

# MEASURES TO ACCELERATE REPLACEMENT OF MACHINERY IN HCMC MANUFACTURING SECTOR

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## 1. Replacement of machinery in HCMC

### a. Achievements

#### (1) Replacement of production lines

According to the HCMC Statistics Agency, some 65% of industrial concerns in HCMC have started replacement since 1991. Local companies have spent some VND1,000 billion in this effort. In the years 1996-99, the replacement cost them over VND7,000 billion.

fixed assets rose from 49% in 1993 to 56% in 1996.

Generally, the replacement process in recent years was rather brisk in most concerns, which prepares a basis for application of technological advances to production. And as a result, most industries in HCMC in the past five years have been able to make high-quality goods and control a fair share on the domestic market. Some 21% of their sales were from export of their goods, especially clothing, food and footwear.

**Table 1: Replacement cost by sector (VND billion)**

Year	1996	1997	1998	1999
Public sector	1,006.9	1,155.7	1,147.1	987.8
Non-public sectors	561.4	762.4	724.0	678.1

With such a rate of replacement, the average value of assets of a company started to rise. Their replacement ratio is as follows:

#### (2) Improvements in labor and managerial skills

Besides replacing old machinery, HCMC industries also paid full at-

**Table 2: Replacement ratio**

Year	1997	1998	1999
Public sector	11.59	10.77	8.46
Non-public sector	29.14	22.61	16.65

Thus, the assets value increases by 13% a year on average (the growth rate in a non-public sector is higher than in the public sector). In the public sector, the remaining value of

tention to improvements in labor and managerial skills. According to the HCMC Statistics Agency, the education of HCMC laborers was as follows:

**Table 3: Education of HCMC laborers (%)**

Education	Up to June 30, 1998	Up to Dec. 31, 2000
University	1.46	1.52
Advanced education	2.59	2.62
Technical school	10.17	12.8
Others	85.76	83.06

As for managers, their education also experienced improvements. Up to June 30, 1998, 2.98% of them were postgraduates; 49.61% were graduates; 9.3% had advanced education; 2.63% were from technical schools and 35.49% were of lower levels. Up to December 1999, of 1,269 Vietnamese managers in the HCMC manufacturing sector, 2.76% were postgraduates; 57.53% were graduates; 11.74% had advanced education; 3.3% were from technical schools and 24.67% were of lower levels.

As for workers, statistics gathered in June 30, 1996 show that of 76.73% of the work force that gained certificates of their skill grade, 0.84% was of the 7<sup>th</sup> grade; 4.89% of the 6<sup>th</sup> grade; 6.71% of the 5<sup>th</sup> grade; 8.74% of the 4<sup>th</sup> grade; 13.33% of the 3<sup>rd</sup> grade; 19.46% of the 2<sup>nd</sup> grade; and 23.03% of the 1<sup>st</sup> grade. Thus, the number of laborers of lower grades (from first to third ones) is double that of laborers of higher grades. By Dec. 31, 2000, the average level of workers was improved, but only 1% of them was of the 7<sup>th</sup> grade; the 6<sup>th</sup> grade: 6.5%; the 5<sup>th</sup> grade 8.3%; the 4<sup>th</sup> grade 9.9% and the rest was of grades from 1<sup>st</sup> to 3<sup>rd</sup>.

#### (3) Information

HCMC industrial concerns, being in a big scientific center of the country, get a lot of help from 22 universities and colleges, 65 research stations, 36 scientific research institutes, 26 vocational high schools, 14 technical schools, some 150 businesses in the information industry along with developed systems of mass media and infrastructure. So they could introduce and disseminate quickly technical advances to production. This situation has helped managers to deal successfully with the lack of information.

#### (4) Managerial skills

Management is also a focus of attention for the army of managers. Many measures have been taken by both public and non-public sectors to



enhance the business management. New managerial methods are also introduced, which has helped the whole sector gain increasing growth rate.

production lines were inadequate. The rest employed obsolete technologies, their productivity and product quality were all poor. Key industries are backward in comparison with sur-

(4) There is no strategy to tap internal strength of the vital economic zone and support the replacement of technology in order to improve the competitiveness when the international integration is taking place.

**Table 4: HCMC manufacturing sector growth rate compared with the national average**

Year	1996	1997	1998	1999	2000	5-year average
Vietnam	14.24	13.18	12.50	11.59	15.51	13.52
HCMC	17.63	13.51	12.48	11.84	15.67	14.21

The competitiveness of manufactured goods from HCMC on both foreign and domestic markets has been improved remarkably. In 2000, 66.27% of HCMC-based manufacturing concerns made profit and 32.72% suffered losses. This means that many of them have had right decision on their business strategy.

**b. Shortcomings**

rounding countries because of the lack of investment and a suitable policy from the government.

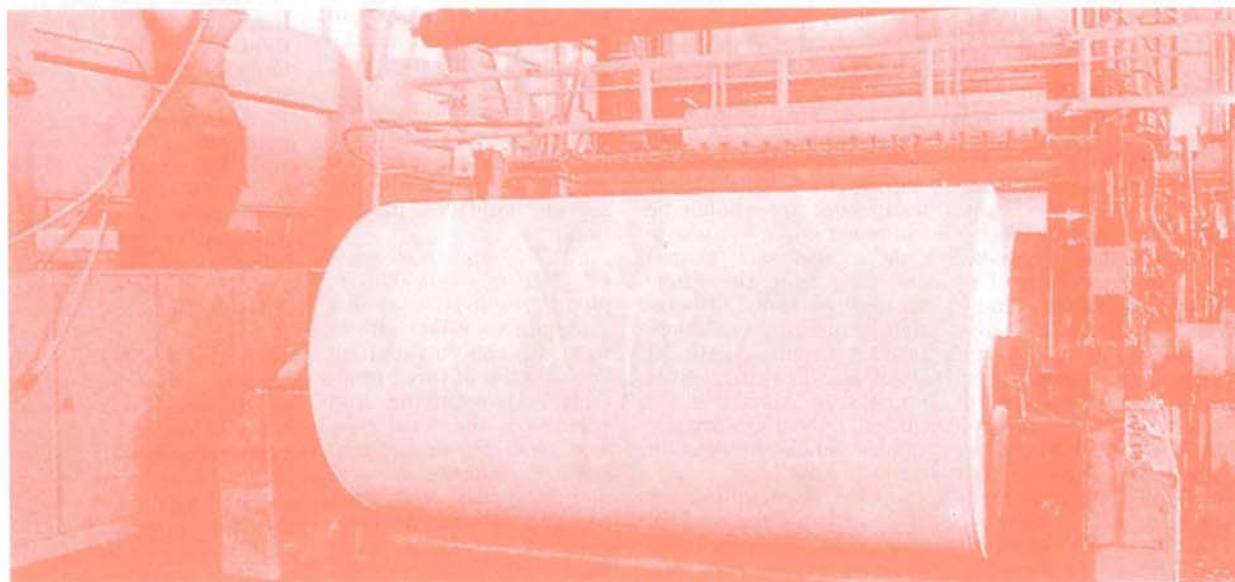
(3) Compared with surrounding countries, the improvement in the labor productivity was slow. There was still a lack of skilled laborers who could absorb modern technology. Above statistics show that from June 1998 to December 2000, the number

**2. Measures for the next period**

(1) It's necessary to work out a program to replace machinery suitable for different industries, sectors and companies. The program must encourage the autonomy of industrial authorities and companies in finding ways to increase the added value and reduce intermediate costs.

(2) The government should beef up the task of providing information about technological advances for managers and support the training of technicians, experts, researchers and managers, especially those who work in international cooperation projects and foreign trade.

(3) International cooperation could be considered as a means for attracting foreign investment, tech-



(1) Up to June 1998, only 31.21% of the 1,368 surveyed concerns in HCMC could produce with competitiveness to a certain extent; 57.31% had moderate competitiveness and 11.46% had no competitive strength. The sector gained a growth rate of 16.27% in the years 1991-95, and this rate in the year 1996-2000, in spite of increases in the gross investment fell to 14.50%.

(2) Up to 2000, some 15% - 20% of state-owned companies had appropriate machinery and could compete against foreign counterparts. Some 40% of them still controlled a considerable market shares although their

of managers with tertiary education only increased by 7.92%, advanced education by 2.44%, technical school by 0.67% while other levels decreased by 10.82%. Of the army of workers, the number of 7-grade workers rose by 0.16%, 6-grade ones by 1.63%; 5-grade ones by 1.59%; 4-grade ones by 1.43% while workers of lower grade accounted for 74.3%.

In such a situation, the HCMC manufacturing sector couldn't make high-quality products needed for the industrialization and modernization while there was a glut of goods of poor quality and dearer than imports and contraband goods.

nology and managerial skills.

(4) Companies must pay full attention to on-the-job training courses for employees with a view to getting access to new technologies and improving the labor productivity.

(5) HCMC government must create favorable conditions for companies to find new markets and partners, especially by using the Internet and taking part in international fairs and exhibitions.

(6) Programs to beef up the management of technology and apply modern managerial methods along with quality control systems should be realized radically. ■