

VIETNAM

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Vietnam learns to live without ODA



INSIDE THIS ISSUE

Highlights

Vietnam's economy slowing down after a strong year: WB
Foreign investment to flood Vietnam's financial market in various ways
Plans for HCMC's first BRT route approved

Economy

Vietnam's trade deficit with China drops
The first online tourist portal launched

Banks & Finance

Vietnam on the rise in the ranking of ASEAN banks
Vietnam plans merger of stock exchanges to boost market
KLS to leave securities market after failing to pay dividends

Investment

Foreign enterprises eye Vietnamese mining market
Ha Nam welcomes Japanese \$2.1 metal-part plant

Enterprises

What are Asian holding companies doing in Vietnam?
Mizuho backs Vietnam confectionery firm

Market & Prices

Ban on Vietnam mango imports to Australia to be lifted
Vietnam's mobile shopping growth among fastest in Asia

Legal Updates

New tax law stymies business

ECONOMY

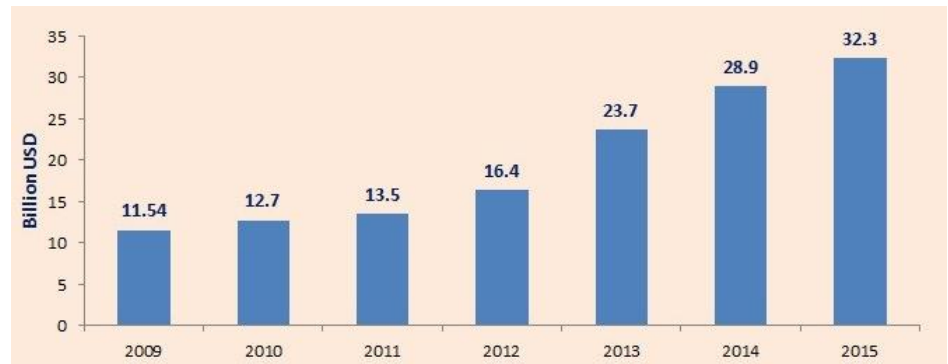
Vietnam's trade deficit with China drops

VNP - Vietnam saw a reduction of 15.6 percent in its trade deficit with China in the first quarter of 2016, raising expectations about an ongoing decline for the whole year. During the first quarter, Vietnam's export value to China was up 8.2 percent year-on-year to \$3.9 billion.

This was attributed to an increase in key export products; including fruit and vegetables, up 72.8 percent; and telephones and their components, up 77.1 percent.

The country spent \$10.4 billion on imports from China, eight percent lower than the same period last year. Export value of some key products were fell with equipment down 13.1 percent and telephones and their components down 18.4 percent.

The positive change is expected to raise annual export value from Vietnam to China to \$18.5 billion in 2016, up 7.9 percent from last year, while import value is projected at \$46.5 billion, down 6.1 percent. As a result, Vietnam could lower its trade deficit with China by 13.3 percent to \$28 billion this year.



Vietnam trade deficit with China

(Source: General Department of Vietnam Customs, GSO)

The first online tourist portal launched

VNN - The online tourist portal www.tripi.vn was officially debuted on April 11 on the threshold of the 2016 Vietnam International Tourism Mart (VITM).

This is the first website for the tourism sector where people can conduct transactions on tours, hotels and air tickets.

During the VITM 2016, participating enterprises, including tour operators, hotel owners and airlines, can offer their promotion products on the website, so people will have a chance to buy cheap tickets and attractive tours without queuing up at the mart.

According to Vu The Binh, Vice President of the Vietnam Tourism Association (VTA) – the sponsor of the VITM, there are currently 18 businesses registered to participate

in the online transaction portal, with a commitment to fairly dividing their products for the two channels.

The VTA also launched the Vietnam's most attractive destinations in 2015 Award on the website www.tripi.vn in order to honour favourite outstanding places.

The results are based on votes by tourism journalists and the public on the website, and by the evaluation of the association's professional board.

The winners of the award will be announced at the opening ceremony of the VITM 2016 on April 13.

The VITM 2016 will take place in Hanoi from April 14-17 under the theme of "Vietnam – The paradise of sea and island tourism". A total of 20,000 promotional air tickets and 15,000 tours will be offered at the event.

BANKS & FINANCE

Vietnam on the rise in the ranking of ASEAN banks



Vietinbank is the No.1 bank in Vietnam, according to The Bankers

Stockbiz - Vietnam's lenders are gathering speed, posting the second-highest growth by country in this year's ranking of the top 100 banks in the Association of Southeast Asian Nations (ASEAN).

The largest increase in the ranking goes to Cambodia, which grew by 30.4%, although it has only one lender – Acleda Bank – recognised on the list. Cambodia also accounts for only 0.1% of the total assets in the ranking, down from 0.19% the year before.

Vietnamese banks – 19 of which made the ranking – grew their assets by the second-highest amount, 15.66%, and although they still contribute a relatively small share of the total assets in the ranking, 7.46%, they are up from 6.21% in the previous year.

The ranking remains dominated by Malaysia, Singapore and Thailand, which jointly hold nearly three-quarters of the total assets.

However, growth does not necessarily translate into profitability, the report said.

With an aggregate return on assets (ROA) of 0.8% and return on capital (ROC) of 12.19%, Vietnam is placed at the tail-end of the ASEAN ranking for returns.

Instead, as has often been the case in the past, the champion in that category is Indonesia, which boasts an ROA of 2.7% and ROC of 25.31%.

Vietnam's banks stood out in terms of asset growth, with Vietnam Prosperity Bank coming out on top with a 35.02% increase, followed by local competitors Saigon Commercial Bank and Shinhan Bank Vietnam, which expanded by 34.22% and 33.32%, respectively.

The country's banks look to be poised to continue this rise. In addition to robust growth and stability, banking penetration remains among the lowest in the region. Only 30.86% of the population aged 15 or over had a bank account in 2014 in a country of 91 million people.

However, as Vietnamese banks expanded their operations, they did not raise capital at a corresponding pace. Vietnamese banks registered a meagre 4.54% uptick in Tier 1 capital, the lowest ranking among the countries measured.

Although the local banks are among the least profitable in the ranking, the situation is improving, with Vietnam showing a six per cent increase in pre-tax profits, a larger hike than for any other country except Singapore, where profits increased by 10.91%.

Another notable growth story comes from the Philippines, which showed the largest asset growth in last year's ranking. Local balance sheets grew by an impressive 13.59%, the highest after Vietnam and Cambodia, but more slowly than the year before when the country's banks recorded a 21.26% expansion.

East West Banking Corp and Land Bank Philippines contributed the best performances, with their assets growing by 31.7% and 23.21%, respectively. However, as in the case of Vietnam, asset growth did not mean a major increase in the

BANKS & FINANCE

capital base, as the aggregate Tier 1 capital growth by Filipino banks amounted to 6.53%.

Indonesia's institutions dominate the returns tables, with Bank Rakyat Indonesia boasting the highest ROA and ROC in the ranking, at 3.85% and 37.58%, respectively. Bank of Central Asia followed on its heels, coming second for both ROA and ROC, with 3.75% and 32.22%, respectively.

Overall, six of the top 10 banks for the highest ROA and five of the top 10 banks for the highest ROC are Indonesian.

Indonesian lenders managed these high profits while simultaneously posting the highest Tier 1 capital increase in the ranking. For all Indonesian banks in the ranking, Tier 1 capital grew by 11.93%, more than in any other country bar Cambodia, where the single lender, Acleda Bank, increased its capital base by 22.29%.

Still, "Vietnam is on its way to becoming a heavyweight presence in Southeast Asia, with the top ranking for asset growth," The Banker's data editor Matthew Karwacki wrote in the report.

Vietnam plans merger of stock exchanges to boost market



A file photo of HCMC stock exchange

TNN - Vietnam's stock regulators are planning to merge its two bourses in Hanoi and Ho Chi Minh City in an effort to increase local market's transparency and attract more foreign investors, local media reported on Monday, citing a senior official.

In preparation for the merger, the bourses in Hanoi and Ho Chi Minh City will work together so they can start sharing one index possibly at the end of this year, Tran Van Dung, general director of the southern bourse, as saying at a press conference.

The VN-Index of the larger exchange in HCMC is likely to be kept, but no specific details have been revealed.

The move will create "the best conditions" for investors who

currently have to spend a of time studying the bourses and the companies before making investment, according to Dung.

Bond trading will also be regulated at one exchange, he said in a report on the news website Saigon Times Online.

The HNX-Index in Hanoi declined 1.44 percent in the first three months to 80.6 on Tuesday, while the benchmark VN-Index rose 0.81 percent to 579.07.

Foreign investors accounted for 17-18 percent of transactions in the first quarter, compared to 13-14 percent at the end of last year, the government website reported.

The two bourses on Tuesday posted a combined market capitalization of more than VND1,275 trillion (\$56.4 billion), with HCMC's exchange accounting for nearly 88 percent. The total value is equivalent to 14.4 percent of Thailand's market capitalization.

KLS to leave securities market after failing to pay dividends

VNS - Kim Long Securities Company (KLS), the fourth largest securities firm in VN, announced its plan to

BANKS & FINANCE



dissolve and delist from the local market on Sunday.

With a market value of VND1.7 trillion (\$76m), KLS trails behind Saigon Securities Inc, HCM City Securities Corporation and VNDirect Securities Corporation. While other competitors are trying to expand their businesses to serve the growing market in VN, KLS decided to leave the sector due to its failure to compete.

The firm, which was established in the capital city in 2006, reported revenue of VND170 billion and profits of minus VND68 billion last year. KLS Chairman Hà Hoài Nam said the firm was unable to pay dividends for 2016 due to the losses. Nam said it could not compete with others in such a small-scale

market like VN, which is not suitable for a large number of securities firms to grow at the same time.

For the past several months, KLS shares traded around VND6,000 to VND7,000 each, much lower than the book value of VND12,489. In addition, with the liquidation of all assets and portfolios, and more than 182 million KLS shares, shareholders were expected to have VND11,000 per share. Currently, KLS has total assets of more than VND2 trillion, including VND1.6 trillion deposits in the bank. Nam said that instead of maintaining the firm and bearing more losses, leaving the market to save capital can better benefit shareholders.

Nam told local media that all economic contracts with KLS's partners and customers are clear and transparent, and closing them would be done without any problem. He said KLS would announce the decision to all owners of the 10,800 accounts currently trading with the firm.

Owners could close their accounts with KLS and switch to other securities firms, or KLS would help transfer their accounts to other potential and prestigious brokers to ensure the best benefit for customers.

Nam said that as one of 80 securities firms in VN, the dissolution of KLS would not harm the market. Rather, it would be beneficial for the long-term restructuring of the local market.

If the plan is approved at the general meeting on April 25, Nam said the dissolution would take place within six months of the date. The chairman confirmed that investors of KLS shares would have enough time to trade their shares before it delisted in late August or early September on HNX.

INVESTMENT

Foreign enterprises eye Vietnamese mining market

VIR - Many foreign enterprises are keen on investing in the Vietnamese mining market due to the country's huge mineral resources awaiting exploitation.

This was shared by BT Tee, deputy head of the representative office of Singapore Exhibition Services in Vietnam, at the Mining Vietnam 2016 held in Hanoi earlier this month. According to Tee, Vietnam harbours the most potential as a mining market in Southeast Asia, booting its annual economic growth rate of 6 per cent. This has been driving national energy consumption as well as ensuring the stability of the mining industry. The mining sector's potential is expected to improve in line with Vietnam's economic growth in the future.

Vietnam is endowed with a wide variety of minerals—over 5000 deposits of more than 60 types of minerals have been discovered so far, including energy minerals, as well as industrial and construction materials. Also, the country has great coal reserves with many basins mainly in Thai Nguyen, Song Da, Nong Son, and the Red River. The Quang Ninh coal basin's reserves of three billion tonnes have

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been exploited over the last 100 years.

Such prospects incite many foreign companies to flock to 2016 Mining Vietnam Expo to showcase their latest equipment, machinery, and products. This year, according to the organisers, the exhibition has attracted 171 exhibitors from 22 countries and territories, including six international group pavilions from the UK, the Czech Republic, Singapore, China, and Australia.

In addition, many renowned exhibitors in Vietnam joined the expo to look for new technologies, partners, and customers, the biggest name include Rieckermann, Vinza Corporation, Bosch Vietnam, Source of Asia, and Vinacomim.

Officially opened for the first time in 2012, Mining Vietnam is the most reliable exhibition in the mining industry in Vietnam, bringing together a large number of supply units all around the world. In the framework of the event, two conferences were held to discuss solutions that improve mining productivity as well as searching for new products and ways to improve safety standards in daily mining work.

Ha Nam welcomes Japanese \$2.1 metal-part plant



Bizhub - A \$2.1m plant producing metal parts began operations yesterday in the northern province of Ha Nam.

Financed by Japan's Marujyu Viet Nam Company, the new plant covers about 2,500sq.m in the province's Dong Van 2 Industrial Zone. It is expected to ensure a sustainable supply of high quality metal products for domestic customers.

Nguyen Xuan Dong, chairman of the provincial People's Committee, said the new facility would create more local jobs and make a contribution toward the province's development while calling for relevant sectors to better facilitate the company's operations.

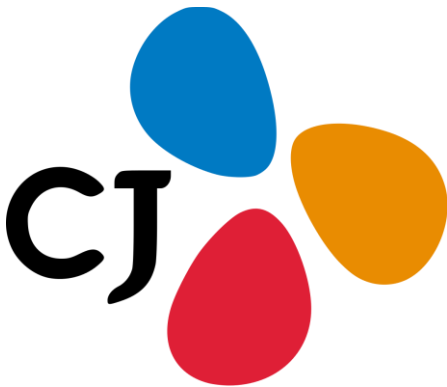
In 2015, the province's industrial zones attracted 39 projects, 28 of which were foreign-invested, with a combined registered capital of \$391m.

[Back to top](#)

ENTERPRISES

What are Asian holding companies doing in Vietnam?

VNN - Analysts believe that four Asian conglomerates are powerful enough to make big changes in some Vietnam's industries if they succeed with their M&A deals.



CJ of South Korea could not become Vissan's strategic shareholder as it planned because Massan paid higher for Vissan's stakes at the share auction.

However, analysts believe that CJ has no reason to give up the plan to attack the food processing market, which is highly lucrative.

CJ bought Kim&Kim, a company that makes kimchi, while it has reaped fruits in animal feed manufacturing. They have every reason to think that CJ would target some certain food companies to implement its 'from farm to dining table' strategy.

Not only CJ, but the other best known Asian holding companies in Vietnam – SCG, Ayala and Central

Group – have also been moving ahead with their merger and acquisition (M&A) deals to set foot in Vietnam's important business fields.

While SCG and Ayala are making every effort to dominate the plastics manufacturing and water supply, Central Group is taking big steps to expand its business in the retail sector.

After quiet and cautious steps, the 103-year-old SCG has made its presence in about 20 companies in plastics and building material industries in Vietnam. Binh Minh and Tien Phong, the two Vietnamese biggest plastics manufacturers, both have sold stakes to SCG.

Ayala, the 200-year-old powerful conglomerate with assets of \$9 billion from the Philippines, has been reported as injecting big amounts of money into water supply companies in HCM City, including BOO Thu Duc, Kenh Dong Water Company, Saigon-Pleiku and the Vietnam-Philippines Infrastructure Investment.

Ayala became 'a holding of holding company' when it became a big shareholder in a Vietnamese holding company – CII Holding, specializing in transport infrastructure, water supply and real estate.

As such, analysts say, CJ is gearing up with projects in agriculture and food processing, SCG, taking advantage of its initial achievements, has tried to control the plastics and building material manufacturing, while Ayala has moved ahead with water supply & infrastructure projects. Central Group is trying to rule the retail market.

These are the four most attractive business fields in Vietnam in the new economic development period.

Central Group has ambitious projects. It now competes with TCC Holding and Aeon, a retailer from Japan, to acquire Big C, the large supermarket chain on sale.

Mizuho backs Vietnam confectionery firm

TNN - Pham Nguyen Foods, a known producer of choco pies and crackers in Vietnam, has received \$9.3m from Mizuho Asia Partners Ltd., a wholly-owned subsidiary of Japan's Mizuho Financial Group, according to local media.

It was the first time the family-run company raised outside funding, news website Saigon Times Online cited the company's statement as saying on Friday.

MARKET & PRICES

Ban on Vietnam mango imports to Australia to be lifted



VOV - A ban on Mango shipments from Vietnam to Australia is to be lifted, according to a post by the Chinhphu online newspaper.

Final procedures are in process clearing the way for them to become the second fruit from the Southeast Asian nation permitted into the country, said the newspaper. In 2015, the government of Australia lifted the ban on the import of lychees.

However, all other fruit will remain restricted.

There has been 'significant improvements' in the mango export system of Vietnam over the

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past 12 years and as a result the Australian Department of agriculture will soon begin issuing licenses to qualified businesses allowing mangoes into the country. The decision demonstrates the marked improvements the country has made to its export system and it is important that these standards are maintained so trade can continue, the paper quoted the Vietnam Trade Counsellor to Australia as having said.

Vietnam's mobile shopping growth among fastest in Asia



More than half of respondents from Vietnam shop with mobile phones

TNN - Shopping on mobile devices is becoming increasingly popular in Vietnam and growing at the third-fastest rate in the Asia-Pacific, according to a recent survey by MasterCard.

The survey found nearly 52 percent of Vietnamese had shopped on

mobile devices in 2015, up 16.8 percentage points from 2013, making the growth only slower than in Indonesia and Singapore.

Five hundred Vietnamese participated in the survey, which involved 8,500 respondents from 14 countries.

Online shopping has become a main reason for accessing the Internet in the country, with 90.6 percent saying they made at least one purchase in the past three months and 93 percent likely to make a purchase in the next six months.

The items bought most often are air tickets followed by clothing and home appliances, according to the survey.

Online retailers in Vietnam reported revenues of US\$4 billion last year.

The Vietnam E-Commerce Association has projected the amount to surge to \$10 billion in 2020, accounting for 5 percent of total retail sales. In 2014 the ratio had been around 2.1 percent.

[Back to top](#)

LEGAL UPDATES

New tax law stymies business

VIR - Though a new excise tax calculation method has been legislated, it seems impossible for some businesses subject to the tax to declare tax liability compliant with the new requirements.

The National Assembly last week adopted the Law on amendments and supplements to some articles of the Law on Value Added Tax, the Law on Special Consumption Tax (SCT), and the Law on Tax Administration which will take effect on July 1, 2016.

The adopted version of the law regulating excise tax sets the price at which importers/manufacturers can sell goods to trading entities, which do not have a parent-subsidiary relationship, or are under the same parent company, or have associated relations with importers/manufacturers.

The “associated relations” condition, added in the final draft, is defined under Article 3, Circular 66/2010/TT-BTC as including but not exclusive to those “directly or indirectly participating in the management or control of another party” or those “contributing capital or making investment in any form”.

The taxable price is prescribed as “not X per cent lower than the

average selling price of trading entities”. The “X per cent” will be set at a later date by the government based on the nature of the given line of businesses.

This means that businesses whose goods are subject to the SCT calculation will have to wait until details of the tax level applicable to their line of business are finally decided upon. The timeframe for this, however, has yet to be announced.

Understanding that the new regulation is intended to tackle tax dodging by companies that use their spider web of subsidised trading agents for such purposes, members of the business community have stated that it is impossible to declare their tax

liability in compliance with these requirements.

In the case of imported automobiles, Piaggio Vietnam said that calculating the average retail price that trading agents apply was quite challenging, since they changed upon the given market conditions.

Vietnam Beverage Association (VBA) is of the same view, claiming that they could not control the retail price of independent trading companies.

“Retail price depends on regions and agents, and time matters too. It would be a burden for manufacturers to collect data and calculate the average price,” said VBA deputy chairman Nguyen Tien Vy.

Changes in special consumption tax policies 2008-2016

| Effective since | Legal Doc. | SCT calculation method | Note |
|-----------------|--|---|-----------------|
| April 1, 2009 | Law on Excise Tax 2008, guided by Decree 26/2009/ND-CP | Price can't be "10% lower than the average selling price of trading entities", whom importers/manufacturers sell their goods to | Expired |
| Jan 1, 2016 | Law on amendments of Law on Excise Tax 2008, guided by Decree 108/2015/ND-CP | Price can't be "7% lower than the average selling price of independent trading entities" who are not having relationship of parent company, subsidiary, or having the same parent company with the entity | Still in effect |
| July 1, 2016 | Law on amendments of three tax laws | Price can't be "X% lower than the average selling price of trading entities". Trading entities do not have the same parent company, don't have associated relations with importers/manufacturers | Coming soon |
| | Decree not yet released | Anticipated to regulate the tax level "X%" to apply based on the nature of the given line of business. | |

HIGHLIGHTS

Vietnam's economy slowing down after a strong year: WB

TNN - Vietnam's economy will see "moderate" growth of 6.2 percent this year, as private consumption and investment will slow down amid downside risks, both external and internal, the World Bank has said.

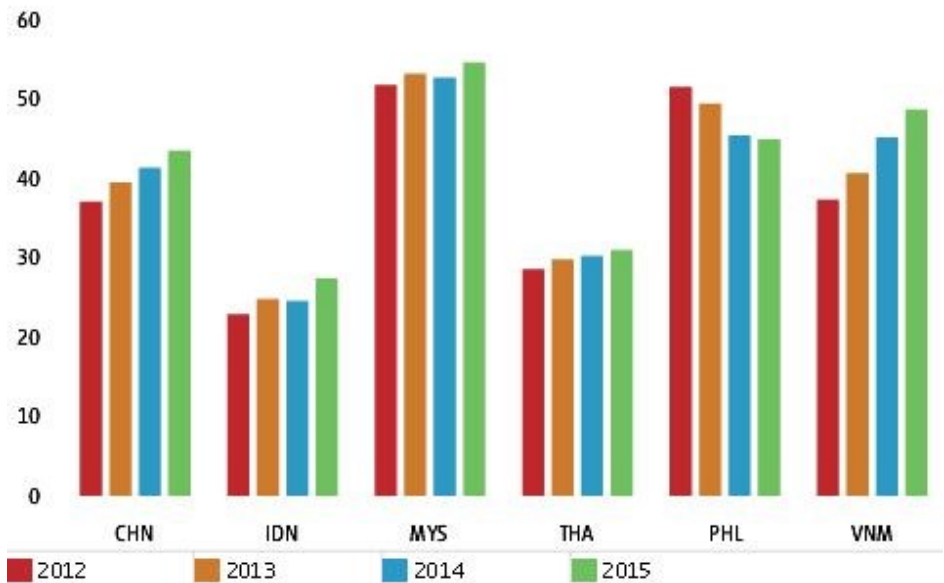
The latest estimate is slightly lower than the bank's prediction of 6.5 percent just more than three months ago, and a shift from the five-year high of 6.68 percent Vietnam achieved last year.

In its latest East Asia and Pacific Economic Update released on Tuesday, the World Bank projected private consumption at 7.5 percent of gross domestic product this year, down from last year's 9.3 percent. Private consumption played a key role in Vietnam's record growth last year.

Investment by both the government and local businesses will also fall slightly, to 8.8 percent of GDP this year, from 9.4 percent last year, according to the report.

The Washington-based lender adjusted its projections, after recent figures showed that the economy grew only 5.46 percent in the first

Government debt, percent of GDP



Government debt is increasing rapidly in Vietnam and relatively high in Malaysia, but remains moderate in Indonesia and Thailand. Source: World Bank

quarter, compared to 6.12 percent in the same period of last year.

The slowdown was blamed on the poor performance of the agriculture, forestry and aquaculture sector, which has been hit hard by drought and saltwater intrusion in recent months. The sector declined by 1.23 percent for the first time in at least a decade, according to official figures.

Besides agriculture, Vietnam saw almost every of its key sectors grow at lower rates compared to the first quarter of last year.

According to recent figures from the General Statistics of Vietnam,

exports grew 4.1 percent year-on-year to \$37.9 billion. That compared to 6.9 percent and recorded a year ago.

'Overwhelming' risks

Although the baseline outlook of Vietnamese economy is "positive," risks are "overwhelmingly" on the downside, such as relatively slow progress on structural reforms and increasing fiscal pressures, the World Bank said.

With the state budget deficit estimated at 6.5 percent of GDP at the end of last year, Vietnam is still struggling with weak revenue and increased current and capital spending, it said.

HIGHLIGHTS

Vietnam's public and publicly guaranteed debt are now only just shy of the legally mandated debt ceiling of 65 percent, the bank said. It expected the country's public debt to reach 63.8 percent of GDP this year, before rising to 64.7 percent in 2018.

Latest figures released by the government last month showed Vietnam's public debt was equivalent to 62.2 percent of GDP, and foreign debt 43.1 percent.

Besides internal risks, Vietnam's government also needs to prepare for possible shocks from heightened global financial volatility and weaker external demand, the bank said in its report.

Due to subdued global conditions and low global energy and food prices, the bank predicted Vietnam's inflation to be 3.5 percent this year, much lower than the government's projection of 5 percent.

Vietnam's inflation was at a record low of 0.63 percent last year.

Foreign investment to flood Vietnam's financial market in various ways

VNN - The Trans-Pacific Partnership (TPP) will open up opportunities for www.seiko-ideas.com

foreign organisations to land their investment in the Vietnamese financial market in different kinds, as heard a conference held in Ho Chi Minh City on April 12.

Foreign financial investors can own up to 30 percent of capital in a Vietnamese commercial bank while the ownership for strategic partners is 20 percent, according to Ngo Chung Khanh, deputy head of the Multilateral Trade Policy Department under the Ministry of Industry and Trade.

Foreign financial institutions can also mull over setting up independent operations such as joint venture financial companies, wholly foreign-owned leasing firms and wholly foreign-owned banks, he added.



TPP will open up opportunities for foreign financial firms to land their investment in Vietnam

Regarding money transfers and the protection of payment balance, Vu Minh Chau from the State Bank of Vietnam's International

Cooperation Department said that TPP member states have pledged free and prompt payments of relevant capital without restriction of currency types.

She highlighted that Vietnam commits to opening the door for international card payment and allowing foreign suppliers to provide trans-boundary money clearing services.

Meanwhile, Tran Thi Hong Hanh, General Secretary of the Vietnam Banks' Association believes that the TPP will create momentum for Vietnam's trade growth while offering chances for Vietnamese commercial banks to provide capital and services for export enterprises in the future.

Thanks to the TPP, Vietnam will be able to access foreign trust funds at low costs, which will drive additional foreign capital to land in the country, Hanh said, adding that foreign investors' participation in the Vietnamese financial market will boost cooperation and enhance financial management capacity for domestic banks.

HIGHLIGHTS

Plans for HCMC's first BRT route approved

VIR - The schedule for HCMC's first bus rapid transit (BRT) route and details of its construction have been finalised.

To run along Vo Van Kiet-Mai Chi Tho Highway, it will become operational at the end of 2018, according to the Urban Civil Works Construction - Investment, Management Authority in HCMC (UCCI). The work will start at the end of this year.

The 23km BRT will run along the median strip of the highways from An Lac Roundabout to Cat Lai Intersection. It will have 28 stations 800-1,000 metres apart, and access to them will be by flyovers.

Buses with 80 seats will be operated. The project consultant said a bus would depart every five to ten minutes and 31,600 passengers can be transported daily.

All 28 stations and stopovers will have Wi-Fi services, greenery to provide shade and parking lots.

BRT line No.1 will pass through Districts Binh Tan, 6, 5, and 1.

It is expected to cost VND3.25 trillion (over \$155m), including



A model of the bus rapid transit system on Vo Van Kiet Street, connecting Ben Nghe and Tau Hu canals in districts 4 and 8.

\$142.2m from official development assistance loans.

Luong Minh Phuc, head of the UCCI, said a feasibility study is being done for the project and work is scheduled to start early next year and be completed in 2018.

The UCCI will invite tenders for manufacture of buses running on compressed natural gas (CNG).

Phuc said District 2 authorities have been scrambling to relocate families to make way for the BRT management centre and terminus.

The BRT line will not only improve public transport but also contribute to urban planning along Vo Van Kiet - Mai Chi Tho.

With support from the Swiss Gov't, the city People's Committee and

UCCI have considered building parks and other public leisure facilities near the stations.

The designs of the stations will incorporate HCMC's unique characteristics, with those on Vo Van Kiet symbolising old Sai Gon and the ones on Mai Chi Tho reflecting a young and modern city.

Other lines

The UCCI is eyeing another BRT route from Vo Van Kiet Street (near Ben Thanh Market) to Tan Cang (New Port in Binh Thanh District).

It will be extended to the southwest to the new Western Bus Terminal when it is built at the intersection of Nguyen Van Linh Avenue and National Highway 1A.

CONTACT

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