Drafting the Motorbike Master Plan
New Method and Key Issues

Topics

(1) Introducing VDF
(2) Drafting the Motorbike Master Plan

- Purposes and new method
- Proposed contents
- Key policy issues – with special attention on motorbikes’ role in Vietnamese society
(1) Introducing Vietnam Development Forum (VDF)

- Established in 2004 by Japan’s research grant
- Joint research project between National Graduate Institute for Policy Studies (GRIPS) in Tokyo, and National Economics University (NEU) in Hanoi
- Objectives: (1) Research innovation (2) Policy impact & networking (3) Mobilizing young talented Vietnamese
Industrial Policy Support by VDF

- **Research and surveys** on electronics, motorbike, automobile, steel, power, supporting industries, infrastructure, business architecture, database, etc.
- Joint missions with Ministry of Industry (MOI) to **Thailand, Malaysia, Japan** comparing policy drafting method, master plans, business involvement
- **Supporting Industry Master Plan**—working with MOI to conduct surveys and related research
- **Motorbike Master Plan**—VDF is a coordinator among MOI, businesses and experts; new drafting method
- **Study on Hanoi’s development**
(2) Drafting Motorbike Master Plan: Methods & Issues

- Official drafting body – Industrial Policy Strategy Institute (IPSI) of MOI
- VDF supports IPSI as facilitator
- Main purposes

  Introduce new method and content under:
  (1) Active involvement of stakeholders, especially motorbike producers
  (2) Active coordination with related ministries and organizations
Two Problems in Vietnam’s Industrial Policy Formulation

- **Lack of business involvement**
  
  -- Unrealistic analysis & targets not supported by firms

- **Lack of coordination within government**

  -- Listing policies without concrete action plans

These problems are unique to Vietnam; they do not exist in Japan, Thailand or Malaysia
Thailand (Thaksin period, 2001-2006)
Tripartite coordination under industry-specific institutes and committees

Prime Minister

Policy direction to be concretized

Order

Relevant Ministry

Direct inputs

Industry-specific Institute

Private Sector

Experts

--Master plan
--Implementation
--Monitoring
--Adjustment

Industry-specific Committees
Malaysia: Industrial Master Plan 3 (IMP3), 2006-2020

338 members + support staff; actual drafting time—about two years

- **Industrial Planning Committee (IPC)**: Headed by MITI Minister; members from MITI, EPU, economic agencies (27)

- **Steering Committee (SC)**: Headed by MITI Official; members from MITI, EPU, econ. agencies, businesses (23)

**Technical Resource Groups (TRGs):**
- Head of TRG

**Members:**
- MITI framework (38)
- MATRADE (19)
- MIDA (23)
- SMIDEC (19)
- MEF/ business (34)
- MDC (25)
- Business (25)
- Business (40)
- MITI (39)
- MIDA (26)

Source: MITI website.
Note: Numbers in parentheses indicate the number of members in each committee or group.
Malaysia: Drafting Process of IMP3

IPC: Industrial Planning Committee (headed by MITI Minister)
SC: Steering Committee (headed by MITI high official)
TRGs: Technical Resource Groups (headed by various experts)

Business opinions reflected through TRGs and brainstorming
Vietnam: Traditional M/P Drafting Process

1. Business Community
   - Appeal letter to Prime Minister when problems arise
   - Contact Ministry when necessary
   - Interviews, symposiums (sometimes)

2. MPI & other Ministries
   - Internal review
   - Submit
   - MPI & other Ministries

3. Drafting Team
   - Data
   - International experts

4. Prime Minister
   - Review for approval
   - Submit
   - Order

5. Minister
   - Inter-ministerial review
   - Submit

6. Government
   - Technical assistance (sometimes)

7. No permanent channel for continuous policy dialogue (case-by-case, temporary, ad hoc)
New Motorbike Master Plan

- In Spring 2006, Joint Working Group (JWG) was organized to draft the Motorbike Master Plan
- 17 members—including IPSI/MOI, motorbike assemblers, experts, and VDF
- Official recognition by MOI and Vietnam-Japan Joint Initiative Phase 2
- Final draft by end May 2007 (drafting time about one year)
Ministry of Industry

IPSI/MOI

Motorbike Joint Working Group

Assemblers

Experts

VDF Coordinator

Drafting Organization

Relevant ministries and agencies

Master Plan for approval

Opinions

Information & analysis

Assemblers

Part suppliers

Experts
Drafting Activities

- Supporting Industry Survey  (Feb-Apr 2006)
  ➔ See VDF Report

- 9 brainstorming sessions  (May-Aug 2006)
  ➔ See VDF website

- Discussion with assemblers & suppliers in North and South  (Nov.2006)

- Japanese experts dispatched to support M/P  (Jan-Feb 2007)
  Mr. Minato (air pollution), Mr. Hiroe (supporting industries), Mr. Kawashima & Mr. Nakagawa (Industrial property rights)

- Discussion with related ministries and agencies  (ongoing)
  MOTransp, MOTrade, MOLISA, Police, 127 Committee, VN Register, NTSC, researchers, etc

- Consumer survey on motorbike use  (Mar.2007)
Skeleton Draft (Sep 2006)

Currently, drafting chapters based on this structure

0. Introduction
1. Role of motorbikes in VN society **
2. Industrial structure & production
3. Forecasting demand
4. SI & Industrial HR
5. Urban Transport **
6. Traffic accidents **
7. Environment *
8. Industrial property *
9. Policy measures

** Non-supply issue
* Non-key issue in traditional format
Highlights of Proposed Contents

1. **User-side concerns** (safety, environment, congestion) are featured in addition to traditional supply-side issues (output, skills, technology).

2. Government role is to support *healthy growth of motorbike industry*
   
   (1) Indicative projection and guidance
   
   (2) Realistic and meaningful standards for quality, safety, environment, industrial property (applied to all producers equally)
   
   (3) Enhancing Vietnam’s local industrial capability

→ Not to intervene in the business decisions of individual producers, such as output, investment, export
3. Policy objectives in Motorbike M/P

(1) People’s mobility and convenience
(2) Quality of life (congestion, traffic safety, clean air)
(3) Ensuring reasonable cost and timing of building transport infrastructure
(4) Leveling-up of Vietnam’s industrial capability

4. Conditional promotion of motorbike use

“Motorcycles should continue to be used to ensure people’s mobility and reducing infrastructure cost per year, provided that sound and sustainable solutions are found and implemented to cope with traffic congestion, traffic accidents, environment, and industrial property rights.”

“At the same time, the motorcycle industry should become the principal industry by which supporting industry base is built and indigenous industrial capability is promoted.”
5. Leveling-up of industrial capability

--Any producer, who satisfies quality, environment and intellectual property standards, is welcome to enter the market.

--Government will not target or promote national brand motorbikes.

--Government will strongly promote supporting industries and industrial human resources (with international cooperation, if necessary)

--Government will encourage exports, but will not set any numerical target

--Government will help Vietnamese assemblers to restructure.
6. Learning *integral manufacturing*

--Japanese motorbikes are *integral* and Chinese motorbikes are *modular*.

--Vietnam should learn integral motorbike manufacturing in order to (i) upgrade technology; and (ii) compete effectively with “Chinese” (modular) products.

--Parallel development of integral and modular motorbikes is acceptable, if Intellectual property is protected. But modular production does not require strong policy support.

7. WTO consistency

--High tariffs, import bans & quotas, localization requirement are WTO inconsistent. They are not needed for Vietnam’s motorbike industry.

--Promotion of supporting industries and industrial human resources are WTO-consistent.

--Industrial property protection is highly consistent with WTO.
Key Policy Issues
Related to Motorbike Use

- Forecasting motorbike demand – both stock and annual sales
- Should motorbikes be restricted in urban areas to solve traffic-related problems? If so, what policy measures should be used?
Currently, nearly 20 million motorbikes in use (annual sales about 2 million)

Hanoi and HCMC - 2 persons per motorbike (close to saturation)
Other areas - 6 persons per motorbike (room for growth)
Motorbike Density in Asia, 2000

Registered motorcycles per 1000 persons

- Taiwan
- Malaysia
- Thailand
- Cambodia
- Mauritius
- Vietnam
- Indonesia
- China
- Philippines
- Pakistan
Vietnam’s Uniqueness

Motorbike/automobile ratio is extremely high

Urban-rural gap is large
Stock Demand Forecast (Circulation)

<Three approaches yield similar results>
Person-to-motorbike ratio, motorbike per household, urban vs rural person-to-motorbike ratio

By 2020, 33 million motorbikes in Vietnam, or 3 persons/motorbike
Urban: 2.8 persons/motorbike    Rural: 3.1 persons/motorbike
Thailand as a Benchmark

Persons per motorcycle

- Rural
- Average
- Bangkok

2.9
Stock in 2020: 33 million - What will be annual demand?

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<Stock/sale ratio>

Minato 9.5
Ohno 10-13-18
(Now at 9.7)
More Data on Stock/Flow Ratio

Vietnam and Thailand

Motorcycle Stock/Sales Ratio

International comparison
Motorbike Ban in Large Cities?

- China bans motorbike use in major cities.
- Hanoi restricted new motorbike registration in 2003-2005, but abandoned the policy subsequently.
  - Motorbike ban usually has limited effectiveness and imposes serious burden on general public.
  - In Hanoi and HCMC, where motorbike density is extremely high (2 persons/motorbike), banning motorbikes without providing alternative transport modes can be considered a policy failure.
  - Traffic demand is predictable, and long-term policy should cope with its increase.
What Policy Measures?

- We do not prefer direct, administrative controls like ban on registration or circulation.
- Indirect measures should be used under a consistent roadmap.
  --Taxes on motorbike/car registration or fuel use
  --Strict enforcement on driver’s license, helmet use, riding style, other traffic rules (for users)
  --Strict enforcement on quality, intellectual property, environment (for producers)
  --Traffic management measures such as intersection improvement, lane separation, staggered commuting hours, park-and-ride system, satellite cities, etc.
  --Construction of new transport infrastructure
Two Alternative Scenarios for Hanoi and HCMC

Automobile, motorbike and public transport are three pillars of urban transport.

**Scenario A**
- Rapid motorization
- Strong restriction on motorbikes
- Slow construction of transport infrastructure

**Scenario B**
- Controlled motorization
- Gradual phase-out of motorbikes
- On-time construction of transport infrastructure
Hanoi and Ho Chi Minh City

- In terms of volume, the two cities are already at saturation point. But sales will continue to be robust.
- Motorcycle should be phased out only gradually, and automobile should be introduced only gradually.
- Traffic management and road improvement should be strengthened.
- Urban mass rapid transit (UMRT) should be built as soon as possible, but under budget constraint.
- Ensuring traffic order and safety and clean air is the pre-condition for the healthy development of the motorcycle industry.
Bangkok Now Has Cleaner Air

- Bangkok now has bluer sky and cleaner air compared with early 1990s
- Thai policy makers worked very hard
  --Required oil companies to produce cleaner fuel
  --Abolished 2-stoke engine motorbikes
  --Converted all taxis to use natural gas
  --Introduced and strictly applied EURO air standard
  --Converted from coal to electrical cooking
- During the last decade, traffic volume increased 40%, but air-borne toxic particles fell 47%, children with high lead in blood fell from 28% to 3%.
Tentative Conclusion

- By 2020, there will be about 33 million motorbikes, or one for every 3 persons, in Vietnam.
- Urban-rural ownership gap will narrow.
- Domestic sale depends on stock-to-flow ratio, which reflects market characteristics.
- Vietnam should continue to use motorbikes, but on the condition that traffic congestion, accidents, environment are solved.
- No direct control of motorbike use in urban areas.
VDF Reference Materials

Website:
www.vdf.org.vn/jwg.htm

Publications: