

A Skeleton Draft of the Motorbike Master Plan

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Note: this is the first skeleton draft for your comment and revision. The basic contents and structure remain the same as the March proposal, but each chapter has more specific arguments and data/source requirements in light of brainstorming sessions. Some chapter titles have been modified. Chapter 9 is incomplete.

Introduction

- New methodology of this master plan
- User aspect is featured, and both demand and supply are considered
- The role of government under market-orientation and international integration
 - Basic role is to support healthy growth of the motorbike industry
 - Task 1 – indicative projection and guidance for achieving policy objectives mentioned above (not mandatory plans of the past) (Chapters 2-3)
 - Task 2 – setting and enforcing realistic and meaningful standards for quality, consumer safety, clean environment and industrial property (Chapters 5-9)
 - Task 3 – enhancing supporting industries and human resources for upgrading industrial capability by responding to businesses and global competition, and without violating WTO rules (Chapters 4 & 9)
- List of JWG members and work schedule

Chapter 1. The Role of Motorbikes in Vietnamese Society

(1) Use of motorbikes in Vietnam

- Time-series data on motorbike use and production
- International comparison
- Why motorbikes are popular in Asian countries (climate, lack of public transportation)
- Vietnam's unique features, for example:
 - High use relative to income
 - HN & HCMC have deep and narrow lanes, flat terrain, compact city size
 - Multiple use including commuting (not just transporting goods) regardless of age/gender
 - Urban vs. rural gap
 - Dynamic market--from means of saving to cheap commodity, then fashion goods

(2) Future direction

- Motorbike use must be considered in the broad context of life style and quality, urban and transport planning, and industrial promotion
- Policy objectives: (i) people's mobility and convenience, (ii) quality of life (congestion, accidents, environment), (iii) ensuring reasonable cost and timing of building transport infrastructure, (iv) leveling-up of VN's industrial capability
- *Conditional promotion of motorbike use*--“motorbikes should continue to be used in Vietnam to ensure people's mobility and reducing infrastructure cost, provided that sound and sustainable solutions are found and implemented in (i) traffic congestion, (ii) traffic accidents, (iii) environment, and (iv) industrial property protection.”

<Data> vehicle registration and stock data, international data, existing studies of motorbike use in Asia, HN & HCMC urban planning master plans

<Sources> Mr. Shizuo Iwata and his team (Almec), Prof. Atsushi Fukuda (Nihon Univ), Police Department, VN Register, Honda World Motorcycle Facts & Figures 2006

Chapter 2. Industrial Structure and Production Orientation

(1) Producers

- Domestic market trends: time-series data by motorbike types
- Market ultimately decides winners, but government can set the rules for fair and sound market competition. Let market select players who can satisfy consumer needs while observing these rules (quality, safety, environment, industrial property)
- National brands (Vietnamese brand motorbikes) are not targeted; FDI firms which satisfy above rules are welcomed

(2) Domestic linkage to integral manufacturing

- Local supplier firms are expected to link with FDI manufacturers; government should strongly support this linkage
- Explain integral vs. modular architecture; Japan is integral and China is modular
- Integral manufacturing requires effort and patience, but can reach high level. Modular manufacturing is easy but faces excess supply, low price and technology trap.
- VN should become a partner in integral motorbike manufacturing to upgrade technology and compete effectively with modular products

(3) Prospects for export

(Export possibility is discussed after obtaining information from producers)

(4) WTO consistency

- High tariffs, import bans and quotas, localization requirement, etc. are WTO-inconsistent and not necessary for the motorbike industry in VN
- Supporting industries and industrial human resources are strongly promoted as two policy pillars which are WTO-consistent
- Intellectual property protection is highly consistent with and required by WTO

<Data> time-series data by motorbike type, international data on Chinese motorbike penetration, export data

<Sources> Prof. Takahiro Fujimoto (Tokyo Univ), GRIPS COE conference report

Chapter 3. Forecasting Demand

(1) Methodology

- Motorbike use depends on income, consumer preference, availability of finance, infrastructure, and policy
- Gradual convergence of vehicle-per-person/family ratio to the level of high-use country (Thailand as benchmark)
- Separate consideration of urban and rural areas
- Vehicle age profile estimate, to translate flows into stocks and vice versa
- Nature of projection is indicative, not mandatory
- Explanation of data limitation

(2) Projections

- Benchmark projection
- Alternative projections (high and low)
- Sensitivity analysis

<Data> construct projection spreadsheet; provincial registration data, revised base-year numbers, international ratios, and vehicle age profile estimates

<Sources> Mr. Nam’s preliminary projection, Prof. Nguyen Khac Trai and his team (HUT), Mr. Kiyoyuki Minato and his team (JARI)

Chapter 4. Promotion of Supporting Industries and Industrial Human Resources

(1) Significance

- SI and IHR are sources of competitiveness in all assembly-type manufacturing; Ichikawa diagram of overlapping SI/IHR pyramids
- Other East Asian countries also consider them as key, but their success varies
- Required for mastering integral manufacturing, and FDI that “stays” under wage and Chinese pressure
- Promotion of SI and IHR is WTO-consistent (if not discriminatory)

(2) Supporting industries

- Concept and current status
- Targets and actions (details in Chapter 9)

(3) Industrial human resources

- Concept and current status
- Targets and actions (details in Chapter 9)

<Data> VDF research on SI concepts (Thuy) and Japanese firm survey, current data on SI/IHR in VN, situations in East Asian countries, policies of East Asian countries

<Sources> VDF, METI, other Japanese organizations, APEC, ASEAN governments

Chapter 5. Urban Planning and Means of Transport

(1) Urban planning in Hanoi and Ho Chi Minh City

- Overall plan, trip projection, and timing and cost of building new infrastructure
- Factors influencing motorbike use—(i) urban development and land use, (ii) public transport development, and (iii) automobile regulation policy (Iwata)

(2) Expected role of motorbikes

<Data> HN and HCMC urban planning master plans (Haidep/Houtrams), modal data and trip projections in these master plans, timing and costs of proposed infrastructure, Haidep exhibition CD

<Sources> Mr. Iwata’s team (Almec), Hanoi/HCMC People’s Committees

Chapter 6. Reducing Traffic Accidents

- (1) Trend and causes of traffic accidents
 - Data by location, cause, mode; explain serious data problem
 - Preliminary analysis on correlation with vehicle numbers, infrastructure (km), drivers, law enforcement (can we say increasing motorbikes are main cause of accidents?)
 - International comparison
- (2) Targets and actions (basically follow WB-JBIC-JICA)
 - Recommend to improve data consistency, and conduct cause analysis
 - Recommend a traffic safety roadmap, with realistic targets and concrete actions
 - Evaluate the proposal, “Reduce motorbikes because they cause accidents”

<Data> Data on deaths and injuries (need reconciliation), international data

<Sources> Department of National Traffic Safety, Ministry of Transportation, Almec, World Bank, JICA-JBIC, ADB, Honda, Ms. Le Thu Huyen & Ms. Nguyen Thi Thanh Hoa (Univ of Transport & Communication), Mr. Tetsuji Masujima (Almec)

Chapter 7. Environmental Protection

- (1) Air pollution in urban areas
 - Presentation of available data (air pollution, fuel quality--also explain data limits)
 - Time trends and international comparison
 - Estimated sources of urban air pollution
 - Cost aspects of air pollution regulation
- (2) Targets and actions
 - Review of current policy (EURO2 and beyond) and international practices
 - Alternative scenarios of CO, NO_x, SO_x, etc. with and without control measures
 - Issues in policy design and implementation
 - Vehicle inspection system and emission control (Minato)

<Data> Air quality monitoring data in urban areas, estimated causes of air pollution in urban areas, “JICA data,” air pollution-related sicknesses, vehicle age profile estimates, VN air pollution regulation and EURO schedule, fuel quality data, international comparison data

<Sources> MoNRE, Hanoi National Univ (Dr. Nguyen Thi Ha), CENMA, Mr. Kiyoyuki Minato (JARI)

Chapter 8. Industrial Property Rights

- (1) Current status
 - Why industrial property rights are important (protecting creativity, WTO consistency, required for integral manufacturing)
 - Types, data, and methods of infringements (also explain data limits), “double protection” of completed models and parts
 - Past and current laws and policies; counter measures by producers
- (2) Targets and actions

<Data> Violation of industrial property rights (arrests), other data to show the situation
<Sources> Honda Vietnam, National Office for Intellectual Property, Japanese Patent Office?

Chapter 9. Policy Measures

Note: the list of concrete policy measures will be worked out after this skeleton draft is agreed and drafting of chapters has begun. It is expected to cover the issues in chapters 4-8, but not chapters 1-3. This is because directions of output, sales and exports are determined basically by market forces and no special policy measures are needed (beyond visions and projections presented in Chapters 1-3 of this master plan). As for positive upgrading of industrial strength (SI & IHR) and necessary conditions for sound growth (solving urbanization, accidents, environment, and industrial property violation), concrete measures are needed. Since most measures cover responsibilities of many ministries and agencies, they must be discussed among relevant organizations. How to draft such inter-ministerial and inter-issue measures in this master plan remains to be decided.