

SPEECH OF AUTOMOTIVE WORKING GROUP

*Presented by
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*Your Excellency,
Ladies & Gentlemen,*

My name is Toru Kinoshita, leader of VBF Automotive working group. Thank you very much for giving me the chance to present in this forum today.

Firstly, I would like to express our appreciation for the Government's effort to improve business environment, national competitiveness and support enterprise development in general. Today, I would like to share the automobile working group's comments on stabilizing the market and building a new industry step-by-step.

Market size and its stable growth are key factors to attract investment to develop local assembly as well as supporting industries towards a strong and competitive automobile industry of Vietnam. However, recently it is not really stable because some issues related to Decree 116 requirement or Ownership Tax implementation which make negative impact to the market.

We believe that a stably growing market should include a reasonable balance of both CKD and CBU. To realize and sustain the balance, we would need to enhance the competitiveness of CKD which serve the market majority. At the same time, smaller niche market segment can be fulfilled when the Government should revise some items within Decree 116, which nearly stop CBU business from developed countries (e.g.: Japan, EU) in the past 6 months.

For CKD business and supporting industry development, firstly we would like to point out some critical issues, as follow:

- Firstly, small production volume leads to less competitiveness of both local part & CKD vehicle.
- Secondly, quality/cost/delivery capability is critical for local Vietnamese suppliers. As a matter of fact, not many local suppliers meet required QCD standards to participate global supply chains.
- Thirdly, lack of practical measures and policies to develop supporting industry from Government even the Government has issued some policies.

To develop policy for automobile and supporting industries, we believe that a comprehensive approach should be implemented with 3 pillars:

- First, policies for maintaining steady market growth; including countermeasures to minimizing negative impact to the market growth. Those policies should provide transparent, fair treatment and enough lead-time for industry side's preparation (Government should remove some negative items in Decree 116/2017/NĐ-CP and Decree 140/2016/NĐ-CP of Ownership Tax...)
- Second, policies to narrow production cost gap of CKD versus CBU. The policies should offer fair, transparent treatment to all makers and complies with international commitment of Vietnam.
- Third, more practical policies and scheme to enhance and speed up supplier base and compensate volume gap, like support investment for die and jig...

To enhance linkage between CKD makers and suppliers, we have some proposals as follow:

For Government:

- Vietnam Government should offer investment incentives for makers and suppliers to purchase machinery, die and jig to localize automobile parts, which somehow help neutralize the negative impact of small production volume.
- Invite key suppliers to join automobile dialogue and hold frequent meetings with clear discussion points, and then report to Prime Minister more frequently to improve workability of policies.

For suppliers:

- Local supplier tier 2 & 3 should not aim to “leapfrog” to become tier 1 in the short term, but ensure to meet the requirement of QCD.
- Besides, suppliers should take part in auto part supplier databases and business matching programs and create attractive business profile.

For automobile makers:

- We would continue to reduce production cost of CKD and part suppliers. We also share to be our supplier criteria, list of auto parts that we expect to localize for potential suppliers’ consideration. We’re open to recruit suppliers regardless those suppliers are local or foreign-invested.
- Furthermore, some of makers can help potential suppliers to increase their QCD capability and obtain know-how via their supplier enhancement programs.

For the detail contents, we presented in position paper of automotive working group already.

Thank you very much.