



## 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

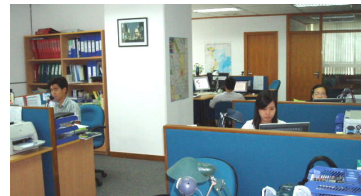
## (1) Introducing Vietnam Development Forum (VDF)



- 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



Tokyo



Hanoi

## 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

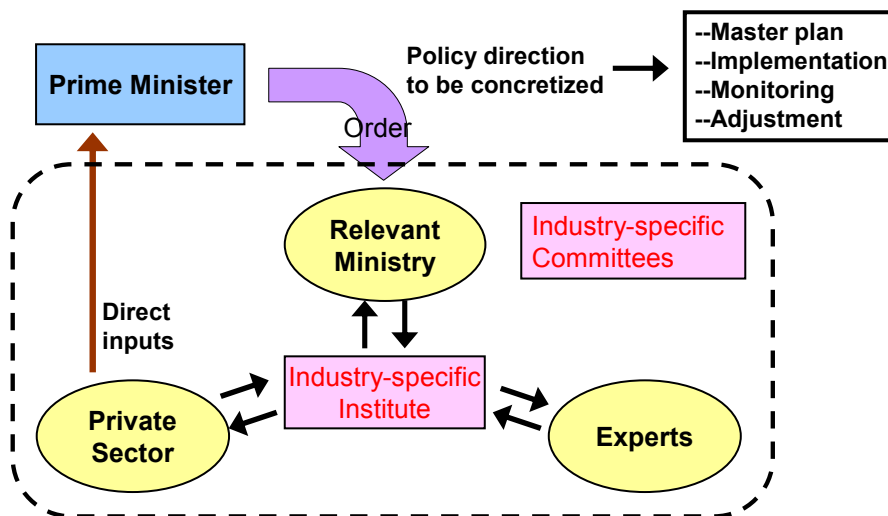


- Official drafting body – Industry Policy and Strategy Institute (IPSI) of Ministry of Industry (MOI)
- VDF supports IPSI as facilitator
- Main purposes – correct two problems
  - Lack of business involvement**
    - Unrealistic analysis & targets not supported by businesses
  - Lack of coordination 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**

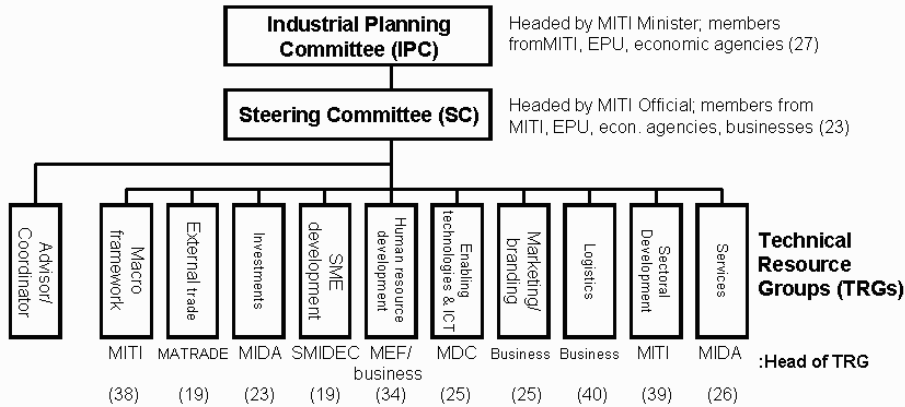
### Thailand (Thaksin period, 2001-2006)

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.

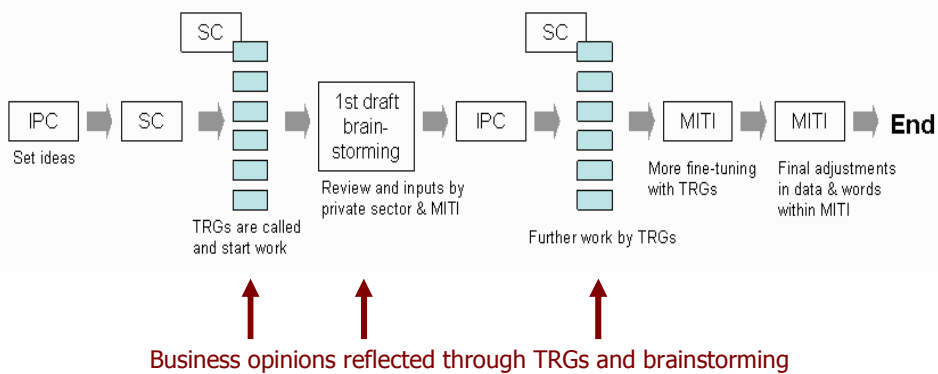
Note: Numbers in parentheses indicate the number of members in each committee or group.

# Malaysia: Drafting Process of IMP3

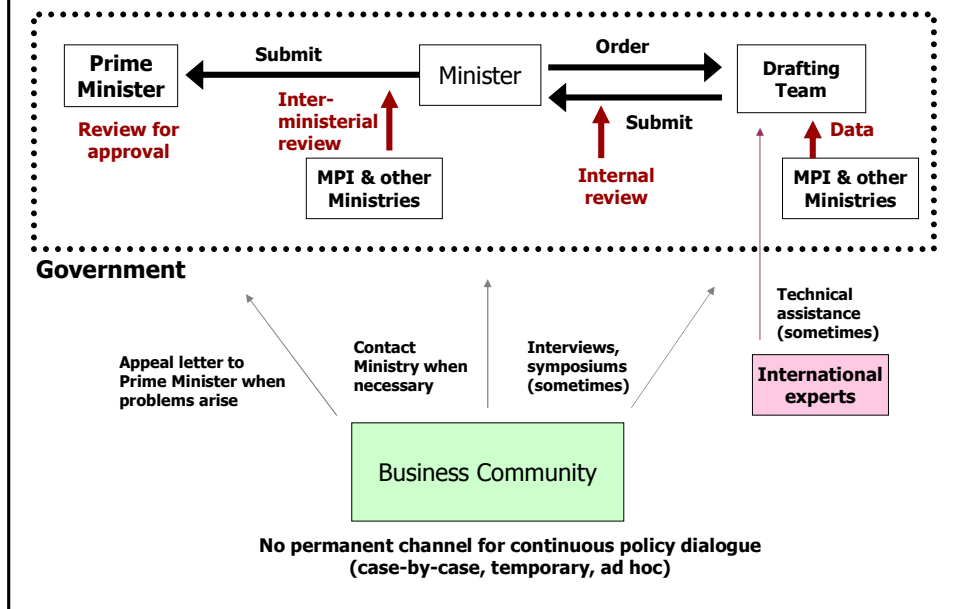
IPC: Industrial Planning Committee (headed by MITI Minister)

SC: Steering Committee (headed by MITI high official)

TRGs: Technical Resource Groups (headed by various experts)



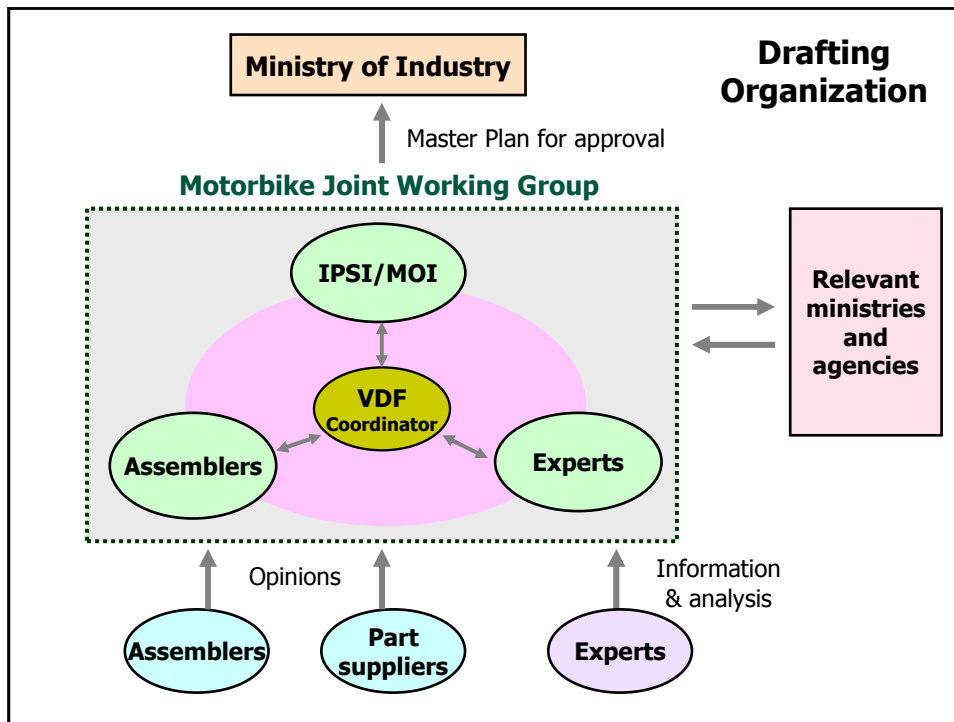
## Vietnam: Traditional M/P Drafting Process



## 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.



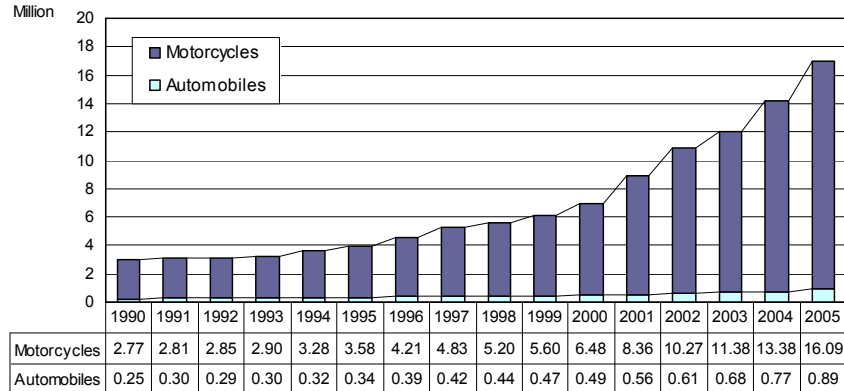
## Existing Stock of Motorbikes



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

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

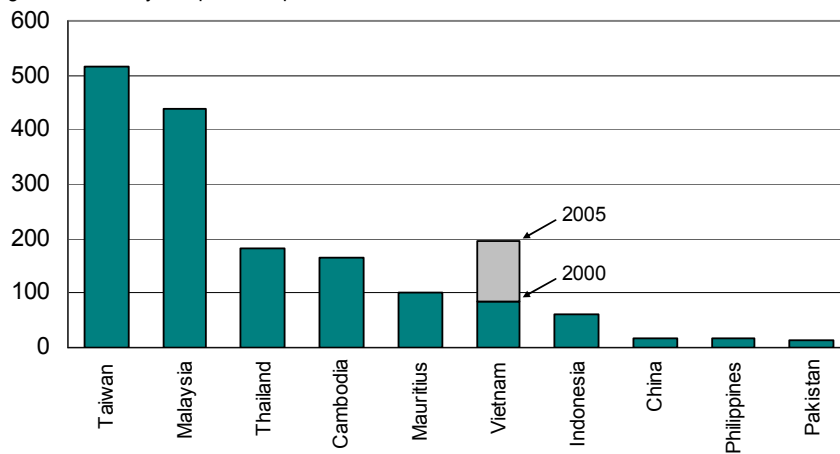
Other areas - 6 persons per motorbike (room for growth)



## Motorbike Density in Asia, 2000



Registered motorcycles per 1000 persons



However, ownership and riding frequency are not the same thing.

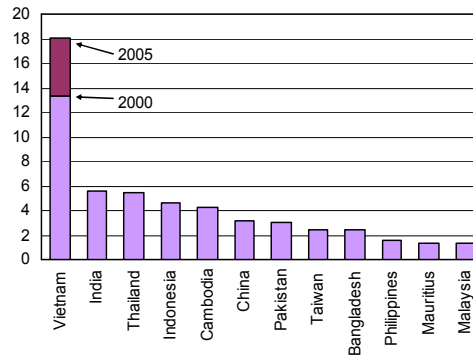
# Vietnam's Uniqueness



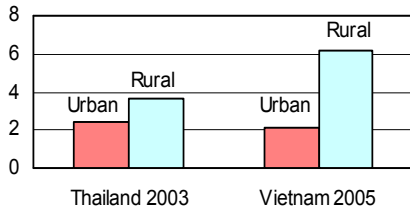
Motorbike/automobile ratio is extremely high



Motorbike/Automobile Ratio



Persons per Motorbike

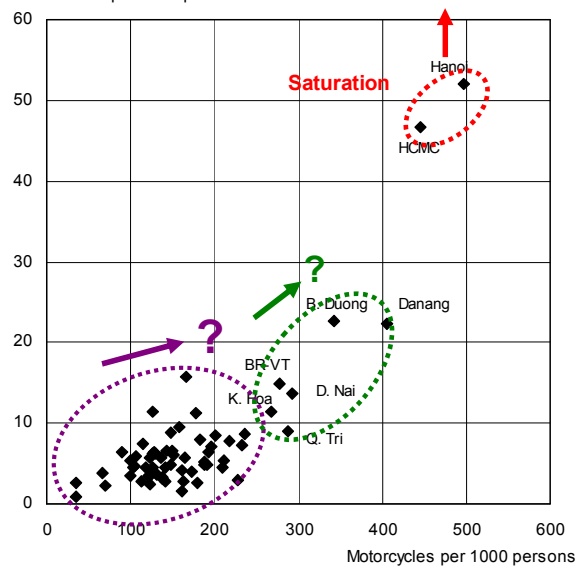


Urban-rural gap is large

## Motorbike and Automobile Density in Vietnam, 2005



Automobiles per 1000 persons



## Two Alternative Scenarios for Hanoi and HCMC



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

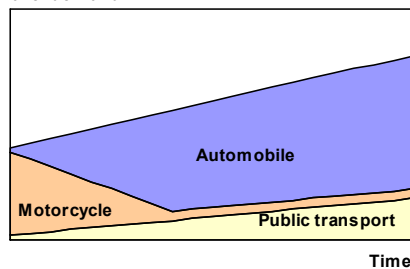
### Scenario A

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

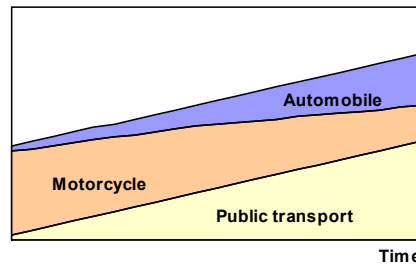
### Scenario B

- Controlled motorization
- Co-existence of multiple modes
- On-time construction of transport infrastructure

Travel demand



Travel demand



## 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

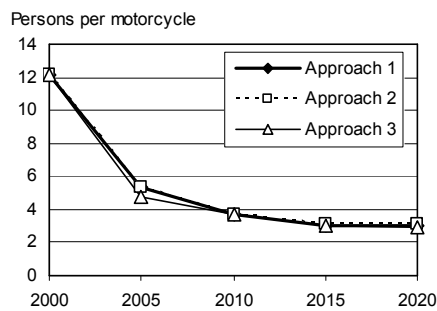
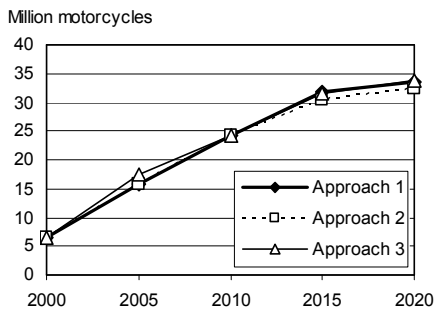
# Stock Demand Forecast (Circulation)



<Three approaches yield similar results>

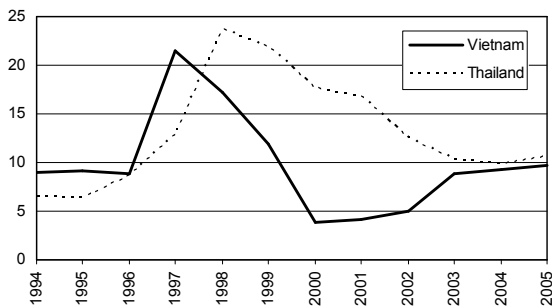
Person-to-motorbike ratio, motorbike per household, urban vs rural person-to-motorbike ratio

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

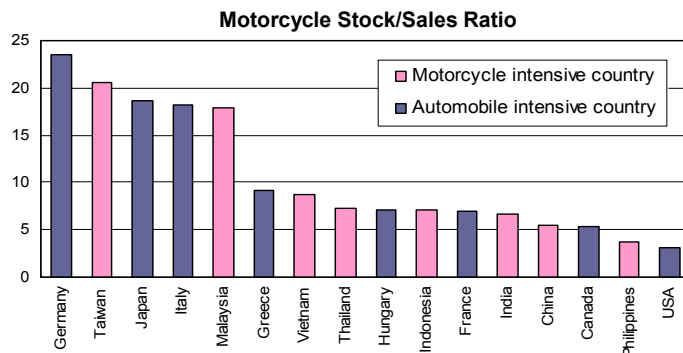


## More Data on Stock/Flow Ratio

Vietnam and Thailand



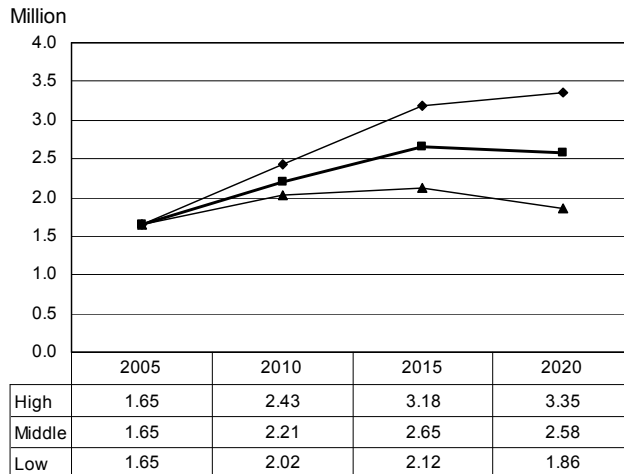
International comparison



## Flow Demand Forecast (Annual Sales)



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



<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

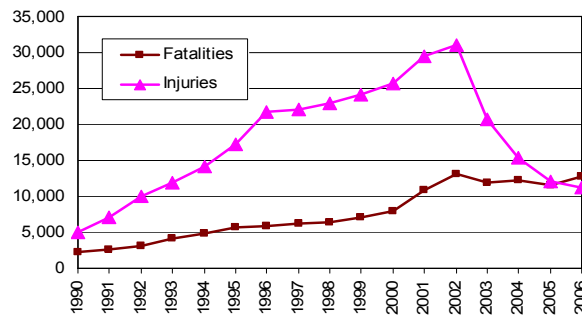


## Ch.6 Reducing Traffic Accidents

- 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](http://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, 2005).
- *Building Supporting Industries in Vietnam, vol.1* (Eng 2007, Vn forthcoming).