Drafting the Motorbike Master Plan under Market Orientation and Globalization

Kenichi Ohno - Vietnam Development Forum - June 2007

Topics

(1) Introducing VDF
(2) The master plan: method and issues
(3) The content of “final draft”
(4) Remaining issues and next steps
(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) The Master Plan: Method & Issues

- Official drafting body – Industry Policy and Strategy Institute (IPSI) of Ministry of Industry (MOI)
- VDF supports IPSI as facilitator
- Main purposes – correct two problems
  - **Lack of business involvement**
    -- Unrealistic analysis & targets not supported by businesses
  - **Lack of coordination within government**
    -- Listing policies without concrete action plans; no implementation

These problems are unique to Vietnam; they do not exist in industrial policy formulation in Japan, Thailand or Malaysia

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**Thailand (Thaksin period, 2001-2006)**
Tripartite coordination under industry-specific institutes and committees

- **Prime Minister**
  - Order
  - Direct inputs
- **Relevant Ministry**
  - Policy direction to be concretized
  - Order
  - Direct inputs
- **Industry-specific Institute**
  - Experts
- **Industry-specific Committees**
  - -- Master plan
  - -- Implementation
  - -- Monitoring
  - -- Adjustment
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, econ. agencies (27)

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

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

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

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

**Drafting Process**

- In Spring 2006, Joint Working Group (JWG) was organized to draft the Motorbike Master Plan
- 20 members—including IPSI/MOI, motorbike assemblers, experts, and VDF
- Official recognition by MOI and Vietnam-Japan Joint Initiative Phase 2
- MOI budget + VDF budget; in addition, METI support for expert dispatch
- Final draft by May 2007 (about one year)
Drafting Activities

- Supporting Industry Survey in North & South (Feb-Apr 2006)
- Brainstorming sessions (May-Aug 2006)
- Hearings of assemblers & suppliers in N & S (Nov 2006)
- Japanese expert dispatch (Jan-Feb 2007)
  - Mr. Minato (air pollution)
  - Mr. Hiroe (supporting industries)
  - Mr. Kawashima & Mr. Nakagawa (industrial property rights)
- Discussion with related ministries and agencies
  - MOTransp, MOTrade, MOLISA, Police, 127 Committee, VN
  - Register, NTSC, MPI/TAC, researchers and universities, etc
- VDF consumer survey (in-street & on-line) (Mar.2007)
- VDF Motorbike Symposium (Mar.2007)
(3) The Content of “Final Draft”
(As of May 24, 2007)

Introduction
1. The role of motorcycles in Vietnamese society **
2. Industrial structure & production orientation
3. Demand forecast
4. Supporting industries & industrial human resources
5. Urban planning & transport modes **
6. Reducing traffic accidents **
7. Environmental protection *
8. Intellectual property rights*
9. Policy measures

** Non-supply issue  * Non-key issue in traditional format

General Remarks
- Top priority was joint work.
- User concerns are featured in addition to traditional supply-side issues.
- Two large Japanese assemblers participated actively.
- Chapters were drafted anonymously by officials, experts, researchers, etc.
- VDF edited for content, style and consistency.
- Somewhat academic and explanatory (disseminating basic ideas, educational purpose).
Introduction

- This master plan is drafted with new method and content.
- The government’s role is to support the healthy growth of industry by providing visions, rules and measures.
- Forecasts are indicative, not compulsory.

Ch.1 The Role of Motorcycles in Vietnamese Society

- Vietnam is unique in intensive use of M/Cs, urban concentration, riding style.
- Balanced use of 3 transport modes (cars, motorcycles, public transport).
- M/Cs should continue to be used provided that problems of congestion, accidents, pollution, and IPR are solved (no bans).
- M/C industry should be the core industry to promote supporting industries.
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

However, ownership and riding frequency are not the same thing.
Vietnam’s Uniqueness

Motorbike/automobile ratio is extremely high

Urban-rural gap is large

Motorbike and Automobile Density in Vietnam, 2005

Saturation
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
- Co-existence of multiple modes
- On-time construction of transport infrastructure

Motorbike Ban in Large Cities?

- China bans motorbike use in major cities.
- Hanoi (& HCMC) 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.
Ch.2 Industrial Structure and Production Orientation

- Review of recent output, sales, exports, etc.
- Procurement survey of 3 Japanese makers.
- No numerical export targets are set.
- Business architecture—parallel development of modular and integral is acceptable, but government should support integral manufacturing.

Ch.3 Demand Forecast

- Using Thailand as benchmark, and studying international experiences, the person-to-M/C ratio will be about 3 in 2020.
- This means 32-33 million M/Cs in use.
- This corresponds to annual sales of:
  - High  3.35 million
  - Middle  2.58 million
  - Low  1.86 million
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

More Data on Stock/Flow Ratio
Vietnam and Thailand

International comparison
Flow Demand Forecast
(Annual Sales)

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

<table>
<thead>
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<th></th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
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<tr>
<td>High</td>
<td>1.65</td>
<td>2.43</td>
<td>3.18</td>
<td>3.35</td>
</tr>
<tr>
<td>Middle</td>
<td>1.65</td>
<td>2.21</td>
<td>2.65</td>
<td>2.58</td>
</tr>
<tr>
<td>Low</td>
<td>1.65</td>
<td>2.02</td>
<td>2.12</td>
<td>1.86</td>
</tr>
</tbody>
</table>

<Stock/sale ratio>
High  10
Middle 13
Low  18
(Now at 9.7)

Ch.4 Supporting Industries and Industrial Human Resources

- Vietnam’s M/C industry is now large enough to attract suppliers.
- Japanese assemblers about to reach saturation in part localization (70-80-90%).
- Non-Japanese FDI suppliers actively invest in Vietnam in recent years.
- Human resource is key: (i) managers, (ii) multiple-skill workers, (iii) responding to current problems.
Measures for SI & IHR

M1—Incentive measures for pressing, casting, forging, welding, die & mold

M2—New mechanism to receive foreign experts, incl. Japanese retirees

M3—Strategic FDI marketing for SI (ex., Hoa Lac HTP, rental factories)

M4—Building SI database in conjunction with business matching service

Measures for SI & IHR

M5—Creating pilot institutions for practical technical & vocational education and training (TVET)

M6—Testing centers for assembly-type manufacturing industries

Details of action plans are not yet agreed or drafted into the master plan.
Ch.5 Urban Planning and Transport Modes

- HAIDEP, HOUTRANS—projected trip demand and shares of cars, M/C, public transport.
- Positive roles of M/C—mobility & accessibility, space efficiency, cost efficiency.
- Public concern over safety, travel distance.
- Simulations of alternative traffic situations (current, mixed, car increase, with UMRT)
- M/C should play roles in short and medium distance and as feeder to UMRT

Measures for Transport

**M7**—Time-based parking fees on roads and sidewalks in urban centers

**M8**—Vehicle entry regulation in Hanoi’s Ancient Quarter
Ch. 6 Reducing Traffic Accidents

- M/C leads in accidents, aggressive & disorderly behaviors, inter-provincial roads.

Data problem--injuries and accidents are under-reported

Fatalities > Injuries

M9—Revise regulation on M/C licensing & riding

Ch. 7 Environmental Protection

- Available data on urban air pollution (not systematic), current regulations.
- Place total M/C emission on declining trend, and attain meaningful (not small) improvement in urban air quality by 2020
- Establish a long-term roadmap based on EURO standards, but inclusive of M/C

M10—Prepare necessary conditions for EURO roadmap (fuel quality, vehicle inspection, air quality monitoring)
Ch.8 Intellectual Property Rights

- Importance of IPR and current situation in VN (industrial design infringements are rampant).
- Review current enforcement framework—new law, decentralized authority, light penalties, role of civil court, producers’ actions

M11—Establish Vietnam Motorcycle Industry Association (to receive international help, etc)
M12—Eradicate illegal domestic parts by 2010, eradicate all violations by 2015

Ch.9 Policy Measures

(12 measures as shown above)

- Ministry of Industry (MOI) and the industrial association monitor this master plan (MOI alone at first).
- First review—one year later
- Second review—three years later.
(4) Remaining Issues

- One year was too short for innovation—businesses were involved but intra-ministerial discussion was insufficient.
- As content and method were new, many time-consuming procedural problems arose (MPI/MOI format, budgeting, data collection).
- Currently, there is no mechanism for policy implementation after M/P approval.
- “More industrial analysis and targets”?

Next Steps

- Submit JWG final draft to MOI (May 31).
- MOI circulates draft to other ministries for comment.
- MOI-sponsored workshop (mid June).
- Submit revised draft to Prime Minister (Jun 30).

In parallel, VDF/JWG will plan small meetings on specific issues with relevant ministries/PCs. MOI proposed to Japan to draft two more master plans following the same joint working style.
VDF Reference Materials

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

Publications: