

# The motorcycle boom in Bangladesh

Development of backward linkages and long-term policy incentives will boost future growth



PHOTO: PALASH KHAN

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The motorcycle industry has been growing fast in Bangladesh, thanks to government policy support and people's growing purchasing power, market players said.

Introduction of ride-sharing services in Dhaka and Chattogram in recent years has also contributed to a rise in demand for motorbikes. Market insiders said around 5 lakh motorcycles were sold in FY2018-19, up 25 percent from 4 lakh a year ago. It means nearly 1,500 motorcycles are being purchased every day. Assuming the price of a motorbike is Tk 100,000 on average, total sales figure in monetary terms would be around Tk 5,000 crore, which is almost equivalent to the market size of the four-wheeler.

This high demand has encouraged market players to set up either manufacturing facilities or assembling plants to reduce prices and have a bigger share of the growing market. Around 80 percent of motorcycles running in the country have either been locally manufactured or assembled.

"Continuation of concessionary duties on import of raw materials is helping the sector

grow rapidly," said Hafizur Rahman Khan, chairman of Runner Automobiles, the first local company that began manufacturing motorbikes in the country more than a decade ago.

Khan, also president of the Bangladesh Motorcycle Manufacturers and Exporters Association, said development of backward linkages is vital for capacity expansion of motorcycle manufacturing.

But he urges for long-term policy, including tax measures, as changes of rules every year may hurt investors badly.

Khan said the government has no policy on local vendors who supply components to the manufacturers.

"If the government prepares a long-term policy for the automobile sector, the investors would be very much at ease and foreign investment would flow into this sector," he said.

According to industry insiders, Indian brands like Bajaj, TVS and Hero dominated the market, but other players such as Runner, Honda, Yamaha, Suzuki and

Mahindra are also making a mark.

Sector players said annual sales would cross 15 lakh units by 2025.

According to them, Bangladesh has been a very good market for motorcycles, with even the premium segment growing as much as 30 percent year-on-year.

Abdul Matlub Ahmed, chairman of Nitol Niloy Group which manufactures Hero Motorcycles, believes within the next three years the annual sales would reach 7 lakh to 8 lakh units because of the government's policy support.

Ahmed said within the next five years, Bangladeshi motorcycles would be exported to the northeastern states of India, Nepal and Africa as manufacturing capacity would increase while price would come down.

According to him, the annual sales amounted to only 1.5 lakh units in FY2014-15 and have now increased by almost two and a half fold.

"This sector has big potential in Bangladesh but it is really tough to set up a manufacturing plant due to the need of

a huge amount of investment and a centre for research and development," he added. As such, joint venture manufacturing plants are risk-free for making businesses viable, he said.

He said this sector created around 50,000 jobs and it would create around two lakh jobs within five years.

Robiul Haque, business manager of ACI Motors that distributes Yamaha in Bangladesh, said locally assembled motorbikes' price is 20 percent to 24 percent lower than that of imported bikes.

He appreciates the government for formulating a policy on two-wheelers that would help the industry to manufacture 10 lakh units by 2027.

"I believe the government's target of manufacturing two-wheelers will be met within the next five years before three years target," he said.

Haque said the price will reduce significantly when most of the brands manufacture in Bangladesh as the government provides duty facilities.

## Ride safe, ride smart

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The introduction of ride-sharing services has also created employment opportunities for bike riders.

Maliha Quadir, founder and managing director of the ridesharing company Shohoz.com, shares, "Our riders are mostly students and office-goers, many of whom work part-time with us while maintaining another job. This gives them the opportunity to earn extra money without having to work under a boss or manager. Thus, they may be regarded as micro-entrepreneurs."

However, safety still remains a concern regarding bike rides.

"The accident rate of motorbikes has increased 30-40 percent from 2018 to 2019, which is alarming," opines Dr Md Mizanur Rahman, director, Accident Research Unit (ARI), Buet.

He adds that the presence of a large number of motorbikes and the arbitrary driving of bikes are factors behind higher accident rates.

"Poor driving skills raise the risks of accidents," says Prof Moazzem Hossain, a transportation and traffic engineering expert of Buet. He emphasises on strong government regulatory mechanisms to ensure that the drivers are competent.

A BRTA official opines that the motorbike-selling companies should open a road safety wing to raise awareness.

It is assuring that some leading motorcycle companies such as Uttara Motors, Rancon Motor Bikes, and ACI Motors are providing training opportunities to new bike riders.

"We always promote road safety and look to improve the overall image of bikers in the country. Our Suzuki Riding School in Tejgaon is open to the public (male and female) where riders may register and can learn the art of bike riding," shares Quazi Ashiq Ur Rahman, CEO of Rancon Motor Bikes Limited.

Maliha Quadir of Shohoz adds, "We are running a safety programme with BRAC. Even though we have limitations, like any other company, we strictly follow the guidelines provided by BRTA."



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