

## POSITION PAPER OF AUTOMOTIVE WORKING GROUP

*Prepared by  
Automotive Working Group*

### A. AUTOMOTIVE BUSINESS'S POSITION

#### I. Proposal to develop automotive supporting industry

Firstly, we would like to express our appreciation for the Government's Resolution No. 19/2016/NQ-CP and Gov't Resolution 35/2016/NQ-CP to improve business environment, national competitiveness and support enterprise development in general.

However, at current situation of market size and industry development level, we have to admit that Vietnamese CKD vehicles cannot compete with imported CBU from ASEAN countries. In general, we strongly support the Government's direction to develop Vietnam automobile industry and its supporting industries so far. To do so, we believe that a comprehensive approach should be implemented:

- First, policies for maintaining stable market growth in long term; 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.
- Second, policies to narrow production cost gap of CKD versus CBU vehicle. The policies should offer fair, transparent treatment to all domestic makers.
- Third, policies to supporting industry for enhancing CKD production.

In this paper we would like to point out critical issues of automobile industry (including auto parts and vehicles), as follows:

#### 1. Quality/Cost/Delivery capability of suppliers:

Automotive industry has complex and multi-layered supply chains (Tier 1, Tier 2, Tier 3, and raw material suppliers) consisting of many suppliers in each tier. Tier 2-3 suppliers are required to strictly adhere to production requirements such as Quality/Cost/Delivery (QCD), while for Tier 1 suppliers, R&D requirements such as parts development and proposal capabilities are necessary in addition. Therefore, development of suppliers requires much effort, time and investment. However, as a matter of fact that not many local suppliers meet required QCD standards to participate global supply chains. Also it requires copywriting permit and/or technology transfer or licensing agreements from genuine part suppliers to local suppliers in Vietnam.

#### 2. Existing policies for automotive supporting industry cannot solve the structural issue of small production volume and CBU Import duty 0% from 2018:

Last year, Government had some business conditions for CBU vehicles (like Decree 116/2017/NĐ-CP...) but they cannot help to enhance CKD core competitiveness in long term.

Besides, Even several Decision or Decree for supporting industry development has been issued. However practically not so many suppliers can enjoy the policy because it cannot solve the structural issue of small production volume and CBU import duty 0% from 2018. At the same time, the application procedure is rather complicated. We would like to propose:

**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 share our supplier criteria, list of auto parts that we expect to localize for potential suppliers’ consideration. We are 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.

**II. Comment on Decree 116/2017/ND-CP and Draft of Circular “Regulation on quality control of technical safety and environment protection in automobile production and assembling which is subject to the Decree 116/2017/ND-CP” about requirements for automotive parts for CKD production**

Currently, we received Official Letter No. 10345 dated 13 September 2018 on getting comments on the Draft of Circular “Regulation on quality control of technical safety and environment protection in automobile production and assembling which is subject to the Decree 116/2017/ND-CP” by MOT. Basically, we support the regulations and policies of the Government to strengthen the quality management of motor vehicles as well as protect the interests of consumers. After reviewing the content of the draft of Circular “Regulation on quality control of technical safety and environment protection in automobile production and assembling which is subject to the Decree 116/2017/ND-CP”, we would like to comment as follows:

**1. Subject of application:**

According to Decree 116, Article 2, Clause 1 regulated as follows: “This Decree applies to enterprises manufacturing, assembling, importing and trading of automobile, automobile warranty and maintenance services in Vietnam and relevant agencies, organizations and individuals.” However, the draft of circular stipulates the applicants including those who import spare parts. These enterprises are not subject to Decree 116. Therefore, we proposed to amend Article 2 of the Circular draft as follows: “This Circular applies to automobile manufacturing and assembling enterprises, producing or importing component enterprises for the purpose of automobile manufacturing and assembling as well as organizations and agencies involved in the management, inspection and testing of automobiles and automobile components for the purpose of manufacturing and assembling.”

**2. Evaluation of product quality assurance conditions (COP evaluation):****2.1. Proposals for acceptance of quality management system certificate ISO 9001:2015 or COP statement issued by overseas authorized bodies to overseas component factories.**

According to current regulations, manufacturers and assemblers of automobile are allowed to choose between: Vietnam Authorities visit to the components factories located abroad or submit the quality management system certificate ISO 9001:2015 or COP statement granted by overseas authorized bodies. However, in the circular draft, only one option was to invite Vietnam Authorities visit components/parts factories abroad for evaluation. To operate, these component factories have also been granted quality management system certificate ISO 9001:2015 or COP statement by foreign authorized bodies.

Therefore, to save time and cost for CKD production and avoid evaluation overlap, we propose the Ministry of Transport to amend the content of the Decree to accept the quality management system certificate ISO 9001:2015 or COP statement issued by the overseas authorized bodies.

## **2.2. COP evaluating method:**

In Decree 116/2017/NĐ-CP, Article 13, Clause 3 stipulated the responsibilities of enterprises which are granted certificates of eligibility for production and assembling of automobiles, prescribed: “Establish quality management system in accordance with ISO 9001: 2015 or equivalent in the production process within 12 months from the time enterprise is granted with certificate of eligibility for automobile manufacturing and assembling”. However, when compared with the contents of the Draft Circular draft (Article 8, Clause 2), we found that the Draft Circular requiring the COP evaluation to be based on the ISO/TS 16949 standard.

Therefore, we propose Ministry of Transport to revise the content of the COP evaluation method according to ISO 9001: 2015 (Article 8, Clause 2a of the Circular draft) in accordance with Decree 116 based on ISO/TS 16949 standard or similar standards and quality management systems.

## **3. Effectiveness and implementation:**

According to Decree 116/2017/ND-CP, the requirements for automobile manufacturing and assembling are applied from April 17<sup>th</sup>, 2019. In addition, existing certificates issued before April 17<sup>th</sup>, 2019 are valid for one year from the date of issue. Therefore, we propose to revise the Article 21, Clause 1 (Transitional Provisions) as follows: “Certificates issued before effective date of this Circular are still valid for use in automobile production and assembling within 12 months from the date of April 17<sup>th</sup>, 2019”.

Clause 3 of Article 21 (Transitional Provisions): “Certificates issued for types of imported components which have not been inspected or tested under regulations, standards or technical regulations in Vietnam shall be invalidated from April 17<sup>th</sup>, 2019”. The proposed amendment is as follows: “Certificates issued for types of imported components which have not been inspected or tested under regulations, standards or technical regulations in Vietnam will be expired within 12 months from April 17<sup>th</sup>, 2019 ”.

## **III. Comment on Circular 41//TT-BGTVT about certification of automotive parts in VN**

Recently, MOT had issued Circular 41/2018/TT-BGTVT on the list of potentially unsafe commodities under the management of the Ministry of Transport, required that all the commodities in the Appendix II enclosed with this Circular must be certified or declared conformable with corresponding national technical regulations and standards before marketing and this Circular will come into effect on Sep, 15 2018.

## 1. Competent vehicle testing center

To comply with Circular 41, some CBU importers asked for instructions to MOT and testing centers like Center for Quality Measurement Techniques 3, Vietcert Center for Inspection and Certification, Center for Inspection and Certification 2, VINACONTROL Ho Chi Minh City. So far no center had yet declared itself competent to perform the standard conformity announcement for the above items. In November, one Center so called VAR unofficially appears recommended from various sources as possibly a competent testing center.

## 2. Competent testing centers:

Since the Circular 41 promulgated, automobile importers need guidance from MOT and vehicle testing centers such as the Technical Standards Center QUATEST 3, VietCert Center for Testing and Conformity Testing, Center for Analysis and Testing 2 and VINACONTROL HCM. However, to date, there have been no testing centers officially appointed or officially declared as competent to perform the standard conformity declaration for required commodities. It would be critical for MOT to announce officially the competent testing center that facilitates much to enforcement of Circular 41.

We therefore recommend the Ministry of Transport to provide specific guidance to importers on the official testing centers in the country which are able to carry out the necessary certifications.

## 3. Subject of regulation:

We have always been follow strictly all the regulation of Vietnam Government and MOT, we are also following strictly Circular 41 in terms of CKD, CBU and all the component parts. However, we faced with some difficult situation complying with Circular 41 for spare parts with repair and maintenance purpose as follows:

- i. *The number of spare part type is tremendous:*  
In Automobile industry, we ensure to provide spare parts for vehicle with it's age up to 20 years, statistic showed that: in a member of us only, the number of part number for Headlamps are 1951. With that big amount of spare part type, also take into account lead time to certify and conformable declare, customer will have to wait a long time before their vehicle can be repaired; beside that, the number of test needed to be conduct is a big problem for both enterprises and VR.
- ii. *Overpriced spare parts:*  
Whenever customers have demand of spare parts with a purpose of replace and repair, in order to certify and conformable declare for the components and spare parts, enterprises have to prepare extra samples for the test. For instance, in order to replace 1 plastic fuel tank for customer, enterprises have to import 8 plastic fuel tanks, in which, 7 plastic fuel tanks are required for the test according to QCVN 52:2013/BGTVT, National Technical Regulation of motor vehicle structure to the prevention of fire risks. Because of this, the price of the product will be increase significantly.

From 2 above reasons, we propose MOT to revise Circular 41 in order to support enterprises as well as Vietnam Automobile industry and customers, we would like to give 2 suggestion on revising the scope of this Circular:

- This Circular will not apply to spare parts with the purpose of repair and replacing.
- In case of this Circular apply to all components and spare parts, we would like to propose MOT issue a practical roadmap and only new model of spare parts which are manufacturing after the implementation time of this Circular must be certified or declared conformable.

## **B. MOTORCYCLE BUSINESS'S POSITION**

### **1. Driving license for electric motorbikes:**

Recently, the use of electric vehicles has become popular, especially among junior and high school students. The fact is that we still lack necessary regulation such as age of riders and driving licenses. As the result, many incidents occur to riders and also transportation participants. Currently, the Draft Revision of Road Traffic Law 2008 mention about adding regulation related to age and driving license or driving skill/regulation training for EV riders. We absolutely agree with this content and hope that Government officially issues the regulation soon that clearly stipulating the minimum age allowed to drive electric vehicle and regulations on driving licenses for electric motorcycles.

### **2. Regulation on Motorcycle Gas emission control**

Motorcycle is the necessary means of transportation in daily lives of Vietnamese people. During the course of production and business, motorcycle manufacturers are constantly making effort to improve the quality, meeting the strict regulations of state-management bodies in terms of safety, gas emission standard towards to the greener and cleaner products. Since 2017, Vietnam has been applying Euro 3 emission standards for motorcycles. Regarding vehicle in operation, Vietnam have just applied safety and environment protection periodical inspection to Automobile while Motorcycle has not been applied yet. According to the study, huge number motorcycle using countries like Vietnam also have roadmap to apply higher emission standards for motorcycles as well as apply the periodical emission test for this vehicle from years ago as Taiwan, Thailand, Indonesia. Therefore, with our continuous efforts to improve our products, bring to consumers cleaner products, and regarding regulatory frameworks, we fully agree with the Draft of the Law on Transportation Revised 2018 proposing the application of emission testing to motorcycles in operation to contribute to improvement of air environment. Gas emission testing should apply simple procedure with low cost and could consider socializing in the establishment of gas emission control stations, so the testing can be smoothly and effectively conducted, has less impact on life and expense for people as well. We also expect the Government to introduce clear roadmap for applying Euro 4 emissions standard to new vehicles soon so that manufacturers will well plan for investment, preparation to make the better products for their customers and environment.