

## China unveils support package to auto, steel industries

BY | FROM | 2009-01-15 13:19

China's State Council unveiled a long-awaited support package for the auto and steel sectors Wednesday to boost the two "pillar industries".

Under the plan, the government will lower the purchase tax on cars under 1.6 liters from 10 percent to 5 percent from Jan. 20 to Dec. 31 in a bid to stimulate sales.

It will also allocate 5 billion yuan (730 million U.S. dollars) to provide one-off allowances to farmers to upgrade their three-wheeled vehicles and low-speed trucks to mini-trucks or purchase new mini-vans under 1.3 liters from March 1 to Dec. 31. It will also increase subsidies for people to scrap their old cars and will straighten out and cancel regulations that restrict car purchase.

The plan encourages large auto companies, as well as major auto-part makers to expand through mergers and acquisitions so as to optimize resources and improve their competitiveness on the international market.

In the next three years, the central government will earmark 10 billion yuan as a special fund to support auto companies to upgrade technologies, and develop new engines that use alternative energies. The government will offer financial support to promoting the use of energy-saving autos and those fueled by new energies, and support automakers to develop independent brands and build auto and parts export bases.

The plan also urges improvements in the credit system for car purchase loans. More than 93 percent of Chinese vehicles are sold in the domestic market, but less than 10 percent are purchased on credit.

It also requires accelerated upgrading of the steel sector, transforming "big" industry competitors into "strong" international players.

It said the industry needed to eliminate outdated technology, and must not establish new projects that merely add to steel output.

China also needed to increase domestic demand for steel and adopt a more flexible tax rebate policy to keep international markets.

Special funds will be allocated from the central budget to promote technological advancement of the sector, readjustment of products mix and improvements of product quality, according to the plan.(Xinhua)

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