

Greater China Network Monitoring Service



Subject: 2008 Beijing Olympics Business Impact Update

Date: 31 March 2008

Geography: Beijing and surrounding provinces (Tianjin / Hebei / Shanxi / Shandong / Inner Mongolia)

Pollution control measures to be fully in place by end June; Beijing's surrounding provinces to restrict polluting activities during Games

1. Zhang Lijun, deputy chief of the State Environmental Protection Administration (SEPA), has claimed that "The mission of re-balancing industrial mix to reduce pollution has largely been achieved thus far (as of March). Remaining tasks will be accomplished by end June. During the Games, selected factories in Beijing, Tianjin and Hebei must stop or reduce production, while the other three provinces (Shanxi, Inner Mongolia and Shandong) must restrict coal-burning activities in order to keep air quality levels in Beijing desirable."
(Source: Reuters, March 11)

More than ten highly polluting enterprises in Beijing, Tianjin and Hebei to be closed

2. Mr Wang Jian, an official from Pollution Control Bureau of SEPA, has reported that more than ten enterprises responsible for heavy pollution and high energy consumption in Beijing, Tianjin and Hebei will have to be closed to ensure cleaner environment during the Games. Up to March, 70% of such pollution control tasks have been completed. *(Source: Xinhua News, March 20)*

Only vehicles meeting "National II" emissions standards allowed into Beijing during Games

3. Any vehicle entering Beijing over the duration of the Games must pre-obtain certification from their local governments' environmental protection organizations that the vehicle's gas emissions have met or exceeded the "National II" standards. *(Source: Government circular)*



Trucks to skirt around Beijing during Games

4. In an effort to curb traffic congestion and reduce pollution in Beijing, Mr Feng Zhenglin, China's Vice Minister for Transport, has disclosed on March 10, 2008 a plan to divert trucks away from Beijing during the Games – *Ministry of Transport's website*.

Announced plan has been sketchy thus far, but we have attempted to illustrate our interpretation in a map below:

- a. Trucks from Hebei, Tianjin and Greater Beijing Region will be required to take road G112 (*brown loop in map*)
- b. Trucks from further provinces of Shanxi, Inner Mongolia and Liaoning passing through Beijing are strongly recommended to take the following routes:
 - i. Trucks from Ulan Qab and Datong to route via Taiyuan and Shijiazhuang (*blue line in map*)
 - ii. Trucks from Chaoyang and Chifeng to route via Jinzhou, Qinhuangdao and Tangshan (*black lines in map*)

Illustrative map marking routes for trucks passing through Beijing during the Olympic Games¹



¹ Detailed detour plan is under study by participating cities/provinces and will be announced later. Map has been marked for reference only. Refer to report in main section for explanation of lines and other markings.



Geography: Beijing

Immediate suspension of all earth excavation and building construction during windy days; Full ban between July and September

1. Beijing will start to suspend all earth excavation works and construction projects on windy days from March 20, and ban them completely between July 21 and September 20. (Source: *Xinhua News, March 12*)

Export customers anxious that inland drayage through Beijing may be impacted as early as May

2. Checks with our customers' suppliers in Beijing, Tianjin, Qingdao, Shanghai, Qinhuangdao and Shenyang revealed that there have been no official announcements or circulars stating that traffic restrictions will be imposed from as early as May. Some of our export customers, however, are speculating that inland drayage routing via Beijing area may come into effect from May and are concerned about impact to their business operations.

Road usage restriction by odd/even vehicle number plates to be implemented only closer to August

3. Liu Jingmin, vice mayor of Beijing, has denied the possibility that the "scheme restricting odd/even vehicle number plates on road every alternate day" would take effect as early as beginning of May. "Only when the Games are drawing near will we adopt the practice," Liu told journalists. (Source: *Xinhua News, March 6*)

Geography: Tianjin

Odd/even vehicle number plates allowed access on Tianjin's roads on alternate days during Games

1. Tianjin will join Beijing in imposing road usage restrictions during the Games, allowing only odd and even vehicle number plates to use roads on any given day. *(Source: Xinhua News, March 9)*

Geography: Inner Mongolia

Power industry key focus of emissions controls in five polluted cities

1. Five cities - Xilin Gol, Huhot, Baotou, Chifeng and Ulan Qab - have been classified as heavily polluted areas where special controls will be imposed. The government has identified the power industry as a key industry to focus emissions control efforts on. Emissions volumes of sulfur dioxide and nitrogen oxide will be controlled through measures directed at sulfur content reduction, fumes restriction from coal-burning, etc. *(Source: Government circular)*

Cleaner, more efficient power generator plants by July 25 deadline

2. By July 25, all big power generator plants will have in place upgraded systems for better emissions controls. Small power generator plants with high pollution and low efficiencies will have to be shut down. *(Source: Government circular)*
3. Between July 25 and Sept 20, supervision will be tightened to ensure proper functioning of emissions control systems of all power generator plants. Power generator plants may be required to reduce their output to further improve air quality. *(Source: Government circular)*

Geography: Shanxi Province

Companies to meet required emissions standards by July 25 or face plant shutdown

1. Most sulfur waste reduction projects for large power generator plants and steel mills have been completed by end 2007. The rest will be accomplished by July 1, 2008. *(Source: Government circular)*
2. Plants in industries of power generation, steel, chemical and cement manufacturing that fail to meet required emissions standards will be forced to shut down or reduce production levels between July 25 and Sept 20. *(Source: Government circular)*
3. In Datong-Shuozhou and Taiyuan-Yangquan-Xinzhou-Jinzhong areas, energy-inefficient coal-firing power generator plants or those without proper sulfur elimination systems in place will be refrained from power generation altogether during the Games. *(Source: Government circular)*



Our Remarks

Three key impacts need to be considered in view of above developments:

1. With power generator plants in various locations reducing overall production, manufacturing plants in or around these locations may suffer a temporary power supply shortage. This may also translate into higher costs of power.
2. Truck traffic diversion to skirt Beijing may instead result in congestion along the compulsory or recommended routes. This may affect normal delivery of containers/cargos. In addition, the longer route could mean longer transit times and higher transportation costs (e.g. fuel, tolls).
3. Implementation of road usage scheme by odd and even vehicle number plates implies that only half of all trucks can go on Beijing or Tianjin roads during the Games. This would have implications for road transportation of containers or cargos. At this point, Tianjin has not released details on which areas this scheme might be applicable to. Haulage operations will be affected if roads near our Xingang terminal are drafted into this scheme.

We will continue to monitor the situation closely in the coming months.