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Clément Musil & Vuong Khánh Toàn

Filling the urban transport infrastructure gap

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in Hanoi; the German and Spanish Governments also joined the ADB and the EIB to co-fund two metro lines in Ho Chi Minh City (No.2 and 5), and the World Bank grants loans to build the first bus rapid transit corridor in both cities. Despite this multitude of donors, the financing of numerous additional planned projects still requires confirmation, and although other donors, such as Japan, pursue a bilateral cooperation, as well as private investors have expressed certain interest, little discussion has been concluded and uncertainty remains.

While the Government is in need of financial assistance, ODA donors are in a comfortable situation to offer, and also to compete against one another. This is explained by the benefits that each ODA supplier can gain in granting loans to Vietnam. In fact, each donor imposes particular conditions for granting their loan. The Japanese assistance, which has the most attractive financial offer, is mainly characterized by a "tied" financial aid. This means that the loan is conditioned by the use of Japanese technology and expertise. On the other hand, for facilities in which multilateral donors are involved, the financial aid is considered to be "un-tied". The development banks allow open tenders for which both foreign and local contractors can submit their bids. However, these donors impose other strict requirements such as respect for ethical, social and environmental rules when implementing the project. The Vietnamese Government has then to meet conditions like minimising the project’s adverse effects on the environment and population, particularly when resettlement is required.

Diversified financing sources are certainly an advantage to the cities, helping them with access to required funds for project implementation. In return, however, these loans weigh heavily on the country’s debt and the authorities are made to comply with each donor’s conditions.14 They are often forced to depend on various foreign techniques and technologies, which may not be totally compatible with each other. Furthermore, diversification of financing parties has the effect of partitioning the projects. This approach could be constructive, as the goal is that all public transport facilities form a unified system in order to challenge private vehicles.

In addition to the financial aspect, access to land has been a major obstacle in every urban transport project initiated so far in Vietnam. Problems in accessing land increase the overall costs and delay the completion of the works. Expropriation, compensation and resettlement procedures are the most difficult stages in the project implementation. Unlike road building projects, the first studies on metro and bus rapid transit corridors seemed to have little impact on the land (as was the city authorities’ understanding). Indeed, metro lines are built off-ground and appear to be less land-consuming. As for bus corridors, they are integrated in enlarged road arteries and thus do not directly need land acquisition.

However, since works started in Hanoi and HCMC, the land issue has re-emerged as a major concern. Whereas the need for land acquisition is limited, resettlement is inevitable, especially for works on train depots, access to stations, roads, and other network deviations, installation of ventilation shafts and safety systems in underground sections. For instance, in the case of metro line No.2 in HCMC, more than 22 hectares of land located in urban districts are to be acquired and 400 households will be relocated and compensated, with the total cost estimated at USD 115 million. With such conditions, the local governments face two major challenges when building other public transit facilities: the establishment of land reserves and the management of resettlement procedures.

Although cities in Vietnam do not have the “urban pre-emption right” to establish land reserves, both cities do have a Land Development Centre. This kind of public body is in charge of acquiring plots and compensating land users. However, they have had little room to operate so far since they have limited financial resources and land use planning is unclear. In this context, those Centres are in an uncomfortable position to establish land reserves and to provide plots for building the expected infrastructures. Moreover, the land located around the future metro stations where high land value increase is predicted, has already been acquired, notably by well-informed property developers.

Resettlement procedures related to public transport infrastructures pose another problem for the authorities. Whilst public transport projects are developed in the name of public interest, most of the land users who are affected by the projects are reluctant to transfer their rights to the administration.15 Though land users do not oppose the legitimacy of the operation, they contest the amount of proposed compensation. Actually, land prices are often underestimated, while both cities periodically experience uncontrolled land price increasing.16 Furthermore, from the first land assessment until the government’s request for site clearance, which may take several years, land prices may have surged, causing fresh disagreements with disaffected households. Moreover, opposition is stronger and more violent with households who do not have regulated land use rights. The administration estimates that the latter are only compensated for their lost property but not for the land, and the compensation amount for the building is often ridiculously low compared to the amount paid for the land. The progress of urban transport projects poses a critical issue of equity of households to administrative procedures, and questions the transparency of resettlement regulations.

The future of public transit depends on pragmatic policies

Due to Hanoi and Ho Chi Minh City’s rapid urbanisation, building modern mass transit systems is a priority to ensure sustainable and liveable urban development in the coming decades. To break with current practices of city travel mainly by motorbikes, the Government has no option but to invent a new way of mobility based on fast, efficient and attractive public transport, ensuring that commuting is viable across the entire metropolitan areas.

To cope with this challenge, the cities do have ambitious plans. But because of lacking financial resources and the sophisticated techniques and financial models like metro lines, the future of the metropolitan public transit systems depends on foreign financial technology and aid. Challenges in land acquisition, tardy resettlement procedures, and land disputes have slowed down the completion of works. Furthermore, issues in governance of such on-going projects have tested the authorities. They are now asked to design a suitable institutional architecture to ensure that facilities under construction may later function as a unique system.

Given these constraints, it is doubtful that urban public transit systems will be built faster than the road networks, in spite of the pledging construction of the first metro lines in Hanoi and Ho Chi Minh City. Urban road network evolution in both cities, the local governments have technical know-how at their disposal without being reliant on foreign technology. They are also able to raise funds through partnerships involving the private sector based on proven and successful mechanisms. Moreover, a growing slice of the population that can afford a car will expect the development of road networks. The challenge that the authorities face does not only concern financial and technical aspects, but also the capacity to convince the citizens that public transport, instead of private vehicles, is the future of a modern metropolis.

Clément Musil is associate researcher to IRPAUS (France) and PADDI (Vietnam) and holds a PhD in Regional and City Planning. Vuong Khôi Toain is an architect, urbanist and lecturer of the Hanoi Architecture University (Vietnam).

References
1 For details regarding the tramways in both cities see Duling, T. 2012. The Railways and Tramways of Hanoi: White Lotus.
3 See Tu Huy Trung (15/09/2015) “Kẹt xe gây thiệt hại 1,2 tỷ USD/năm ở TP.HCM” [“Traffic jams cause damage 1.2 billion VND a year in HCMC”].
4 Respectively with more than half a million cars registered in each city in 2015, this amount represents half of the private cars in circulation nationwide (op.cit).
5 See Vietnam Net (09/16/2014). ‘Yet sep yết thiết đặt 1,2 tỷ USD/năm ở TP.HCM” [“Traffic jams cause damage 1.2 billion VND a year in HCMC”].
6 Regularly the local press reports news concerning the reassessment of both cost and schedule of the projects. As an example see following articles: Từ Thị Thanh Hà (27/10/2015) “Chinese-contracted railway project in Hanoi suffers 57% cost overrun” ; Thành Nないと (11/09/2014) “Metro quá chậm ‘nhà’” (Ministry of Transport in Vietnam is 25% behind the schedule). The tortoise”
7 Without denying the local specificities, Dick and Rimmer (1998) in an article entitled “Beyond the Third World City: the new urban geography of South-East Asia”, suggest that since the late 1980s, and after the colonial period, the process of urban change has re-emerged (i.e., “South-East Asian cities are on the way to become more like Western cities”).
8 Based on the case of Metro Manila, a similar trend has already been analyzed by Shahin (2008) in “The city and the bottom line: urban megaprojects and the privatization of Talatonton (Metro Manila)”.
9 Depending on the technology and the contractors, building a metro line costs between USD 70 and 165 million/sq.m. For instance the cost of the 20km line No.1 in Ho Chi Minh City is over USD 2.5 billion.
10 Vietnam’s public debt is approaching the limit of 65% of the country’s gross domestic product, which is considered by the international donors as a threshold to review the grant loans’ conditions.
11 It should be noted that there is no private land ownership in Vietnam. According to the 1992 Constitution, all land belongs to the People, and the State is responsible for its management. Since the land law promulgated in 1993, land users are supposed to have a land use right regulated by the administration. This right can be revoked by authorities to implement projects that are part of the city’s master plan and land users have to be compensated.
12 For instance, on the land market in HCMC, one square meter on the outskirts costs around USD 500, and in central districts, the price reaches USD 4,000. But to calculate compensations, the administration refers to the official land price framework, which is irrelevant and lower than the market price. In recent years the gap between the administrated prices and real market prices has tended to decrease.