Hankow, China, July 18, 1936

AIR MAIL

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Julean Arnold, Esquire,
American Commercial Attache,
Shanghai.

Sir:

With reference to your letters of December 5, 1935, and July 14, 1936, there is given herewith a statement regarding automotive conditions in the Hankow consular district during the second quarter of 1936:

There has been no change in the marketing of automotives in the Hankow consular district during the quarter just ended. As before, about 95% of the sales of automotives have been to the Provincial Governments for use either as busses operating over the roads built and maintained by the Provincial Road Bureaus under the Provincial Reconstructions Bureaus, or for military purposes. There are in the district no private bus lines as in the United States, nor any trucking companies. A private company operating a fleet of 16 trucks in and around Hankow a few years ago was "squeezed" out of business through excessive taxation, according to a local dealer. All the bus companies are operated by the Provincial Governments. There are comparatively few private passenger cars in the district; the demand for them runs only to 4 or 5 units a month.

As the Provincial Road Bureaus (under the Provincial Reconstruction Bureaus) have very little money, sales of trucks and busses are very slow. The local Ford dealer claims that he is getting about 90% to 95% of what business there is, but even so it has been necessary for him to retrench severely, even to the extent of closing down his Chungking agency. Business in Szechuan, he says, has become very poor. It is reported that other

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motor car companies are in very difficult positions and are just managing to hold on in the hope that business will take a turn for the better.

The negotiations with the Hunan Road Bureau at Changsha for the sale of 100 Reo trucks, mentioned in the last quarterly report dated April 5, 1936, fell through, it is reported, chiefly because the Bureau did not have sufficient funds. The Bureau is now negotiating with the local Ford dealer and has bought one unit with the understanding that it will buy more. However the prospects that it will buy in any volume are not bright.

The negotiations by the Central Government for 1,000 trucks, also mentioned in the last quarterly report, finally came to a conclusion with the direct purchase from the factories of 350 G M C trucks and 150 Dodges. The purchase was effected through the Wha Chong Trading Corporation in New York and was financed by the Central Trust Bureau of the Central Bank of China. The trucks purchased are of the medium duty type; that is, 2 to 3 tons. They are to be used exclusively for military purposes. This direct factory purchase has of course operated further to jeopardize the position of local dealers.

The various Provincial Reconstruction Bureaus are reported to be attempting to pool their purchases with a view to obtaining low direct-from-factory prices, but to date they have been unsuccessful in their pooling efforts, due largely to varying requirements and financial difficulties. If they do succeed, however, local dealers will find themselves in a very serious plight.

No large amount of money is being spent on road building in the Central Provinces, though work is progressing in steady if not spectacular fashion. Some new roads are being built in Honan; the Sian-Chengtu road is now open; work continues on the Changsha-Kweiyang road which is now passable in good weather and could be used in an emergency. Some small sections of roads are being built in Hunan. The Hankow-Ichang road, hastily completed in the fall of 1934 on General Chiang Kai-shek's urgent orders, only to be ruined by the floods of 1935, has now been reconditioned and opened

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to traffic. The chief features of road activities in the district may be designated as reconditioning and maintenance, with a small amount of new road construction.

With reference to the prices of passenger cars, trucks, busses, motor cycles and Diesel trucks, it may be said that they are on a Shanghai-plus basis; that is, Shanghai price plus river freight of about Ch.$75.00 (U.S.$22.50) plus handling charges of about Ch.$10.00 (U.S.$3.00), plus dyke tax of 1½% ad varlorem.

There are 5 Diesel truck agencies in Hankow; one American handling a Swedish machine, and four German agencies handling various German makes. Three of the agencies have one demonstrator each; the other two do not have any. It is reported that there have been no sales of Diesels in the district because of the high prices.

Very respectfully yours,

P. R. Josselyn
American Consul General

Original to Commercial Attaché, Shanghai;
Copies to Commercial Office, Department of State (3);
Embassy, Peiping (1);
Consulate General, Shanghai (1).

A true copy of the signed original.

27
23