

Stable policy key to a thriving motorcycle industry

Himihiko Katsuki, managing director and CEO of Bangladesh Honda Pvt Ltd, says in an interview

MAHMUDUL HASAN

The relationship between Japan and Bangladesh is a trusted and time-tested one. Bangladesh became Japan's biggest recipient of official development assistance in 2020. Since the Covid-19 pandemic started more than a year ago, there has been a lot of talks and anticipation about Japanese businesses moving base to Bangladesh. In a series of high-profile interviews, The Daily Star tries to understand the increasing interest of Japanese investors in Bangladesh, its growth prospects, barriers to growth, ground realities, and how to attract more Japanese investment. As part of a series, today, we are running the interview of Himihiko Katsuki, managing director and chief executive officer of Bangladesh Honda Pvt Limited. In his career spanning 20 years, Katsuki has had ample experience working in the motorcycle industry, including at Honda Motor Japan Co, Honda Motorcycle & Scooter India Pvt Ltd, and Honda Vietnam Co Ltd.

DS: Can you brief us about Honda's journey in Bangladesh?

Katsuki: After World War II, the application of auxiliary engines to bicycles, which made it easier for people to move around and transport goods, spread quickly in Japan. The Honda Super Cub, introduced in Japan in 1958 to provide even greater convenience to people's mobility, has been sold in more than 160 countries, becoming the most popular two-wheeler globally.

Atlas Honda (Pakistan) started a factory in Tongi in erstwhile East Pakistan in 1966. After independence in 1971, Atlas Honda Bangladesh became the distributor of Honda Motor Co Ltd (Japan).

Bangladesh Honda Private Ltd was established in a rented CKD (completely knocked down) assembly factory in Gazipur in December 2012 to contribute mobility to Bangladesh society and industrial development.

In 2018, Bangladesh Honda inaugurated a manufacturing factory

in its own land situated at the Abdul Monem Economic zone in Munshiganj.

DS: Is the government prioritising the motorcycle industry in Bangladesh? Is the policy helping the motorcycle industry in Bangladesh?

Katsuki: It is indeed a great pleasure that the government has decided to develop the motorcycle as a prioritised industry, considering its potential to contribute to economic development and people's convenience.

The government approved the 'Motorcycle Industry Development Policy 2018' to raise its contribution to the gross domestic product from 0.5 per cent to 2.5 per cent by 2025, facilitates a world-class motorcycle industry, and increase the number of the people employed in the sector from 5 lakh now to 15 lakh by 2027.

We want to express our sincere appreciation to the National Board of Revenue for issuing the statutory regulatory order (SRO) on May 29, 2018, and its further amendment on March 18, 2019. Under the SRO, there are two types of manufacturing categories. Category-1 deals with chassis and manufacturing from raw materials. Category-2 deals with chassis and manufacturing from structured parts.

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Himihiko Katsuki

skilled employees in certain areas based on it.

DS: What is the manufacturing status of Bangladesh Honda Private Ltd?

Katsuki: In compliance with the SROs, currently, we are registered under Category-1 for two models and Category-2 for three models. Moreover, we are assembling the engine from more than 200 parts as per Honda standard and quality. It's the step for localisation.

DS: Honda is a world-renowned brand, and its price is competitive. How is Honda contributing to price

reduction?

Katsuki: We contributed to developing the motorcycle industries in many countries, including Thailand, Indonesia, Vietnam, the Philippines, India and Pakistan, through our manufacturing experience. And considering the massive potential of Bangladesh's motorcycle market, Bangladesh Honda prepared the roadmap "Proposal for Industrialisation of the Motorcycle Business in Bangladesh" with the cooperation of our headquarters and submitted it to the industries ministry in 2015. We are delighted that the government took our proposal seriously, and with the introduction of various policies since then, the motorcycle industry is on the growth track.

Bangladesh Honda injected Tk 460 crore as an investment. We always focus on industrialisation, and gradually, we are graduating from CKD to manufacturing Category-2 and Category-1.

We are reducing the price by localisation with support from the government. Now, the motorcycle has

turned into a necessity rather than a luxury item. The price of Dream 110, one of our core models, has gone down from Tk 149,000 to Tk 89,900 within five years. There has been a 40 per cent price reduction.

DS: What is the contribution of BHL to employment generation?

Katsuki: Industrialisation opens the door to many employment opportunities that come with in-house skill development. In this context, we are not only creating job opportunities, but we are also transferring the technical knowledge and skills to our associates. Overseas technical expatriates, especially Japanese people, come here and provide on-the-job training to our employees to ensure Honda's standard. We have already transferred advanced technology to assemble the engine, alongside pressing, welding and painting.

Apart from direct employment at BHL and dealers, there is a rapid increase in indirect jobs at suppliers, logistic service providers, parts retailers, and local mechanics.

I must mention that the quality of the workforce in Bangladesh is great. They are sincere and enthusiastic. With the great effort from our local associates, we will generate more and more jobs in the future.

DS: What needs to be done to attract investment and support the growth of the motorcycle industry?

Katsuki: Motorcycle manufacturing policy and relevant regulations must be stable for a certain period. Frequent policy changes will create complexity in manufacturing operation and volatility in our investment plan.

For example, if we decide to invest in some expensive machinery to make parts locally, but imports of the parts are allowed later through policy changes, it will simply be a waste of investment and push up the cost. As a result, the price of a motorcycle will be higher. If such happens, it will be an obstacle to the sustainable growth of the industry. Therefore, a stable industrial development roadmap

and reasonable duty structure will encourage manufacturers to invest in the sector. Subsequently, sound policy and facilities for the local suppliers and vendors development for motorcycle parts will help manufacturers offer good quality products at a reasonable price.

DS: How is Bangladesh Honda Private Ltd supporting the community, especially in safety riding, during these unprecedented times?

Katsuki: Bangladesh Honda believes "safety enables people to spread their wings." As a commitment to society, we are offering free riding training to riders for road safety. We have already introduced a dedicated safety riding department in our organisation to help our customers ride their motorcycles safely. We have trained our staff to ensure correct know-how is conveyed to customers.

During Covid-19, a higher number of people are buying motorcycles compared to the past. For them, we are expanding our road safety activities so that they can ride safely.

DS: What's the future of the company?

Katsuki: Honda's Global Vision for 2030 states: "Serve people worldwide with the joy of expanding their life's potential" and "Lead the advancement of mobility", and "enable people everywhere in the world to improve their daily lives". Honda's strength is in its ability to offer products and services filled with passion and present quality and technology to customers that are ahead of the time. We will do our best to contribute to the development of the nation by developing the local manufacturing industry, improving the mobility of the daily commuting of masses, and spreading Honda's global experience.

DS: What is the potential of the industry in Bangladesh?

Katsuki: The motorcycle industry has an outstanding potential to play an important role in Bangladesh's quest for industrialisation. The impressive growth of the sector over the past decade testifies to this reality.

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What should be the cigarette tax structure for FY2022?



NASIRUDDIN AHMED

Tobacco is a leading cause of death, disease and disability around the world with more than eight million deaths attributed to its use every year.

According to the 2017 Global Adult Tobacco Survey (GATS), around 35.3 per cent, or 37.8 million, adults in Bangladesh consume tobacco products such as cigarettes, biri, chewing tobacco, and so on.

The GATS is a global standard protocol for systematically monitoring adult tobacco use and tracking key tobacco control indicators.

For tobacco control, two specified targets of Sustainable Development Goals (SDGs) are highly relevant.

The first is strengthening the implementation of the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) while the second is reducing premature mortality from non-communicable diseases by 30 per cent.

Furthermore, the Addis Ababa Action Agenda, which aims to provide a global framework for financing SDGs, also highlights tax and price measures on tobacco as key mechanisms to reduce demand and save lives while increasing domestic resources for development.

Among the various tobacco control interventions, raising excise taxes has been identified as the most effective as well as the most cost-effective measure to reduce consumption.

However, evidence shows that tobacco taxes are still the most underutilized control policy with only 14 per cent of the world's population being covered by sufficiently high tobacco taxes.

Delving deeper into the GATS results show that the percentage of adult cigarette smokers in 2009 was 14.2 per cent. It remained

about the same at 14 per cent in the 2017 GATS result. But the total number of smokers has in fact gone up from 13.5 million to 15 million in this period.

So the question arises that why has cigarette use stayed the same despite an increase in prices between 2009 and 2017. This question can be answered by examining the current tax structure of cigarettes in Bangladesh.

The current cigarette tax structure is a complex multi-tiered ad valorem tax system with a low tax base and large variation in prices and taxes.

For a significant increase in revenue, the focus of this paper is on two considerations: (1) increasing the supplementary duty on low-tier cigarettes, and (2) introducing specific tax along with the ad valorem system.

Data from the National Board of Revenue (NBR) shows that the market share of medium-tier cigarettes declined from 27 per cent in fiscal 2010-11 to 12 per cent in fiscal 2019-20.

On the other hand, the market share of low-tier cigarettes increased from 57 per cent in

Tax structure of cigarettes in Bangladesh: FY 2020-21 (a pack of 10 sticks)

Category	Tax Base	Price (BDT)	VAT (%)	SD (%)	HDS (%)	TTI (%)
Low	MRP	39+	15	57	1	73
Medium		63+	15	65	1	81
High		97+	15	65	1	81
Premium		128+	15	65	1	81

SOURCE: NBR. NOTE: MRP IS INCLUSIVE OF ALL TAXES.

fiscal 2010-11 to 72 per cent in fiscal 2019-20. The large price gap between medium and low tiers resulted in switching from the medium to the low segment.

However, corresponding to the market share of the low-tier (72 per cent), the revenue share was about 48 per cent in fiscal 2019-20. The only way to secure higher additional revenue is to increase the supplementary duty rate in the lower segment.

The bulk of the tax base in the country is in the lower segment. This segment is stagnant or declining in volume terms, and cigarettes are currently undertaxed compared to other segments.

The NBR needs to change the

distribution of a 10-stick pack value in the lower segment. A WHO simulated results show that raising Maximum Retail Prices (MRPs) and SD maximize additional revenues in the lower segment.

A study published in the Tobacco Control (April 2021) shows that significant increases in cigarette prices at the lower segment would effectively reduce cigarette consumption among the people having low expenditure, improve health equity and enhance government revenue in Bangladesh.

Introduction of specific taxes

The advantages of specific taxes over ad valorem taxes are the following: (1) the introduction of specific excise allows for a predictable revenue, (2) it is easy to determine the amount of the tax, (3) it is easy to administer, and (4) if specific taxes are increased on a regular basis, prices will go up and consumption will go down.

Two case studies, one from Thailand and the other from Sri Lanka, have highlighted the importance of introducing specific taxes in cigarette taxation.

Case study: Thailand
In 2014, Thailand first introduced a minimum specific excise to guarantee a floor for revenues and then in 2017, introduced a more substantial reform by introducing a specific component of excise tax (a component that is now equivalent to 40 per cent of the retail price). As a result, it continues to collect more revenue.



G7 works on vaccine plan after pleas to help poor

AFP, London

The Group of Seven wealthy democracies on Wednesday worked on plans to scale up global Covid-19 vaccinations, as calls mounted for a drastic increase in funding to help developing nations virtually shut out of early efforts.

Underscoring the challenges faced, the foreign minister of India -- where Covid cases have soared in recent weeks -- said he decided to participate in the London meeting virtually after potential exposure to the virus.

India was one of several nations invited by Britain for the first in-person G7 meeting since the pandemic began last year, in an effort to rally democracies in the face of a rising China and assertive Russia.

Foreign ministers of Britain, Canada, France, Germany, Italy, Japan and the United States are setting the agenda for a G7 leaders' summit next month in Cornwall, southern England, which will mark US President Joe Biden's international debut as president.

The G7 opened its final day with a session focused on open societies before taking up Covid-19 as well as the fight against climate change.

"A really valuable part of the G7 format is to think in the round -- what do we need to do to help the most vulnerable countries around the world?" British Foreign Secretary Dominic Raab told reporters.

More than 1.2b doses of Covid-19 vaccines have been administered globally, but fewer than one percent in the least developed countries.

With support from most wealthy nations, the UN-backed Covax programme is meant to share vaccines with the poorest nations. But rich countries have also effectively elbowed out Covax in the early stages, striking their own deals with drug manufacturers.

Raab stressed the importance of Covax but said there was an additional question of "what we do about surplus domestic supply".



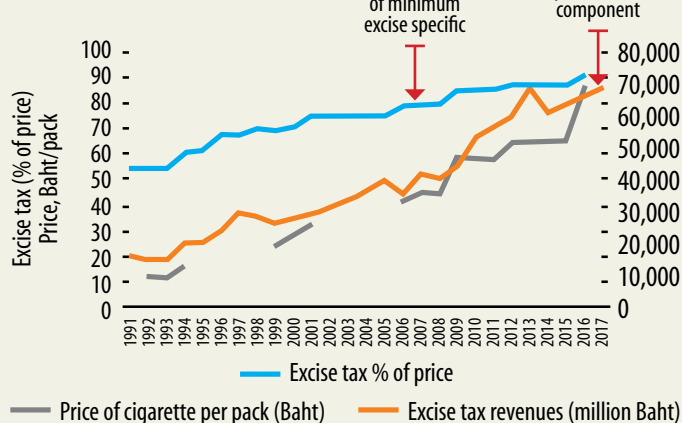
Foreign ministers from the seven world's largest economies in the world were meeting in London on May 4-5.

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Excise tax increase followed by price and revenue increase over time

Year: 1991-2017 Thai Baht (Baht)

SOURCE: WHO



Increasing excise tax, price of the most sold brand of cigarettes and reduced affordability

Year: 2008-2020 Sri Lankan Rupee (LKR)

SOURCE: WHO

