2015-2018 Market Development Cooperator Program (MDCP) award. Under the award (and the organization's previous 2012-2015 MDCP award), RVIA has worked closely and extensively with manufacturers, industry groups and government agencies (at the national, provincial and city levels) on the development of motorhome, travel trailer and campground standards and on RV-related regulatory issues.

With regard to RV standards, RVIA is working closely with manufacturers and China's standards development organizations. On campground standards, RVIA has been involved in the development of China's first national campground standard. At the provincial level, it has worked with the Beijing Auto Camping and Tourism Association (BACTA) in developing campground standards for Beijing.¹⁵ RVIA also continues working with standards working groups on the development of campground standards for Shanghai, and a number of other provinces as well. In 2015, the China Automotive Technology and Research Center (CATARC) invited RVIA to become a member of the RV Standards Working Group. RVIA's continued involvement in these standards development efforts should leverage additional opportunities for U.S. companies.

Though campgrounds are being developed at a rapid pace across China, most are in the early stages of development, and while many of these have some hookups for RVs, most have been designed for non-RV visitors. This has created a need at many campgrounds for temporary living quarters, such as RVs, that can be rented out to campground visitors. U.S. companies are well-positioned to provide these since U.S.-made travel trailers and park models are viewed in China as being of high quality and well-suited as rental units. Also, because many new campground operators lack expertise and training, this should create additional opportunities for U.S. companies.

ITA plans to work with U.S. industry to pursue opportunities to ship knock-down units or enter into joint ventures with Chinese partners. These are among the ways to reduce ocean freight, avoid higher import duties and taxes and help counter some of the growing competition from international manufacturers.

As Chinese automakers have begun developing their RV programs, they are seeking partnerships with U.S. manufacturers.

RVIA has also been involved in work to ease requirements for CCC compliance, including collaboration with the China Automotive Technology and Research Center (CATARC) to streamline the certification process for RVs. Less costly and streamlined CCC procedures should create added opportunities for U.S. companies.

Efforts in China to lessen existing regulatory requirements and restrictions on RVs (e.g., registration, licensing, toll fees and towing) are ongoing following announcements by the State Council and other government ministries and commissions to increase national efforts to develop the RV industry and campgrounds. ITA plans to continue working with U.S. industry to provide support for efforts to remove these obstacles, which would increase the opportunities for U.S. companies.

ITA will continue to collaborate with RVIA to promote RVs and educate consumers and government officials in China about the benefits of RVs and the importance of creating a favorable regulatory environment for RVs. As RVs and campground development have gained increased national focus in China, trade promotion activities, such as outdoor lifestyle events, trade shows and other events that enable the showcasing of RVs, will enable public officials and consumers to learn even more about U.S. RV products.

ITA also plans to continue working with industry in support of RVIA's programs and initiatives under the association's MDCP award to promote the use of RVs for emergency response in China, including post-disaster relief and recovery efforts. U.S. industry has provided RVs for disaster assistance purposes to Japan and other countries as well.

Also, RVIA's efforts to promote RVs for use at the 2022 Beijing Winter Olympics offers possible additional opportunities for U.S. companies. During the Olympics, RVs could serve as temporary living quarters for workers while other RV-related products (e.g., bathroom trailers, mobile kitchens, mobile medical clinics, and mobile offices) could provide further support.

The annual FB Festival, an off-road vehicle racing event in Alxa League, Inner Mongolia, may also offer opportunities for U.S. companies. This increasingly popular event attracted over a million visitors in 2016 and generated over RMB 540 million (approximately \$81 million) in tourism-related income.

In addition, RVIA's National RV Trade Show has attracted a number of RV buyers from China in recent years. In November 2017, ITA brought Chinese buyers to the show in Louisville, Kentucky, which was an International Buyer Program (IBP)-Select event; the 2014-2016 shows were also IBP-Select events. ITA hopes to bring RV buyers from China to future RVIA shows as well.

China hosts two major RV trade shows: China Beijing International RV and Camping Exhibition in March and All-In Caravaning (AIC) in June. Beijing International RV and Camping Exhibition is directed by the China Association of Automotive Manufacturers Recreational Vehicle Industry Committee. Exhibitors

include manufacturers and suppliers from a range of motorized and towable RVs, parts and accessories, and outdoor/camping products, as well as representatives from the campground and park industries.

AIC is jointly organized by Messe Dusseldorf (Shanghai) Co., Ltd, China National Travel Service (HK) Group Corporation, China Association of Automotive Manufacturers Recreational Vehicle Industry Committee (CMRV), China Self-Driving Tour and Camping & Caravaning Association (STCCA), and YASN International Exhibition. AIC showcases a variety of products as well, including caravans (also known as travel trailers) and motor caravans (also known as motorhomes), accessories, extension components and campground equipment from manufacturers and suppliers worldwide. European manufacturers and suppliers have a major presence at the show.

ITA plans to work with U.S. industry to determine whether AIC or the Beijing International RV and Camping Exhibition would be suitable as a certified show under ITA's Trade Fair Certification program. If so, this would be another way to increase opportunities for U.S. companies in the China market.

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