

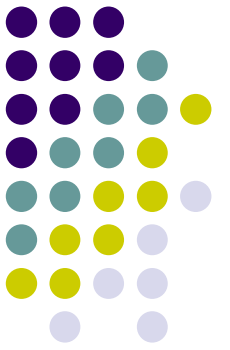


Drafting the Motorbike Master Plan

New Method and Key Issues

Kenichi Ohno - Vietnam Development Forum - March 2007

Topics

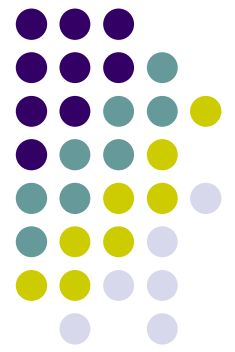


(1) Introducing VDF

(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

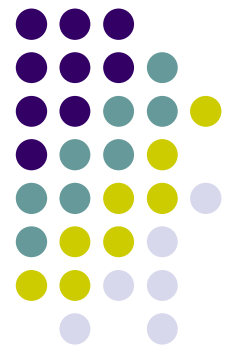


Workshop



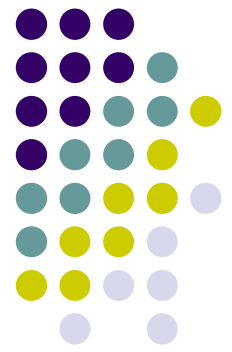
Office

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

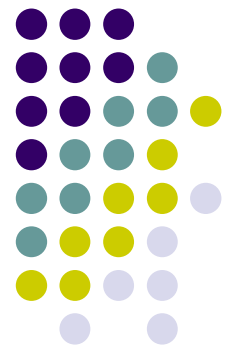


- Official drafting body – Industrial Policy Strategy Institute (IPSI) of MOI
- VDF supports IPSI as facilitator
- Main purposes

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

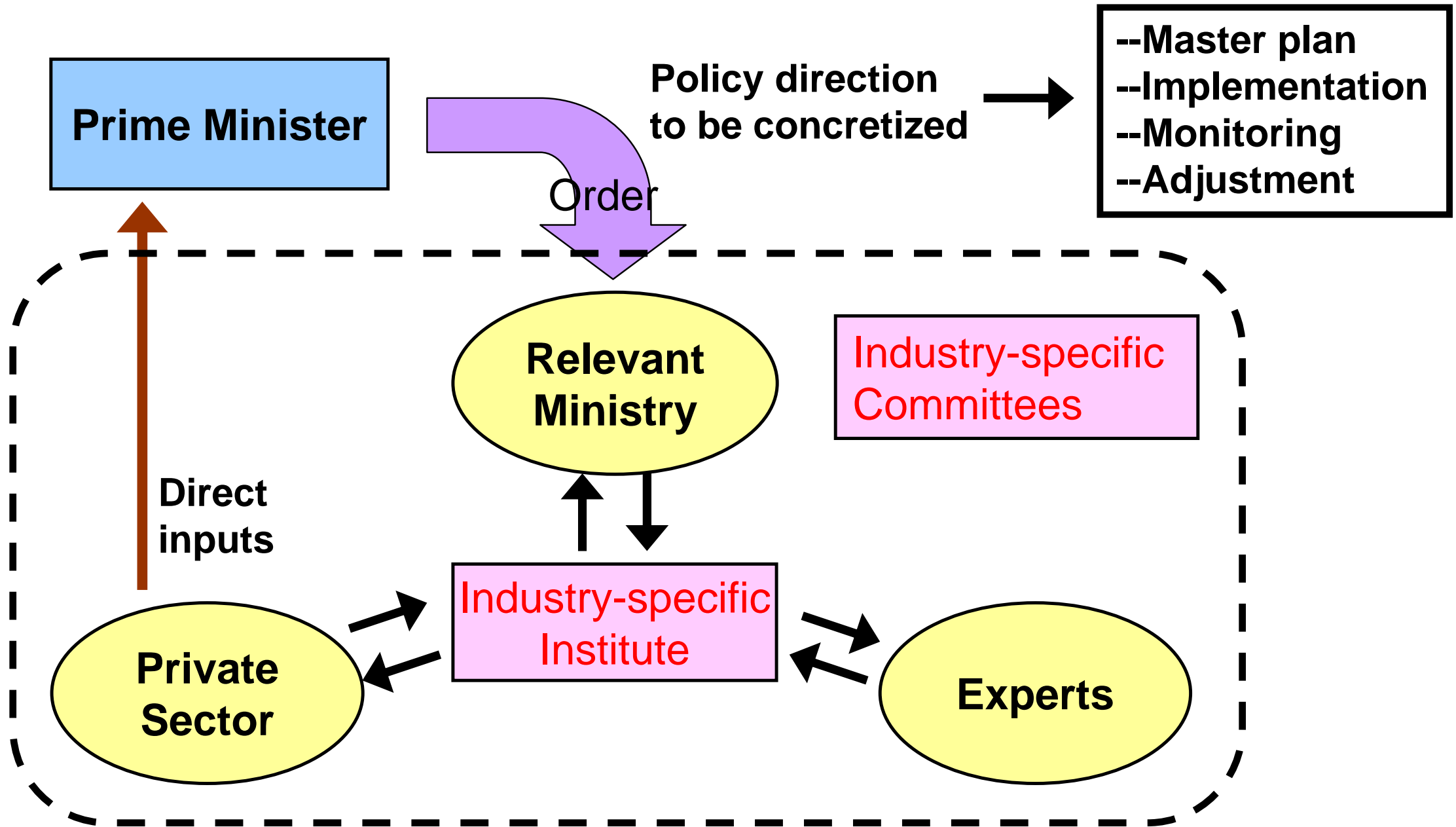


- **Lack of business involvement**
 - Unrealistic analysis & targets not supported by firms
- **Lack of coordination within government**
 - Listing policies without concrete action plans

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

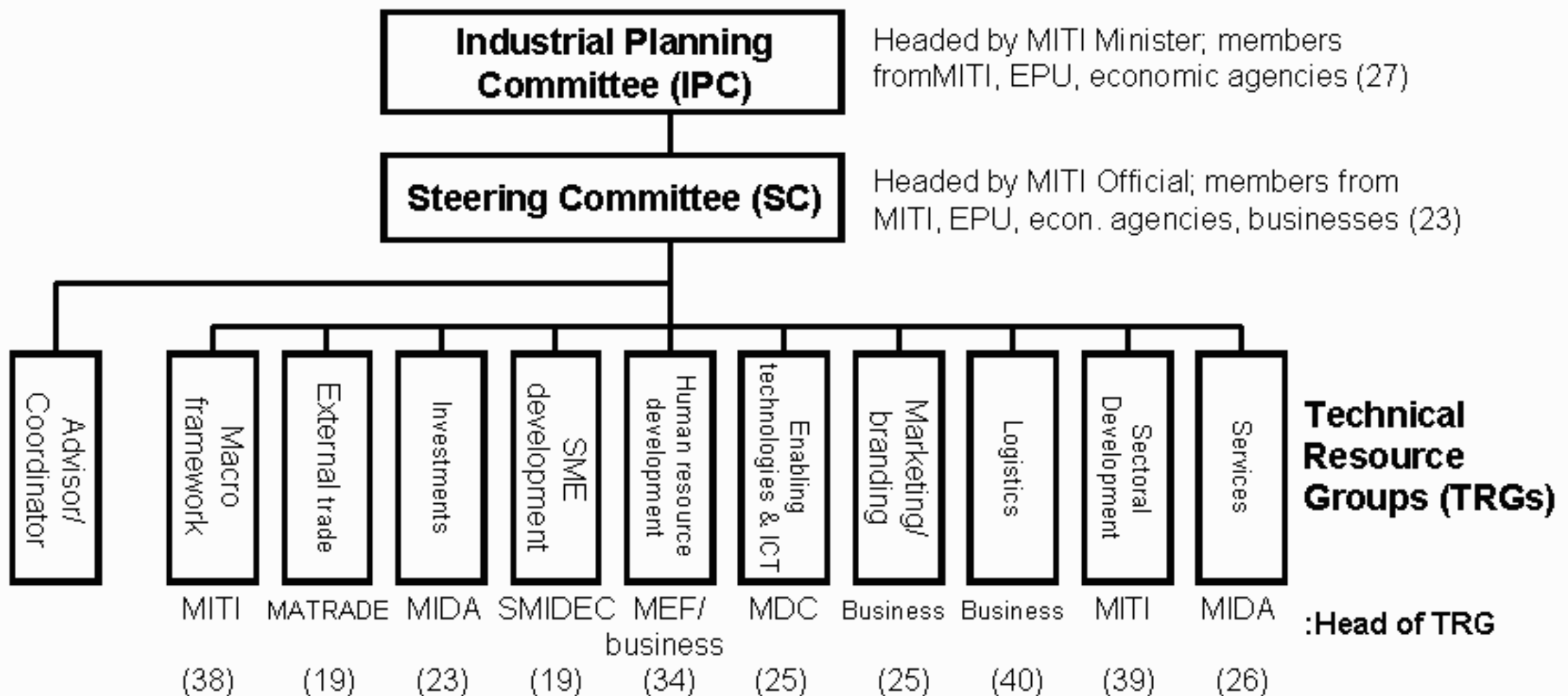
Thailand (Thaksin period, 2001-2006)

Tripartite coordination under industry-specific institutes and committees



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

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



Source: MITI website.

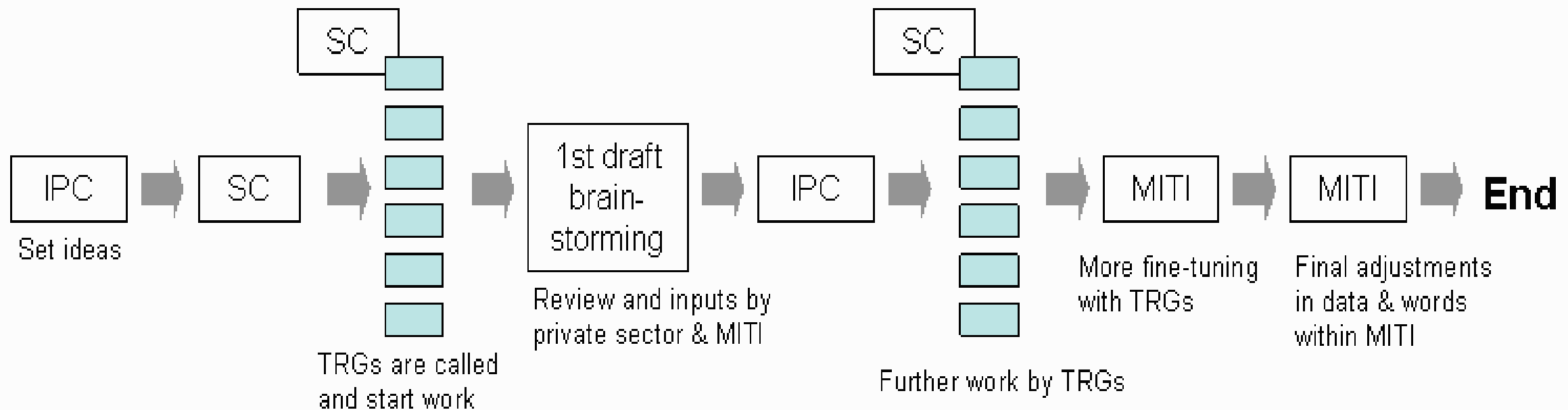
Note: Numbers in parentheses indicate the number of members in each committee or group.

Malaysia: Drafting Process of IMP3

IPC: Industrial Planning Committee (headed by MITI Minister)

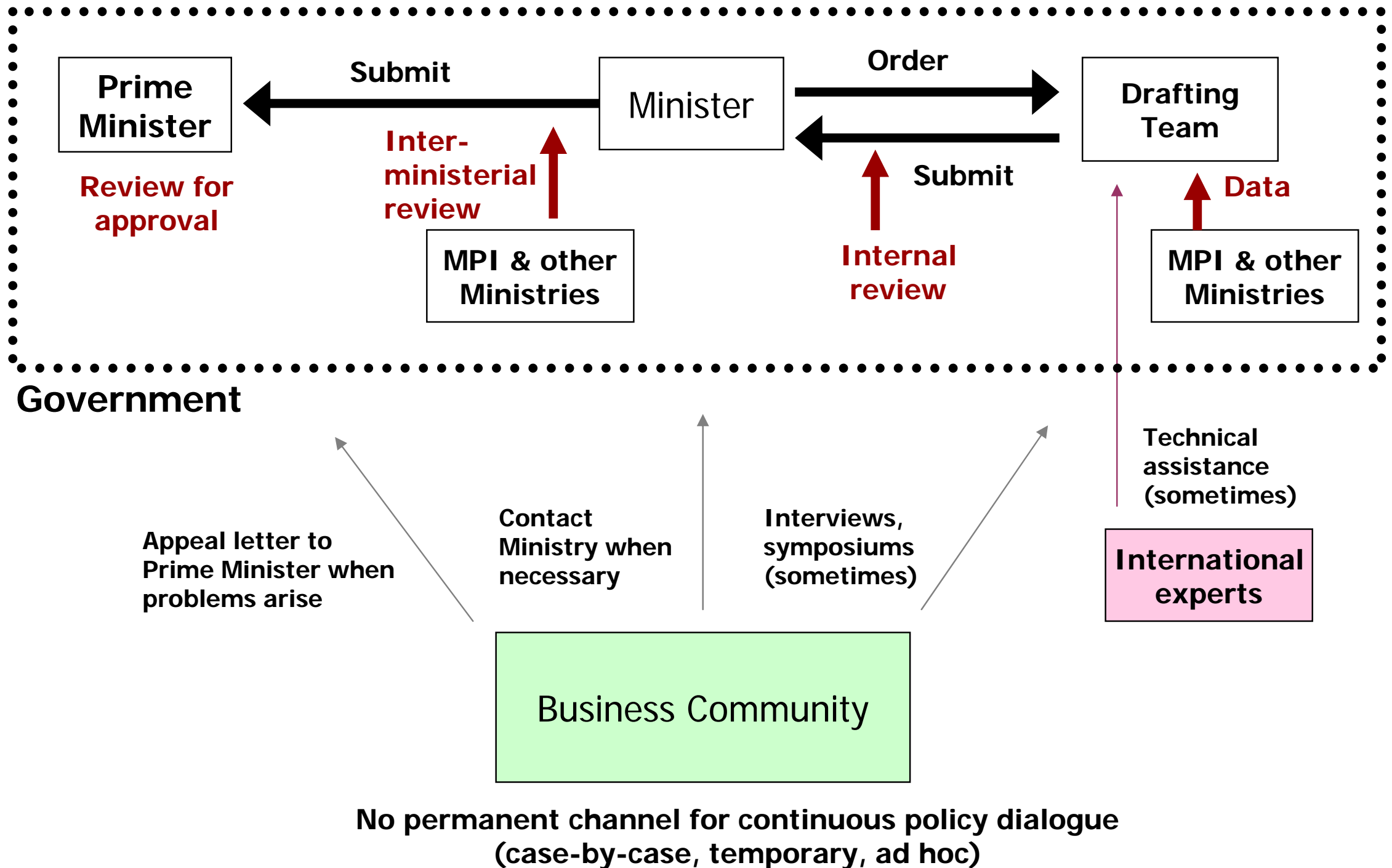
SC: Steering Committee (headed by MITI high official)

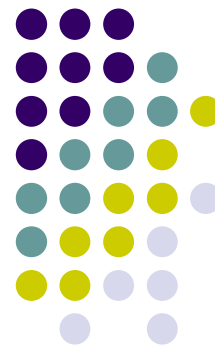
TRGs: Technical Resource Groups (headed by various experts)



Business opinions reflected through TRGs and brainstorming

Vietnam: Traditional M/P Drafting Process





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)

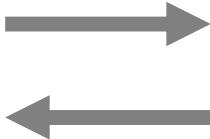
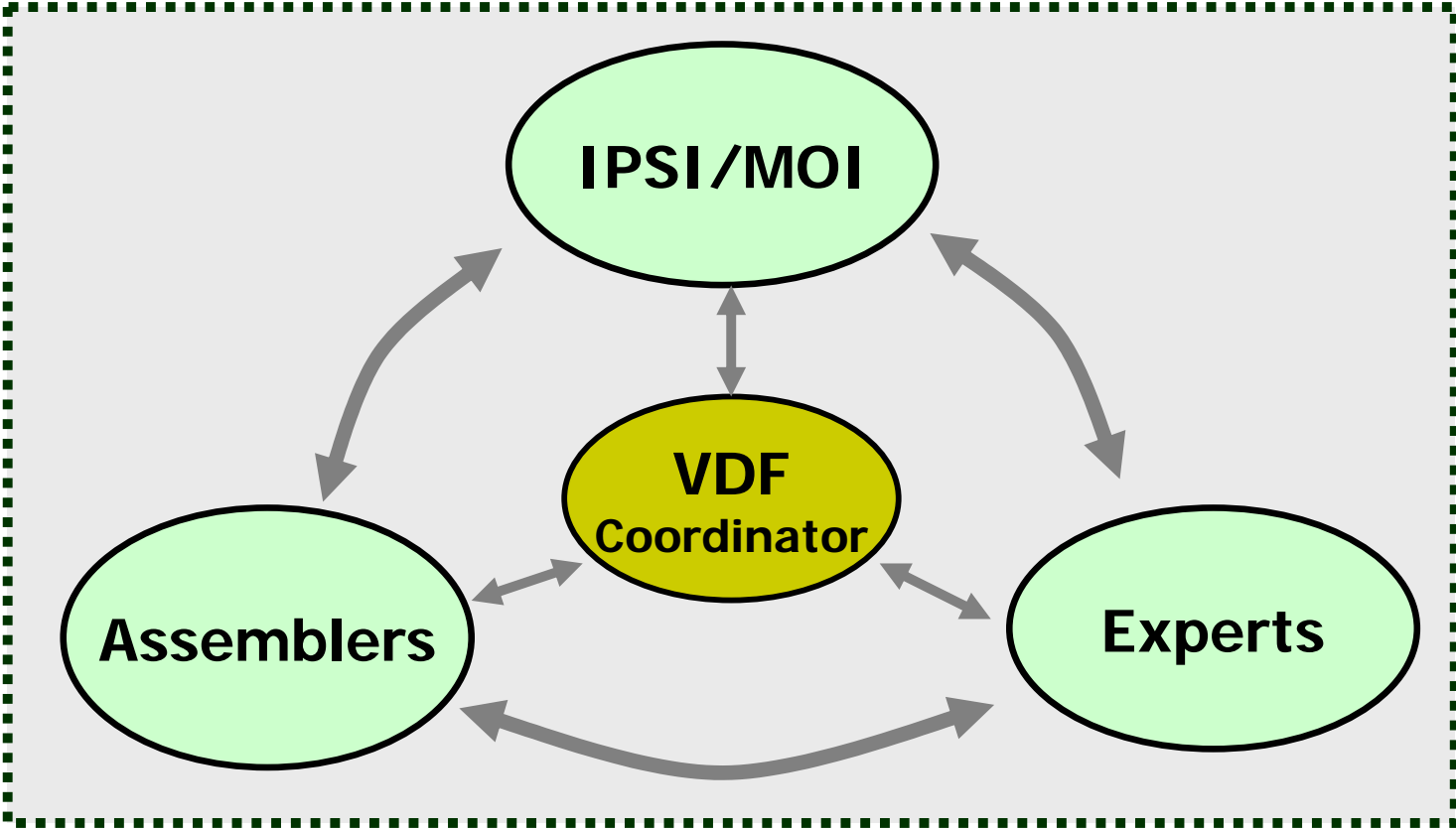
Ministry of Industry

**Drafting
Organization**

Master Plan for approval

Motorbike Joint Working Group

**Relevant
ministries
and
agencies**



Opinions

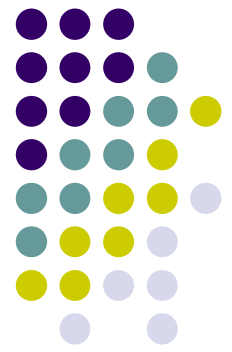
Information
& analysis

Assemblers

**Part
suppliers**

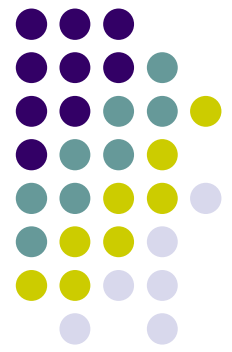
Experts





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)

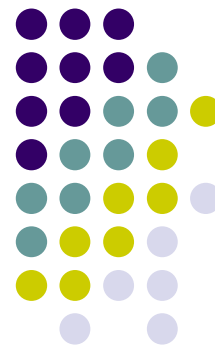
Currently, drafting chapters based on this structure

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*

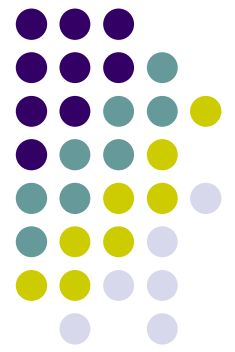
- Japanese motorbikes are *integral* and Chinese motorbikes are *modular*.
- Vietnam should learn integral motorbike manufacturing in order to (i) upgrade technology; and (ii) compete effectively with “Chinese” (modular) products.
- Parallel development of integral and modular motorbikes is acceptable, if Intellectual property is protected. But modular production does not require strong policy support

7. WTO consistency

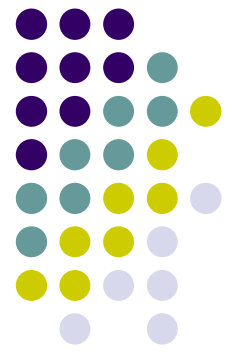
- High tariffs, import bans & quotas, localization requirement are WTO inconsistent. They are not needed for Vietnam’s motorbike industry.
- Promotion of supporting industries and industrial human resources are WTO-consistent.
- Industrial property protection is highly consistent with WTO.

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?

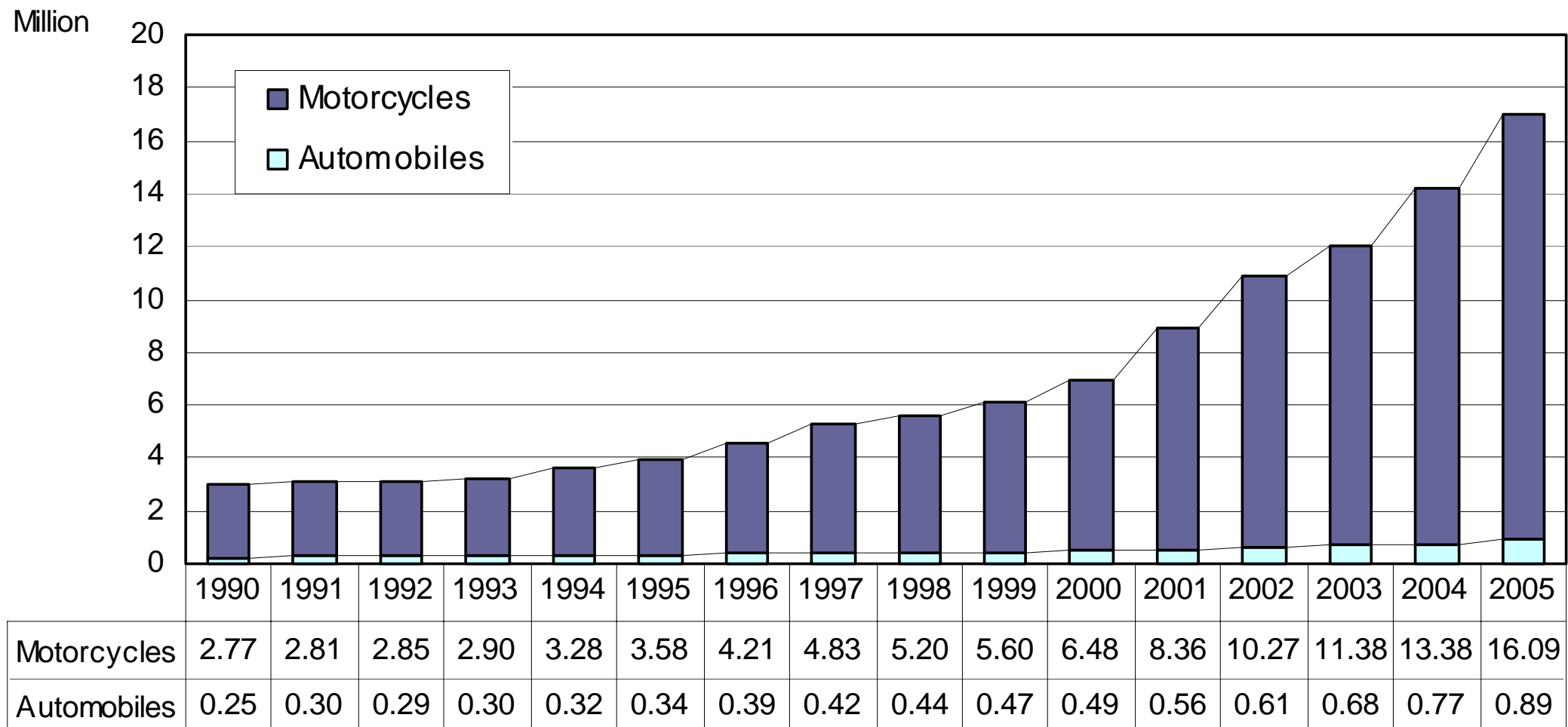


Existing Stock of Motorbikes

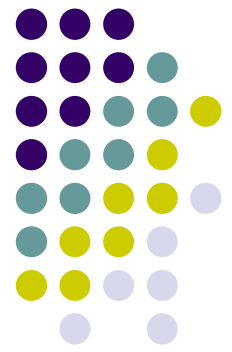
Currently, nearly 20 million motorbikes in use (annual sales about 2 million)

Hanoi and HCMC - 2 persons per motorbike (close to saturation)

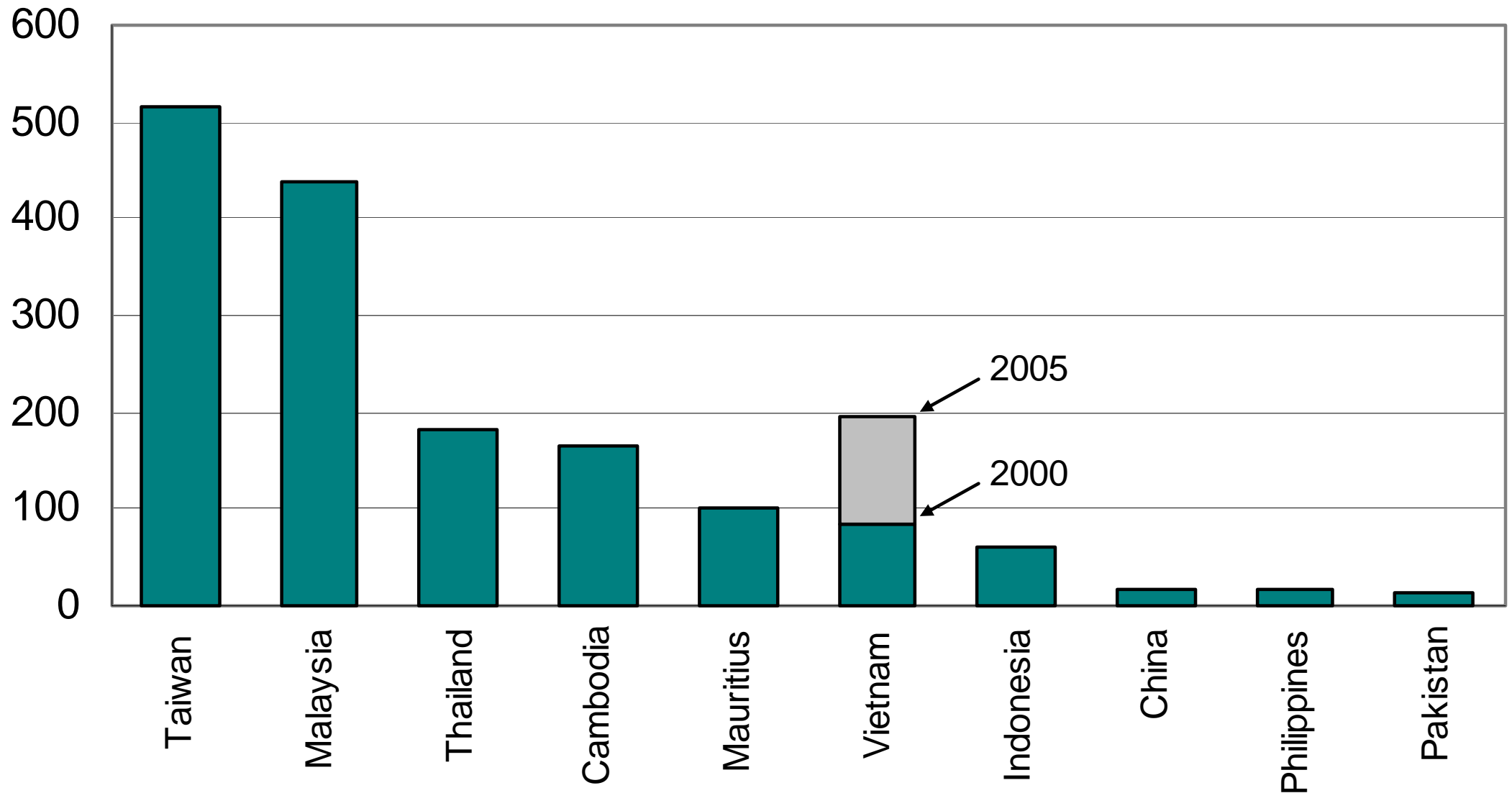
Other areas - 6 persons per motorbike (room for growth)



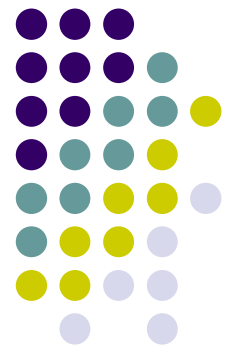
Motorbike Density in Asia, 2000



Registered motorcycles per 1000 persons

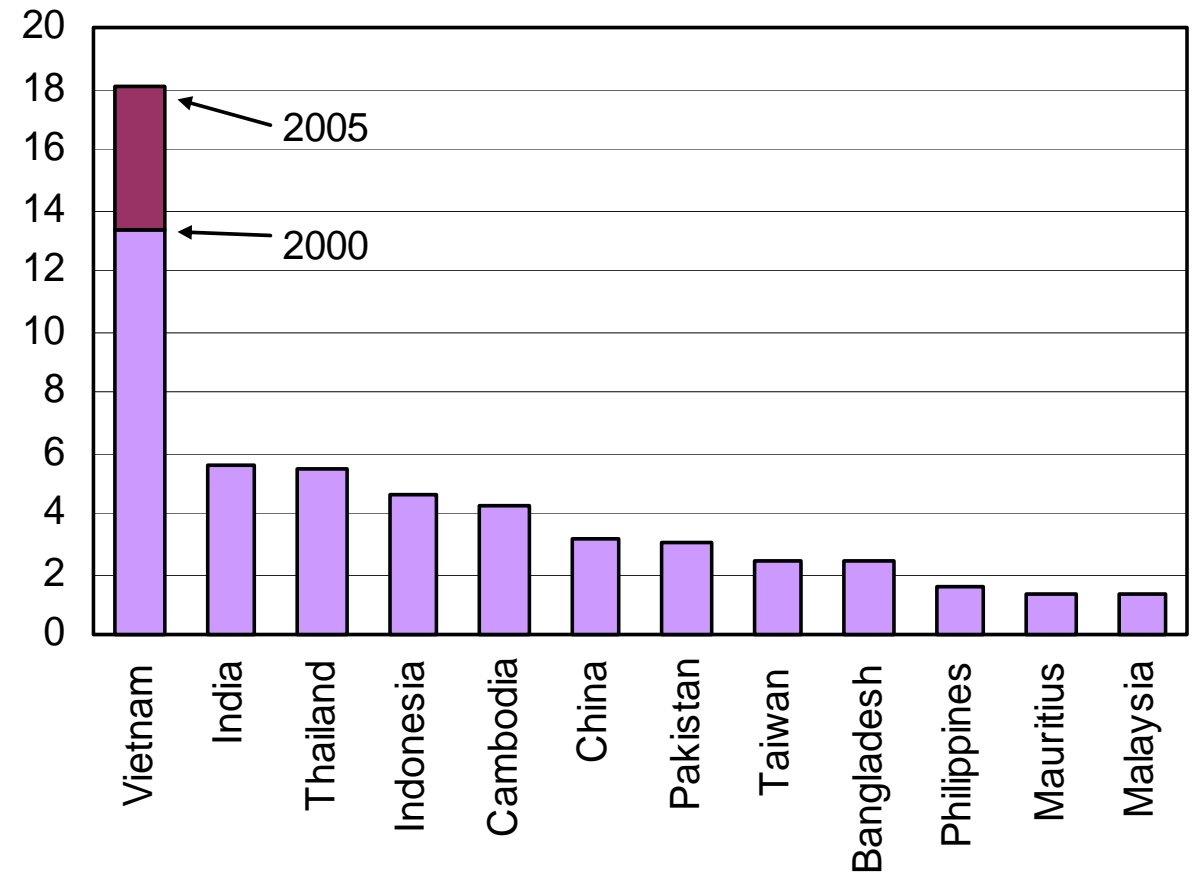


Vietnam's Uniqueness

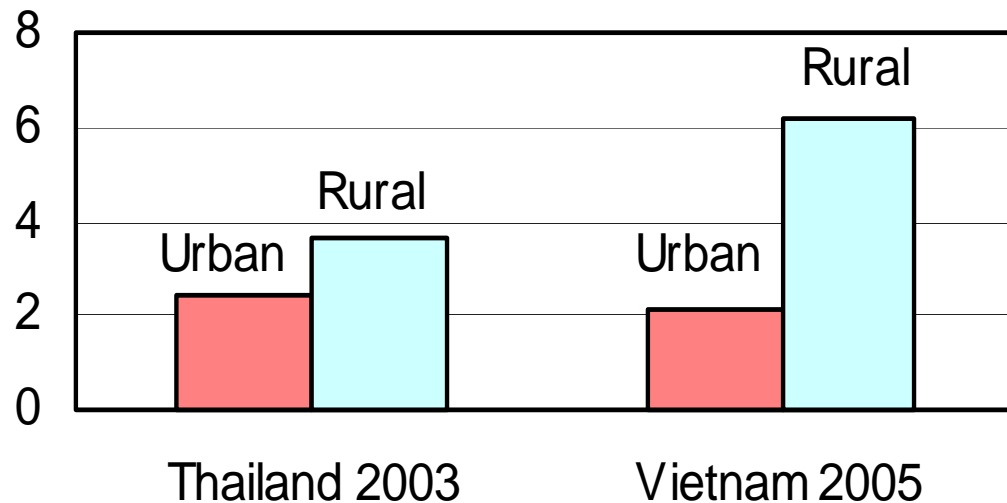


Motorbike/Automobile Ratio

Motorbike/automobile ratio is extremely high

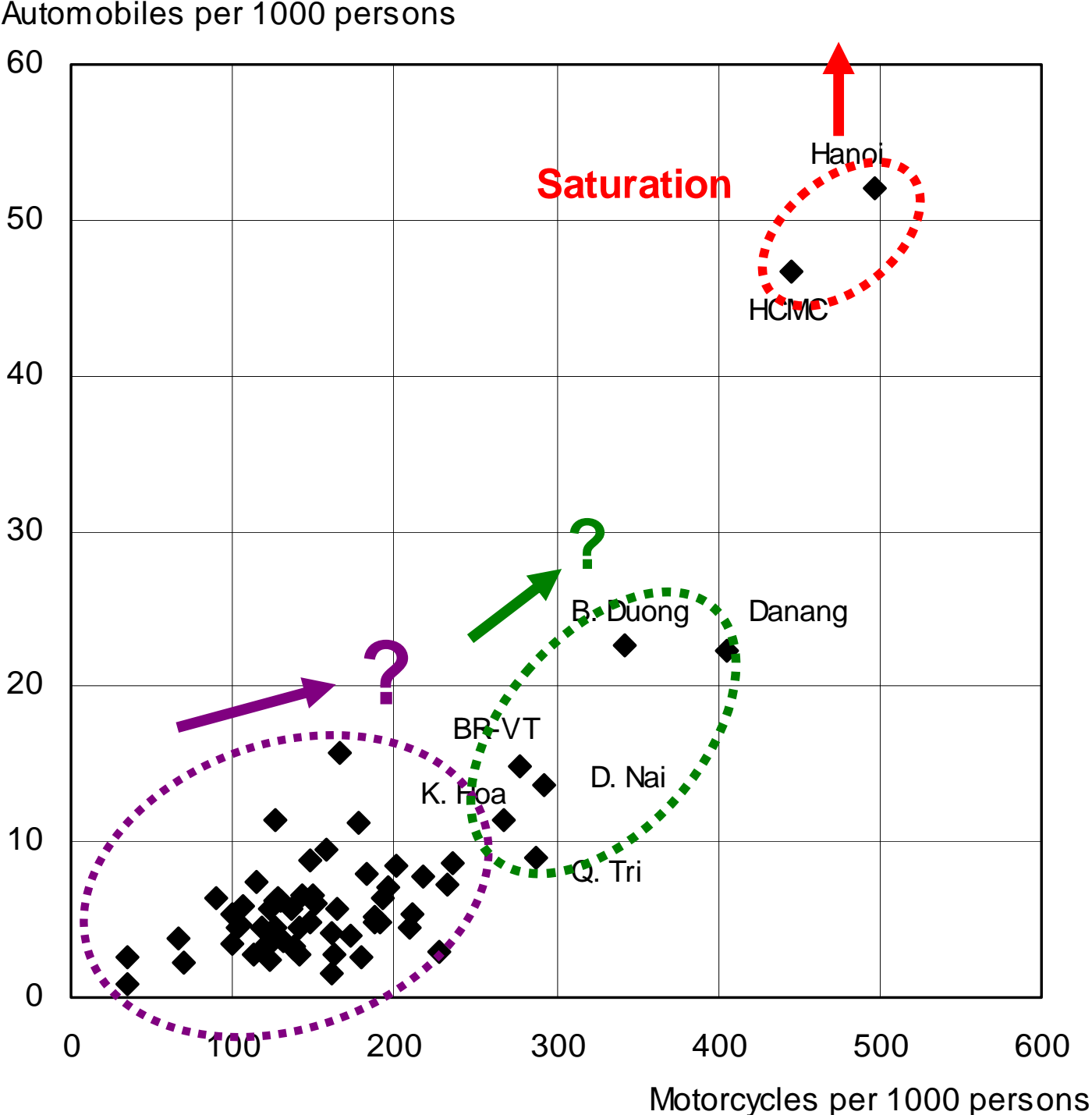
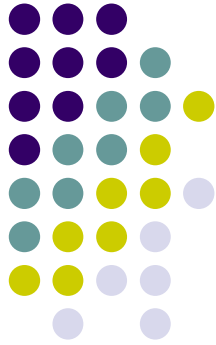


Persons per Motorbike

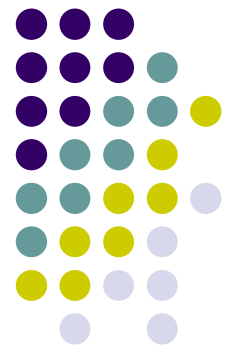


Urban-rural gap is large

Motorbike and Automobile Density in Vietnam, 2005



Stock Demand Forecast (Circulation)



<Three approaches yield similar results>

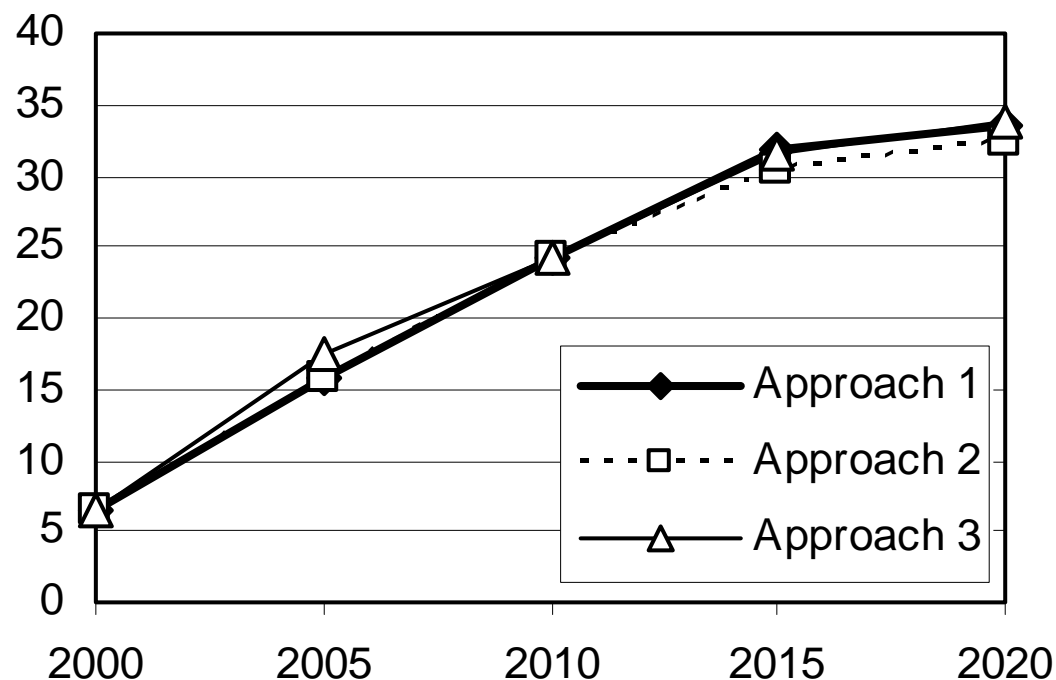
Person-to-motorbike ratio, motorbike per household, urban vs rural person-to-motorbike ratio

By 2020, 33 million motorbikes in Vietnam, or 3 persons/motorbike

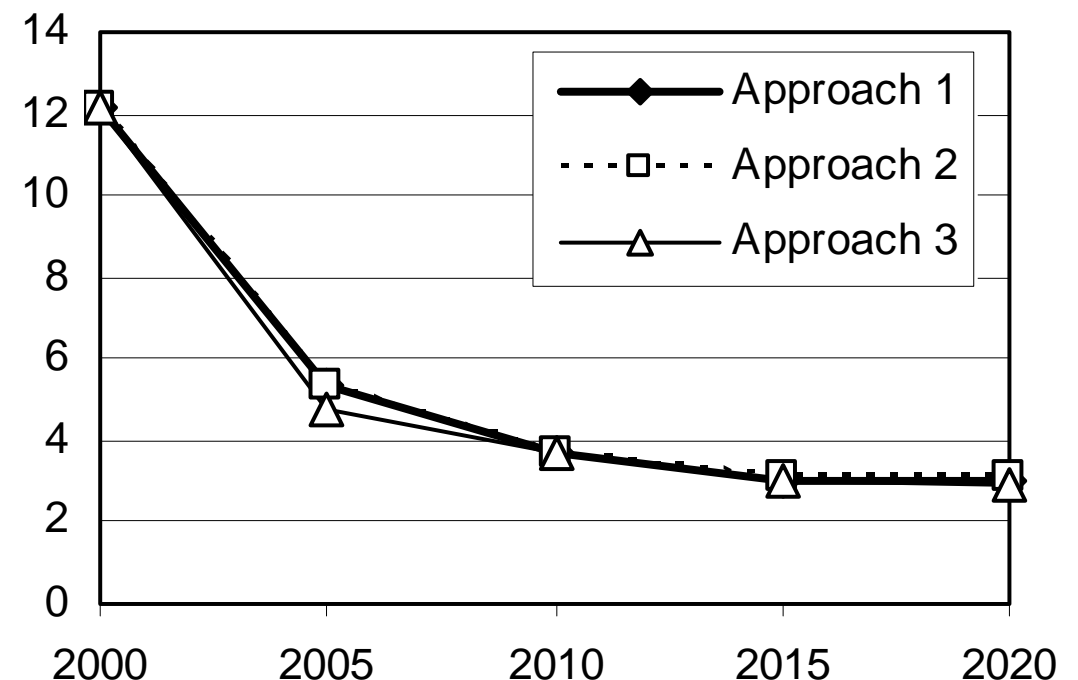
Urban: 2.8 persons/motorbike

Rural: 3.1 persons/motorbike

Million motorcycles



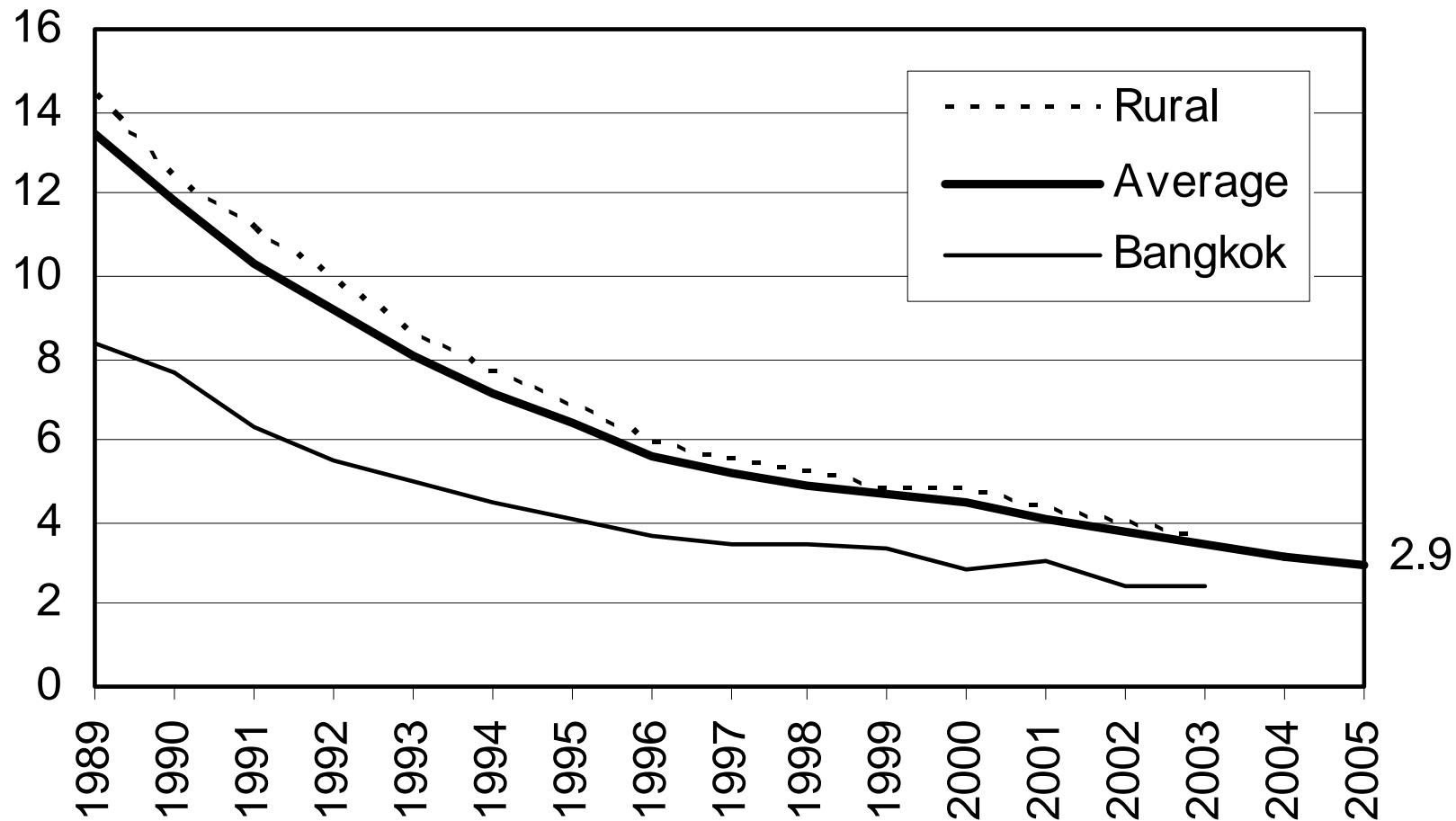
Persons per motorcycle



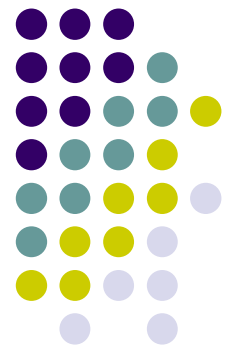
Thailand as a Benchmark



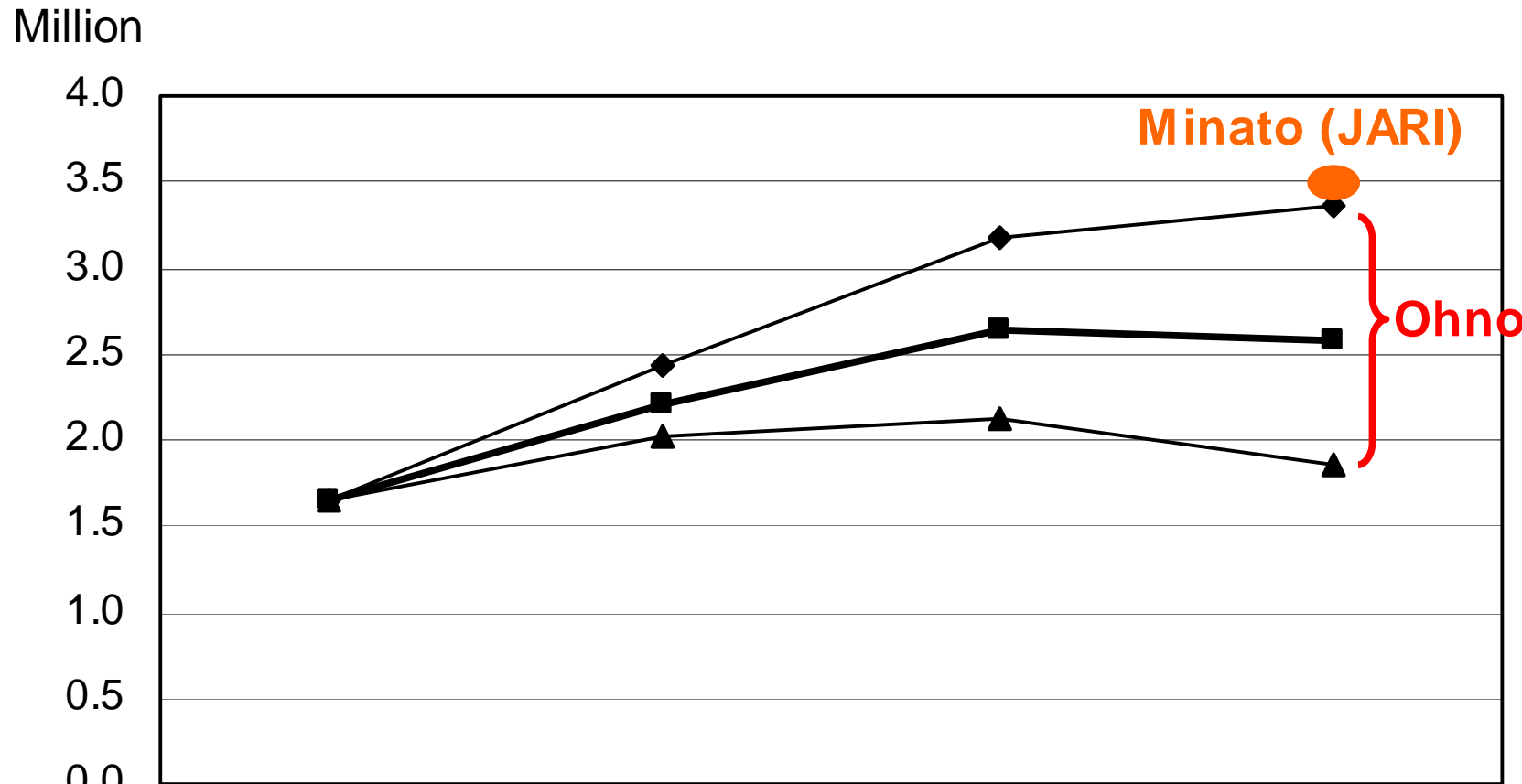
Persons per motorcycle



Flow Demand Forecast (Annual Sales)



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



<Stock/sale ratio>

Minato 9.5
Ohno 10-13-18
(Now at 9.7)

	2005	2010	2015	2020
High	1.65	2.43	3.18	3.35
Middle	1.65	2.21	2.65	2.58
Low	1.65	2.02	2.12	1.86

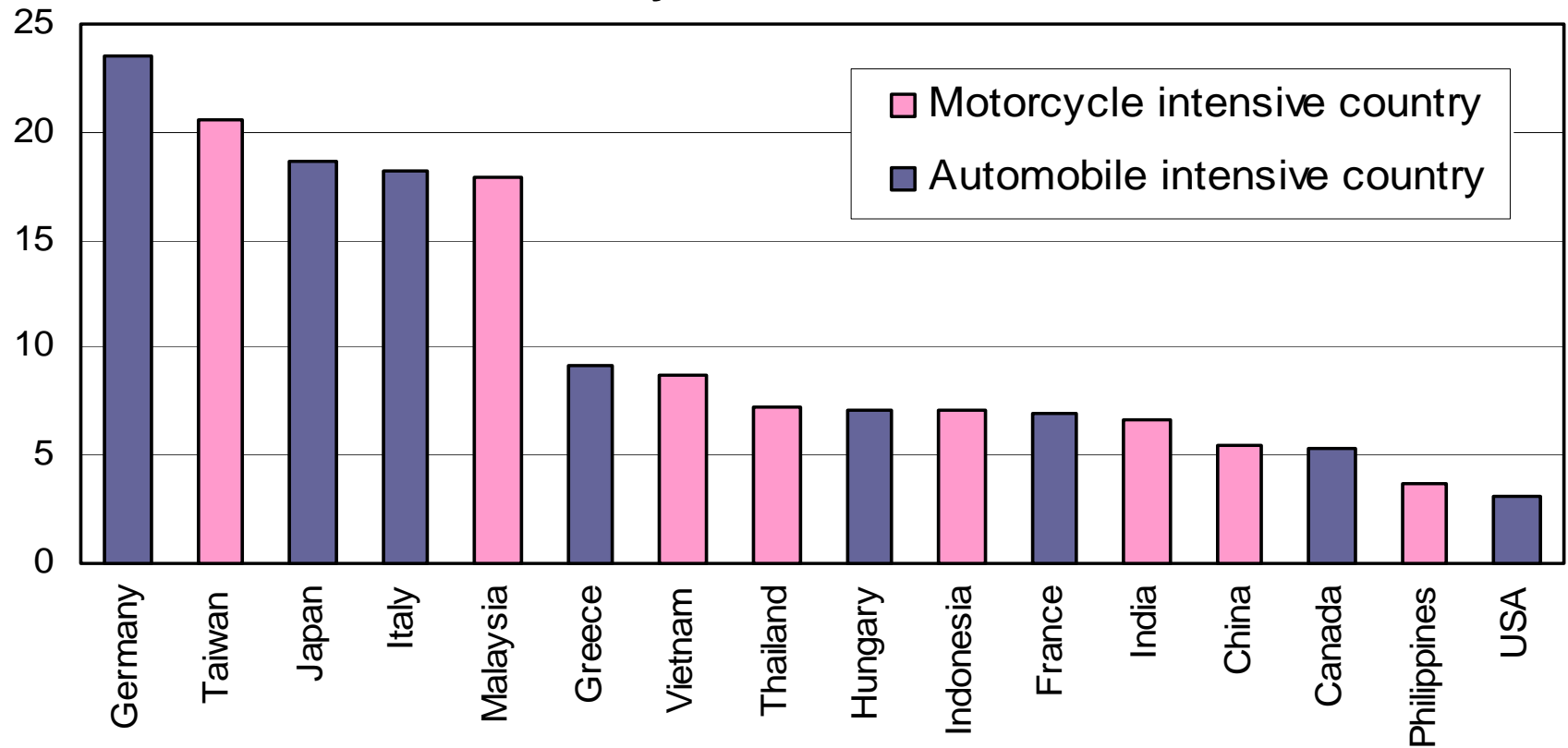
More Data on Stock/Flow Ratio

Vietnam and Thailand

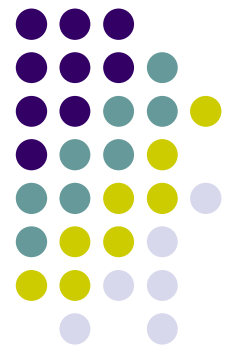


Motorcycle Stock/Sales Ratio

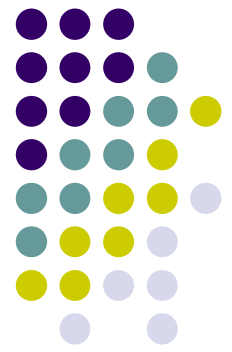
International comparison



Motorbike Ban in Large Cities?



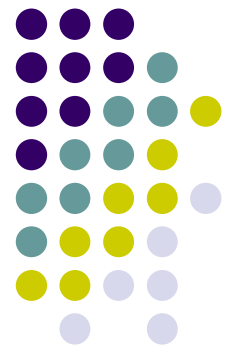
- China bans motorbike use in major cities.
- Hanoi restricted new motorbike registration in 2003-2005, but abandoned the policy subsequently.
 - ➔ Motorbike ban usually has limited effectiveness and imposes serious burden on general public.
 - ➔ In Hanoi and HCMC, where motorbike density is extremely 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.

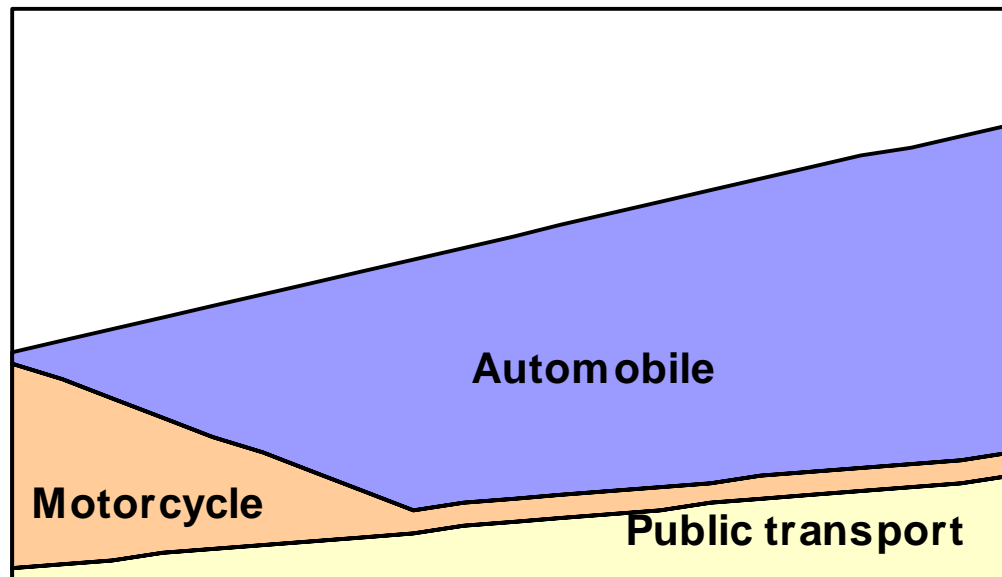
Scenario A

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

Scenario B

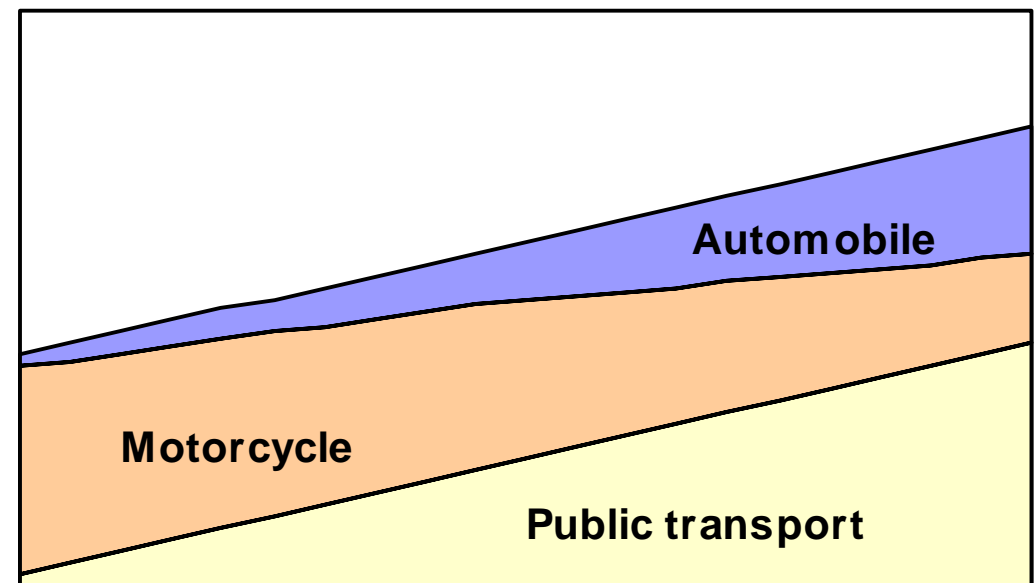
- Controlled motorization
- Gradual phase-out of motorbikes
- On-time construction of transport infrastructure

Travel demand



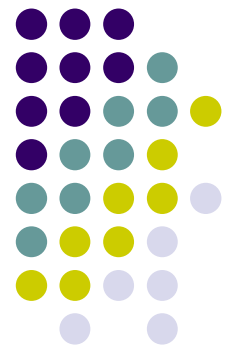
Time

Travel demand



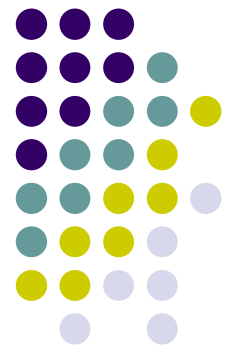
Time

Hanoi and Ho Chi Minh City

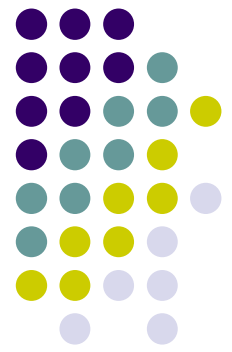


- In terms of volume, the two cities are already at saturation point. But sales will continue to be robust.
- Motorcycle should be phased out only gradually, and automobile should be introduced only gradually.
- Traffic management and road improvement should be strengthened.
- Urban mass rapid transit (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-stroke 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:

- *Industrial Policy Formulation in Thailand, Malaysia and Japan* (Eng & Vn, Sep.2006).
- *Industrialization of Developing Countries: Analyses of Japanese Economists* (Eng & Jpn, Nov.2006; Vn 2007).
- *Supporting Industries in Vietnam from the Perspective of Japanese Manufacturing Firms* (Eng, Vn & Jpn, June 2006).
- *Improving Industrial Policy Formulation* (Eng & Vn, March 2005).
- *Building Supporting Industries in Vietnam* (Eng & Vn, forthcoming in early 2007).