

**Vietnam infrastructure projects paving way for growth**

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***Improving the infrastructure is the key to economic growth in Vietnam. As Robert Wallack reports from Hanoi there is a lot of construction under way in Vietnam to address the infrastructure issues. But Vietnam has a long road to travel before the infrastructure delivers to the economy.***



Vietnam’s Ministry of Transport is reorganizing coordination with other ministries, agencies and localities in order to improve delivery of transport infrastructure projects across all modes. The beneficiaries are domestic and international cargo owners and their logistics service providers. These investments are requiring more public and private partnerships (PPP) to control State budget spending, lower logistics costs as a percentage of gross domestic product (GDP) and improve services for expected growth in industry and agriculture over the next five to ten years. Upon arrival in the nation’s capital, Hanoi, potential and current foreign investors are welcomed by cheerful airport attendants to a gleaming, clean and spacious new Noi Bai International Airport in international terminal 2 (T2) that opened officially on January 4, 2015. Crossing over the Red River from the airport to the city center is the new 3-kilometer Nhat Tan Bridge (Viet Nam-Japan Friendship Bridge), the country’s largest cable-stayed bridge and a new 12-kilometer highway named after Vo Nguyen Giap, the late legendary general. The bridge-highway projects started in 2009, and the six-lane bridge is atop a leading global technology of five 110-meter high pylons symbolizing the 5 gates of Hanoi.

**Airport Projects**

Noi Bai was ranked among the worst airports in Asia in 2014. The airport has been operating at overcapacity tallying 11.3 million passengers and over 282, 600 tons of cargo in 2012. In 2014, passenger and freight traffic increased to 14.3 million passengers and 355,000 tons of cargo, according to *Viet Nam News* and *Viet Nam Investment Review* articles. But with the improvements, transportation time to and from the city center will be cut in half. For now, freight will remain operating at the old terminal.

Airport Corporation of Viet Nam started construction of T2 in 2011 with total investment of US$1 billion from Japanese official Development Assistance (ODA) and Taisei-Vinaconex. Passenger capacity will serve 10-15 million in a modern, four-story complex of 140,000 square meters. The investment by ODA for the highway was $321 million.

Viet Nam planners recognize the importance of investing in air transport projects to serve growing demand. Noi Bai Cargo Terminal Services (NCT) shares began trading on the Viet Nam stock exchange on January 13, 2015, and notably is the first listed cargo services company. The national flag carrier Viet Nam Airlines owns more than 55% stake in Noi Bai Cargo. This profitable and dividend paying company will improve transparency, attract investors and help to better serve demand for air cargo services such as the growing express deliveries form e-Commerce on line and mobile shoppers in Viet Nam. In addition, a new Hanoi Air Traffic Control Center opened 30-kilometers from Noi Bai International Airport on January 13, 2015 to improve aviation infrastructure.

**Projects Could Hit 20% GDP**

The Multimodal Transport and Logistics Strategies and Plans are central to Ministry of Transport’s (MOT) improved coordination with other ministries and agencies in order to complete infrastructure projects for every mode of transport by reducing government spending from current 40% to 35% of GDP and attracting more foreign assistance. “The government plans to concentrate its resources in constructing roads, high speed railway on a North-South route, and achieving international standards in some seaports and airports and guarantee connections between different transportation means (multimodality),” according to a recent consultant report by ALG, Europraxis and the World Bank. The Asian Development Bank (ADB) estimates that the planned development of Vietnam’s infrastructure over the period from 2011 to 2020 will require $16 billion annually or 20% of the country’s GDP.

The coordinating mechanism relies on the MOT responsible for transportation planning and the Ministry of Planning and Investment and Ministry of Finance responsible for State budget allocation. Each agency under MOT has long term Master Plans and projects to be implemented up to 2020 for each mode: road, maritime, civil aviation, railways and inland waterways. The largest planned investments are to railways; 1.355 trillion dong (US $63,495,300) and road networks; 1.27 trillion dong (US $59,512,200) according to the consultant’s report. All modes will plan for a multimodal approach and have a list of corridors and associated projects for a logistics corridor long-term plan (2020-2030).

As such, electronics and coffee traders are griping about the inefficient transport and logistics costs and fees that crimp their profitability. Consultants estimates of Viet Nam’s transport and logistics costs as a percentage of GDP are 20.9%, but Viet Nam Coffee-Cocao Association believes the costs are underreported and is closer to 25% GDP. Many of the problems are not just needed transport infrastructure, but improved authority to manage and control.

For example, Viet Nam opened its first deep water container terminal complex, Cai Mep (Ba Ria-Vung Tau) 100 kilometers south of Ho Chi Min city (HCMC-Saigon) in January, 2010. Now, only three terminals are in full use for regular service of the seven terminals constructed and utilization was only 18% in 2014. The reason for the poor performance is that no authority for the government transitioned the closing of the inner-city river terminals to the new Cai Mep terminals. In addition, more landside infrastructure is needed in the plans.

In the north, Lach Huyen district seaport in Haiphong is serving some customers, but full operations aren’t expected until 2017. The Viet Nam Expressway Plan is scheduled for 2020 to connect the port with Hanoi. Haiphong Port Authority officials explained in a recent interview that Haiphong’s capacity to handle 100,000 dwt vessels will enable them to surpass HCMC seaports total tonnage which currently handles 76 million tons in HCMC to Haiphong’s 66 million tons in 2014.

**Foreign Investment**

Deputy Minister of Transport Nguyen Hong Truong estimates 235 trillion VND for non-state budget capital needed for transport infrastructure projects from 2016-2020. These include for constructing roads, North-South Railway, seaports, and inland waterways. ADB reports indicate that Viet Nam is making great strides to develop a single legal framework for private sector investment in infrastructure, which is more conducive to facilitating public private partnerships (PPP) transactions.

Last year, Viet Nam attracted $20.23 billion in foreign direct investment (FDI) with the Republic of South Korea leading 60 countries investing with $7.32 billion or 36.2 percent of the total. Samsung’s third factory in Viet Nam is under construction in Saigon and in the north, Haiphong is becoming a hub of heavy industry projects in the hundreds of millions of U.S. dollars for GE, Kyocera, Bridgestone, Fuji, Xerox and Toyota. These customers are demanding modern logistics and transport infrastructure and services that Viet Nam Ministry of Transport is well underway to deliver.