

Response of ADB to Australia on Approval by Mail: Viet Nam - Sustainable Urban Transport for Ho Chi Minh City Mass Rapid Transit Line 2 Project

Dear Patricia,

We are pleased to note of the full support from Germany for this project and positive responses from others. Since there were few questions and comments from Australia, UK and the US, we have prepared the responses and sending those to you. Hope this will satisfy their questions and can get this through in the next 2 days.

Thanks

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CTF Vietnam HCMC Sustainable Urban Transport – Comments from Australia

Thank you for the opportunity to provide comments on this project plan. Thank you to the Government of Vietnam and ADB for their work in preparing this plan.

We note the MRT2 project aims to supplement the rail infrastructure with accessibility measures and information services. These “softer” infrastructure measures play an important role in enabling broad public take-up of the substantial “backbone” infrastructure of the rail line itself, allowing the project package as a whole to achieve its full transformational potential. In this regard, we commend the potential benefits to social and economic development aspects inherent to this project, such as inclusion, direct and indirect employment and gender.

We do also offer the following comments for response:

1. I note the identification of the challenges of rolling out “one-off designs” for urban rail systems, and how this is not necessarily conducive to replication and scale-up. However, given the implications of replication and scale-up on achieving lower costs of abatement, further consideration should be given to how this project can implement measurable actions to encourage replication and scale up, for example, develop industry supply chains and build sectoral skills and expertise.

ADB: Vietnam in implementing major urban transport investments in HCMC, Hanoi, and other cities, and some economy of scale is expected to be achieved as GoV encourages various manufacturing enterprises to locate in Vietnam. Many of the low technology accessibility and integration measures will readily be able to be adopted by local industry. Establishing local industry supply chains should provide cost advantages, and these potential advantages should be encouraged in future projects which receive MDB and/or other donor support. Unfortunately, we do not see any major breakthrough in costs reductions for the core investments in heavy rail systems.

2. How will access infrastructure and information systems be maintained to ensure long-term sustainability of this infrastructure? How will this be funded into the future?

ADB: Operations and maintenance (O & M) plans are integral to the MRT and other public transport mode system designs. The O & M Plans include the additional access measures and other investments supported by CTF. Funding will be via partial cost recovery from fares, with additional government budget support as necessary.

3. Given the construction of access measures may require some land acquisition, are there any foreseeable contentions with land acquisition that could impact implementation potential?

ADB: A resettlement plan including entitlement matrix has been prepared pursuant to ADB safeguards and GoV requirements. The amount of land acquisition is relatively small, about 5

hectares, and primarily small areas around proposed MRT stations. Nearly all of the land acquisition is either within the boundaries of a pre-defined future road widening boundary (so existing buildings within this area are temporary in nature, and not substantial structures) or government owned land. Extensive consultations have been undertaken to reduce the land acquisition, even at the detriment of project progress to some degree. No delays are expected due to land acquisition.

4. Lastly, I might have missed this detail somewhere and I'm fine if it is considered out of the scope of this project plan, but how will the price of fares/tickets be determined? Given the wide use of personal transport, fares would have to be priced competitively to ensure public affordability and appeal. Has an assessment been conducted to determine the price point that would incentivise a shift in behaviour? How will pricing be regulated into the future?

ADB: Fares are set according to regulatory framework established by the HCMC People's Committee (HCMC PC), and are currently subsidized by the city. The project preparation technical assistance did review transport costs and the requisite pricing to induce behavioral changes.

Under the project, CTF financing will provide technical assistance support during implementation to develop a framework that will examine the overall fare structure mechanism, and in part determine the real "price point" for public transport fares. However, in order to support long term (financial) sustainability for public transport, the framework will develop a mechanism and regulations for development of suitable private transport demand and supply constraints that will increase their costs, thereby allowing the cost of fares to be increased but still being priced competitively. Other measures under the project will implement the private transport demand constraints, such as parking restrictions, improved enforcement and pedestrian or non-motorized transport friendly measures.

In order to encourage public transport further, fare increases are expected to be minimized through improved operational efficiency and integration productivity gains, such as the CTF supported bus information system and transport/traffic modeling tools, as well as other proposed measures like integrated "one ticket" system and rationalization of institutional arrangements under a public transport authority.