２．詳細計画策定調査合意文書

MINUTES OF DISCUSSION
BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
MANAGEMENT AUTHORITY FOR URBAN RAILWAYS, THE PEOPLE'S COMMITTEE OF HO CHI MINH CITY
ON
THE PROJECT FOR SUPPORT ON SET UP OF OPERATION AND MAINTENANCE COMPANY OF URBAN RAILWAYS IN HO CHI MINH CITY

October 15, 2010
Ho Chi Minh City, Vietnam

For Japan International Cooperation Agency	For Management Authority for Urban Railways
Mr. Hozumi KATSUTA Leader Detailed Planning Survey Team	Nguyen Do Luong Chairman Management Authority for Urban Railways

I. INTRODUCTION

Japan International Cooperation Agency (hereinafter referred to as "JICA") dispatched a survey mission (hereinafter referred to as "the JICA Mission") to the Socialist Republic of Vietnam from October 7 to 22, 2010, for the purpose of developing a detailed plan for the Project for Support on Set up of Operation and Maintenance Company of Urban Railways in Ho Chi Minh City (hereinafter referred to as "the Project").

During its stay in the Socialist Republic of Vietnam, the JICA Mission exchanged views and held a series of discussions with the representatives of relevant organizations of the Socialist Republic of Vietnam.

As a result, the JICA Mission and Management Authority for Urban Railways (hereinafter referred to as "MAUR") confirmed that both parties would sincerely cooperate with each other with a view to contributing toward smooth implementation and enhancing development effect of Ho Chi Minh City Urban Railway Construction Project (Ben Thanh - Suoi Tien Section (Line 1)) signed on April 6th, 2007, by attaining the purposes of the Project.

Both parties also agreed the Project details and main points discussed during the survey as described in attached draft of Memorandum of Understanding (hereinafter referred to as "MOU"), which is subject to approval by the competent higher authorities on both sides.

In case both parties intend to modify any items described in the draft of MOU, they may hold a meeting to finalize the draft, if necessary. It is preferable that MOU will be signed within a month after signing of M/D.

The Project will be carried out within the framework of the Agreement on Technical Cooperation signed on October 20, 1998 (hereinafter referred to as "the Agreement") and the Notes Verbal between the Government of Japan (hereinafter referred to as "GOJ") and the Government of the Socialist Republic of Vietnam (hereinafter referred to as "GOV"), and privileges, immunities and other benefits necessary for smooth implementation of the Project will be granted to the Japanese experts, missions and their families accordingly.

(DRAFT)

MEMORANDUM OF UNDERSTANDING

BETWEEN

JAPAN INTERNATIONAL COOPERATION AGENCY

AND

THE PEOPLE'S COMMITTEE OF HO CHI MINH CITY

ON

THE PROJECT FOR SUPPORT ON SET UP OF OPERATION AND MAINTENANCE COMPANY OF URBAN RAILWAYS IN HO CHI MINH CITY

(DATE)
Ho Chi Minh City, Vietnam

For Japan International Cooperation Agency	For The People's Committee of Ho Chi Minh City
Mr. Motonori TSUNO Resident Representative JICA Vietnam Office	To be confirmed The People's Committee of Ho Chi Minh City

I. INTRODUCTION

Japan International Cooperation Agency (hereinafter referred to as "JICA") had a series of discussions with the representatives of relevant organizations of the Socialist Republic of Vietnam through JICA Vietnam Office for the purpose of developing a detailed plan for the Project for Support on Set up of Operation and Maintenance Company of Urban Railways in Ho Chi Minh City (hereinafter referred to as "the Project").

As a result, the JICA and Management Authority for Urban Railways (hereinafter referred to as "MAUR") confirmed that both parties would sincerely cooperate with each other with a view to contributing toward smooth implementation and enhancing development effect of Ho Chi Minh City Urban Railway Construction Project (Ben Thanh - Suoi Tien Section (Line 1)) signed on April 6th, 2007, by attaining the purposes of the Project.

The Project will be carried out within the framework of the Agreement on Technical Cooperation signed on October 20, 1998 (hereinafter referred to as "the Agreement") and the Notes Verbal between the Government of Japan (hereinafter referred to as "GOJ") and the Government of the Socialist Republic of Vietnam (hereinafter referred to as "GOV"), and privileges, immunities and other benefits necessary for smooth implementation of the Project will be granted to the Japanese experts, missions and their families accordingly.

Appendix 1: PROJECT DOCUMENT
Appendix 2: MAIN POINTS DISCUSSED

Appendix 1

PROJECT DOCUMENT

I. BACKGROUND

The objective of Ho Chi Minh City Urban Railway Construction Project (Ben Thanh - Suoi Tien Section (Line 1)) is to meet the increasing transport demand in Ho Chi Minh City by constructing the urban mass rapid transit (hereinafter referred to as "UMRT") system. Thereby, it will contribute to the regional economic development and urban environment improvement through mitigation of traffic congestion and pollution. General Consultant (GC) has been employed since February, 2008 and tender preparation are now ongoing.

At the same time, it is necessary to start the organizational and institutional arrangement for the Operation and Maintenance Company (hereinafter referred to as "O&M Company") approximately 5 (five) years before the operation of railway service. However, since this is the first urban railway project in Vietnam, MAUR does not have sufficient experience and knowledge regarding establishment of the O&M company.

In such circumstances, GOV requested to GOJ to support the set up of the O&M company.

II. OUTLINE OF THE PROJECT

1. Overall Goal

The O&M company for urban railways in Ho Chi Minh City (hereinafter referred to as "HCMC") provides the safe and reliable UMRT operation.

2. Project Purpose

The O&M company of urban railways in HCMC is registered.

3. Output

(1) Preparation work of Planning, Administration and Safety (PAS) Task is completed.
(2) Preparation work of Human Resources Task is completed.
(3) Preparation work of Financial Task is completed.
(4) Preparation work of Business Task is completed.
(5) Draft activity plan for 2nd phase is prepared.

4. Activities

(1) Planning, Administration and Safety Task
(2) Human Resources Task
(3) Financial Task

(4) Business Task
(5) Planning for 2nd phase of technical cooperation

5. Input
(Japanese side)
(1) Dispatch of Japanese Experts
- Chief Advisor/ Planning
- Administration and safety
- Human resources
- Finance
- Business
- Psychological test
- Specific issues

(2) Counterpart training in Japan
At least 10 persons
(3) Necessary Equipments
(4) Cost for employment of local consultants, assistants, other expenses

(Vietnamese side)
(1) Assignment of counterpart
Personnel for Preparation Unit (hereinafter referred to as "PU")
- Planning, administration and safety
- Human resources
- Finance
- Business management

(2) Provision of facilities for the project implementation
- Project office
- Working equipment

(3) Cost for local personnel, office rent, equipment and supplies, other activities

6. Project Site
HCMC

7. Duration
2 (two) years

8. Reports
(1) Inception report

To be submitted 3 (three) months after the commencement of the Project.

(2) Mid-term Report

To be submitted 12 (twelve) to 15 (fifteen) months after the commencement of the Project.

(3) Final Report

To be submitted 1 (one) month before the end of the Project.

Details of the Project are described as the Project Design Matrix (Annex 1) and the tentative plan of operation. (Annex 2)

III. IMPLEMENTING ARRANGEMENTS

1. Administration of the Project

MAUR will be the counterpart agency to JICA for the Project implementation.

Joint Coordination Committee (hereinafter referred to as "JCC") will be established in order to facilitate inter-organizational coordination and study technical issues. JCC meeting will be held at the request of any member of the JCC with the approval of the chairman. JCC will approve the annual work plan, review progress, conduct monitoring and evaluation of the Project, and discuss problems. Functions and members of proposed JCC is shown in Annex 3.

2. Evaluation

(1) Ex-Ante Evaluation

Ex-Ante Evaluation was conducted jointly by JICA and MAUR, during JICA mission's stay. Summary of the Ex-Ante Evaluation is as per Annex 4.

(2) Terminal Evaluation and Ex-Post Evaluation

Evaluation of the Project will be conducted jointly by JICA and the Vietnamese authority concerned, during the last six months of the Project (Terminal Evaluation) and after completion (Ex-Post Evaluation) in order to examine the level of achievement and impact of the Project. Ex-Post Evaluation will be conducted under the evaluation of the Project.

3. Undertakings of GOV

(1) MAUR will provides counter part personnel and suitable office space with necessary equipment and secretariat services.

(2) MAUR will take necessary measures to ensure that the self-reliant operation of the Project will be sustained during and after the period of the Project, through full and active involvement in the Project by all related authorities, beneficiary groups and institutions.

(3) MAUR will ensure that the technologies and knowledge acquired by the Vietnamese nationals as a result of the Project will contribute to the economic and social development of the Socialist Republic of Vietnam.
(4) MAUR will ensure that the Equipment referred to in II-5 above will be utilized effectively for the implementation of the Project in consultation with the Japanese experts.
(5) MAUR will take necessary measures to ensure that the knowledge and experience acquired by the Vietnamese personnel from technical training in Japan will be utilized effectively in the implementation of the Project.
(6) MAUR will provide Security-related information to the experts.
(7) MAUR will provide Information as well as support in obtaining medical service.
(8) MAUR will provide credentials or identification cards.
(9) MAUR will support to permit the experts to enter, leave and sojourn in the Socialist Republic of Vietnam for the duration of their assignments therein.

4. Mutual Cooperation

JICA and MAUR will consult each other whenever any major issues arising in the course of Project implementation.

Annex 1 : Project Design Matrix
Annex 2 : Tentative Plan of Operation
Annex 3 : Joint Coordination Committee
Annex 4 : Summary of Ex-Ante Evaluation

Annex 1

Project Design Matrix (Draft)

Project on Support on Set up of Operation & Maintenance Company of Urban Railways in HCMC

Project Implementation Period: From #### 20## (## months)

Implementation Agency: Preparation Unit (PU) of O&M Company under Management Authority for Urban Railways (MAUR)

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption
Overall Goal The O&M company for urban railways in HCMC provides the safe and reliable UMRT operation.	1. Safety level of UMRT operation is secured at the initial stage just after its opening.	1. Annual Report of the Company	- Power supply is stable.
Project Purpose The operation and maintenance company of urban railways in HCMC is registered.	1. O&M company is registered. 2. All necessary documents are prepared.	1. Approved documents for registration. 2. Company regulations, working instructions and other necessary documents.	- The formalities of company establishment are smooth at the competent authorities' level.
Output			
1. Preparation work of Planning, Administration and Safety (PAS) task is completed.	1-1 PAS task has functioned to smooth implementation of TC. 1-2 Each Department has regulations of function and duty. 1-3 Organization for PAS task is prepared. 1-4 Operation business plan is made. 1-5 Whole O&M company regulations are formulated. 1-6 Necessary arrangement for safety management of UMRT is prepared. 1-7 IT system of O&M company is defined. 1-8 Necessary job manual making process is decided.	1-1 Comprehensive plan of TC and achievement list 1-2 Regulations of functions and duty of each Department 1-3 Organization and regulations of PAS Department 1-4 Operation business plan 1-5 Company regulations 1-6 Draft regulations for safety management system. 1-7 Requirement of IT system of O&M including financial activity. 1-8 List of business activities which need job manuals - Schedule of manual making by job activity priority	- Necessary cooperation is granted by the related authority concerning O&M company setup, especially, MOT and VNRA. - Necessary cooperation is granted from project donor(s) of other lines other than line No.1. - The legal situation is stable for establishment of O&M company
2. Preparation work of Human Resources task is completed.	2-1 Organization for Human Resources task is prepared. 2-2 Staff working regulations is prepared. 2-3 Human resources plan of whole O&M company is prepared. 2-4 Job allocation and job grading system are formulated. 2-5 Staff allocation plan is formulated. 2-6 Necessary condition to manage the training center for drivers is secured. (Also for 2-7 and 2-8)	2-1 Organization and regulations of Human Resources Department 2-2 Working regulations 2-3 Human resources plan 2-4 Job allocation and job grading system 2-5 Staff allocation plan 2-6 Approval from MOT on Training Center, including training methods and contents, - Standards to select trainers and driver	

				examiners	
				2-7 Approval from MOT regarding driver's license and other railway-related laws and regulations	
				2-8 Training record of psychological test evaluator	
3.	Preparation work of Financial task is completed.	3-1	Organization for Financial task is prepared..	3-1 Organization and regulations of Financial Department	
		3-2	Accounting system is formulated.	3-2 Accounting system including managing capital, cash, revenue and income allocation.	
		3-3	Budget management plan is prepared.	3-3 Budget management plan	
		3-4	Procurement system is formulated.	3-4 Regulations of procurement for outsourcing, material and equipment	
		3-5	Measures to preserve the financial soundness of the company are defined.	3-5 Paper for financial soundness preservation measures	
4.	Preparation work of Business task is completed.	4-1	Organization of Business task is prepared.	4-1 Organization and regulations of Business Department	
		4-2	Transport business statute is formulated.	4-2 Transport business statute	
		4-3	Fare pricing and adjustment system is established.	4-3 Fare pricing and adjustment system	
		4-4	Possibility for non-fare business is defined.	4-4 Study report of non-fare business	
5.	Draft activity plan for 2nd phase is prepared.	5-1	Necessary activities are defined for 2nd phase of TC so as to start UMRT operation.	5-1 Draft activity plan for 2nd phase	

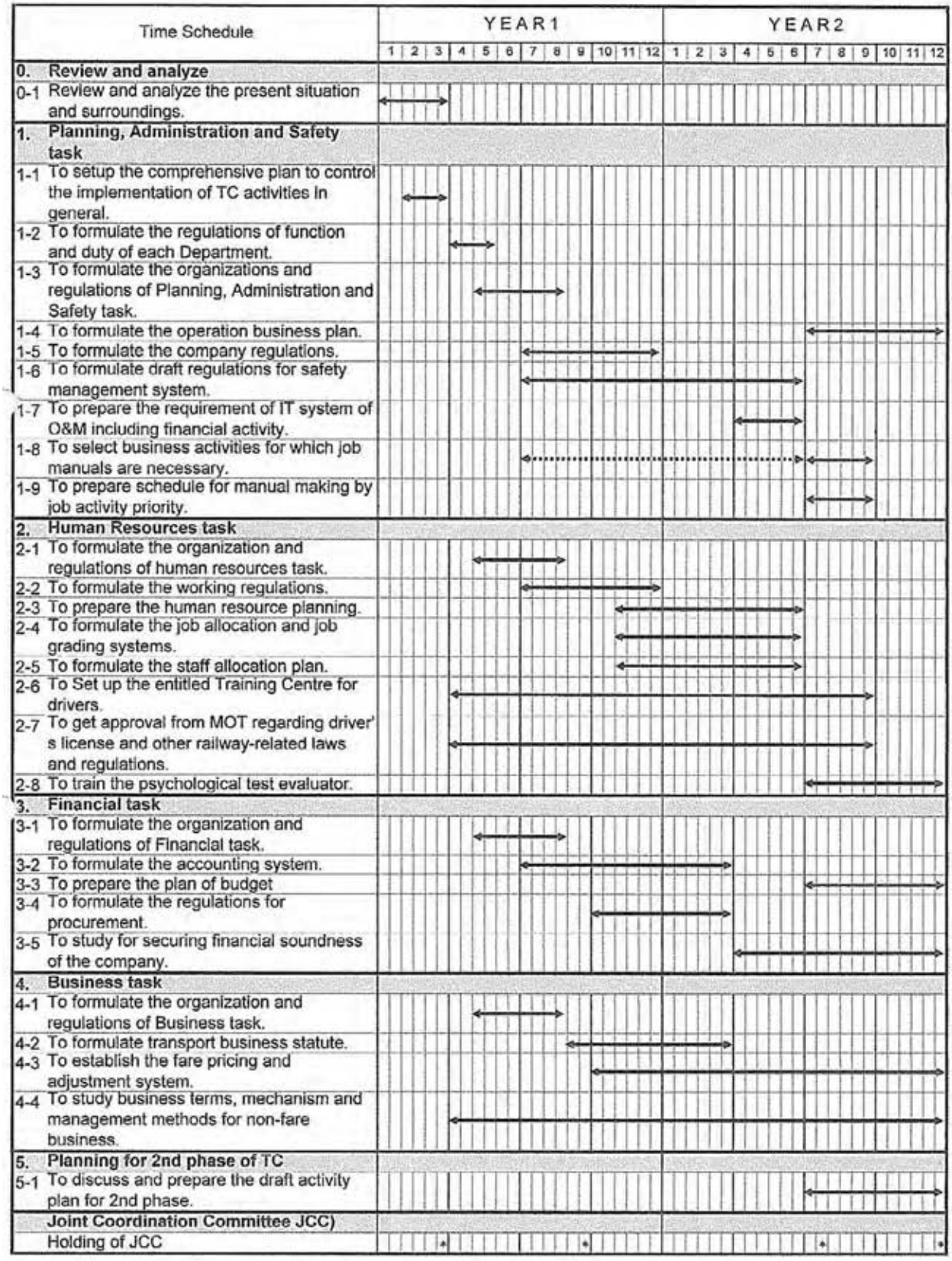
Activities		Inputs (Japanese side)	(Vietnamese side)	Preconditions
0.	**Review and analyze**	**1. Dispatch of Japanese Experts** Fields of Experts - Chief Adviser/Planning: 1 person - Administration and Safety: 1 person - Human Resources: 1 person - Finance: 1 person - Business: 2 persons - Psychological test: 2 persons - Specific issues: several **2. Counterpart training in Japan** At least 10 persons **3. Equipment** Items needed for Project implementation. **4. Expense** - Cost for employment of local consultants - Other expenses: For research, travelling, training - TC assistants: Japanese interpreter: 2 persons English interpreter: 1 person	**1. Assignment of Counterpart Personnel for Preparation Unit** - Planning, Administration and Safety: 4 persons - Human Resources: 2 persons - Finance: 2 persons - Business management: 2 persons **2. Provision of facilities for the Project implementation :** - Project office - Working equipment **3. Expense** - Local cost for personnel - Cost for office rent and equipments. - Other expenses: For research, travelling, training, other activities	All related projects, such as UMRT Line 1 to 6 and LRT, are proceeded as scheduled.
0-1	To review and analyze the present situation and surroundings.			
1.	**Planning, Administration and Safety task**			
1-1	To setup the comprehensive plan to control the implementation of TC activities in general.			
1-2	To formulate the regulations of function and duty of each Department.			
1-3	To formulate the organizations and regulations of Planning, Administration and Safety task.			
1-4	To formulate the operation business plan.			
1-5	To formulate the company regulations.			
1-6	To formulate draft regulations for safety management system.			
1-7	To prepare the requirement of IT system of O&M including financial activity..			
1-8	To select business activities for which job manuals are necessary.			
1-9	To prepare schedule for manual making by job activity priority.			
2.	**Human Resources task**			
2-1	To formulate the organization and regulations of human resources task.			
2-2	To formulate the working regulations.			
2-3	To prepare the human resource planning.			
2-4	To formulate the job allocation and job grading systems.			
2-5	To formulate the staff allocation plan.			
2-6	To Set up the entitled Training Centre for drivers.			
2-7	To get approval from MOT regarding driver's license and other railway-related laws and regulations.			
2-8	To train the psychological test evaluator.			
3.	**Financial task**			
3-1	To formulate the organization and regulations of Financial task.			
3-2	To formulate the accounting system			
3-3	To prepare the plan of budget management.			
3-4	To formulate the regulations for procurement.			
3-5	To study for securing financial soundness of the company.			
4.	**Business task**			
4-1	To formulate the organization and regulations of Business task.			
4-2	To formulate transport business statute.			

4-3 4-4	To establish the fare pricing and adjustment system. To study business terms, mechanism and management methods for non-fare business.			
5.	**Planning for 2nd phase of TC**			
5-1	To discuss and prepare the draft activity plan for 2nd phase.			

* TC: Technical cooperation project
VNRA: Vietnam Railway Administration, MOT
MOT: Ministry of Transport

Annex 2

Plan of Operation (PO) [Draft]
The Project on Support on Set up of Operation & Maintenance Company of Urban Railways in HCMC



Note: ◆·····◆ Taking notes for necessary business activities

Annex 3

Joint Coordination Committee

1. Function

The Joint Coordination Committee will meet at least once a year and whenever the necessity arises, in order to fulfill the following functions;

(1) To approve the annual work plan of the Project based on the Plan of Operation under the framework of the Memorandum of Understanding

(2) To evaluate the result of the annual work plan implementation and the overall progress of the Project

(3) To review and exchange opinions on major issues that arise during the implementation of the Project

2. Composition

[Chairperson]

Chairman of MAUR

[Member of Vietnamese side]

- Vice Chairman of MAUR
- Representative from Department of Planning and Investment
- Representative from Department of Transport
- Representative from Department of Interior Affairs
- Representative from Department of Finance

[Member of the Japanese side]

- Resident representative of JICA Vietnam Office
- Chief Advisor of Japanese experts

* If JICA and MAUR agree, other persons also can be the member of JCC.

Annex 4

Summary of Ex-Ante Evaluation

1. Relevance

(1) As the policy target is to achieve 50% share of public transport in HCMC, it is very much necessary to secure the safety and reliability of newly developing UMRT which will greatly contribute to increase of public transportation. In order to achieve such overall goal, O&M Company is expected to contribute vastly.

(2) According to the Japanese cooperation plan to Vietnam, one of the priority areas is to develop the urban transport system; therefore the Overall Goal and Project Purpose are coherent with the Japanese cooperation plan to Vietnam.

(3) According to the Five Year Socio Economic Plan in Vietnam, it is strongly needed to develop traffic system in Hanoi and HCMC to resolve traffic jams; therefore the Overall Goal and Project Purpose are coherent with the Vietnamese National Plan.

2. Effectiveness

(1) The Project Purpose is very clear because the O&M Company will be established for the first urban railway being constructed by Japanese ODA loan.

(2) The achievement of the Project Purpose, such as the establishment of O&M Company, results from all the Outputs from the Project because the Outputs are to secure the necessary capability to operate and maintain the urban railways system.

3. Efficiency

(1) The timing of the Project is appropriate because the first UMRT is planned to start operation in May 2016 and the O&M Company will be established by 2013.

(2) Four staffs are already nominated, and the necessary equipment and facilities for the Project implementation will be provided by the Vietnamese fund, furthermore, the expensive and large-scale equipment are not necessary; therefore the present Project structural plan fulfills the necessary conditions for its implementation.

4. Impact

(1) The safe and reliable UMRT operation will be realized because of transfer of the highly evaluated Japanese railway operation and maintenance technology in the world.

5. Sustainability

(1) The counterpart personnel will work full-time for the Project and become core members of

O&M company. Human resources development plan will be established within the Project for the future; therefore the personal sustainability will be secured.

(2) The establishment plan of O&M Company was approved by the Ho Chi Minh City People's Committee; therefore the Project will be fully supported by the local government.

Appendix 2

MAIN POINTS DISCUSSED

I. BASIC CONCEPT OF O&M COMPANY TO BE ESTABLISHED

Both sides confirmed that ONE Operation and Maintenance Company (hereinafter referred to as "O&M company") will be established for all the urban railway lines in HCMC which will be constructed by the assistance of ODA loans or the government budget since it will have the advantages shown below.

(1) Efficient operation of the overall urban railway lines.
(2) Proper financial arrangement such as cross-subsidy.
(3) Preferable for introducing the common ticketing system which is convenient for the passengers.

The structure of the O&M Company is expected as shown in Annex 1.

II. COUNTERPART PERSONNEL

1. Nomination of the counterpart

The Team confirmed that the PU had been established and the members shown below had been nominated. The members of the PU will conduct all the Project activities together with the Japanese experts as their counterpart. The number of the members of PU will be increased more than or equal to 10 in course of the Project.

[PU members]

- Nguyen Thi Huong Tra
- Vu Minh Duc
- Bui Nhat Nam
- Tran Dang Thanh

Others to be named later.

2. Ownership of the project

Both sides confirmed that the implementation of the project activities should be led by PU members with the necessary assistance from the Japanese experts and that such ownership shown by Vietnam side will produce fruitful achievement.

III. NECESSITY TO REQUEST FOR COOPERATION TO OTHER AUTHORITIES

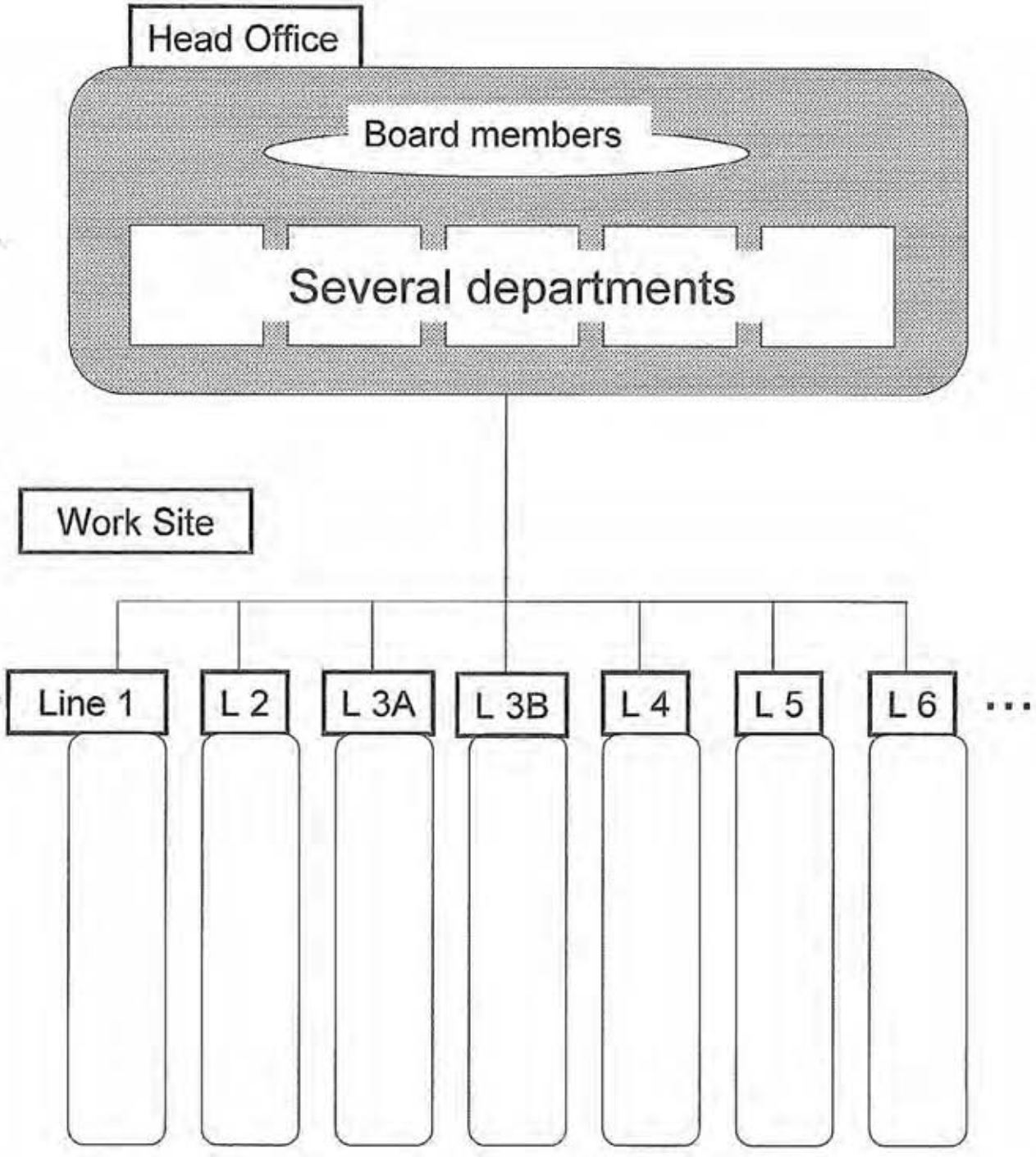
Both sides confirmed that there is need to clarify the legal framework in the course of implementation of this project especially when setting up the training center and giving the license to drivers. Since Vietnam Railway Administration (hereinafter referred to as "VNRA"), in particuler plays a important role in this matter, MAUR will send a official letter to VNRA to request to be the member of JCC.

IV. COORDINATION WITH THE PROGRESS OF THE CONSTRUCTION WORK

Both side confirmed that this project would be commenced to meet the expected actual operation schedule based on the latest information of urban railway construction works. Both side also agreed to continue to pay careful attention to the progress of construction work to implement the Project efficiently.

Annex 1

Expected Organization Structure of O&M company



３．質問票と回答

Questionnaire and Requests to MAUR

1. Revenue and expenditure is the key factor for the sound management of O&M Company. The followings are the questionnaire on this issue.

1.1 Revenue

1.1.1 Fare revenue will be the largest income for the O&M Company. Fare level at the initial stage is decided based on that of bus service considering the affordability of the passengers. It will be also the most appropriate fare level for the promotion of the modal shift from motor bicycle to the urban railways. These are the recognition at the SAPI stage.

If the number of passengers is smaller than that of estimated one at the initial stage, what options remains to recover the revenue?

Answer:

If the number of passengers is less than estimation in initial stage, MAUR will ask for price subsidy from HCMC PC, aiming at maintaining railway operation. Moreover, MAUR will also propose HCMC PC to carry out several non-fare activities such as advertisement, doing business along the line, etc.

1.1.2 Increase of the fare level and the staff salary level has a strong relationship with the economical increase of Vietnam. But in SAPI study, the increase of the fare level is much higher than that of the staff salary level. This might be brought about that the salaries were suppressed due to some reasons. In order to secure the good staff for the O&M Company, to provide the good salary level is important. How does MAUR think the difference between two factors?

Answer

Since O & M Company will be one member limited liability company, the staff salary level will not be limited like those of State governing agencies in accordance with the Labor Code. The increase in staff salary belongs to the authority of O&M Company, but it also depends on business profit.

1.2 Expenditure

1.2.1 Power cost has a large portion in the total expenditure. Normally power cost has a strong relationship with the petro price which is international commodity and the power cost is a kind of the political issue. In a country, the unit power cost for railways is settled at lower level than the normal one to suppress the railway fare level. Please show your prospect on the unit power supply cost.

Answer

Ministry of Industry and Trade issued regulations on electricity price every year as well as its guidance for application (in 2010, Circular 08/2010/TT-BTC was released on February 24, 2010). Accordingly, MOIT regulated electricity wholesale price (for Electricity companies, residential groups, industrial parks, etc); retailing price (for

manufacturing sectors, watering, business and daily living).

Electricity price is controlled by the Government but it gives priority to manufacturing units, and Urban railway is among them as it belongs to public service field under the City People's Committee. Through these bases, O&M Company will propose HCMC PC to negotiate with Vietnam Electricity Group, so that they can get priority mechanism for electricity price, thus, it will not have impacts on ticket price.

1.3 Outsourcing

Utilizing the outsourcing is one of the measures to reduce the expenditure since for tasks without special skills, outsourcing companies can employ the workers with cheaper salary than the O&M Company and for the tasks which need special skills, they have a lot of clients in HCMC and can level their work volume. Does MAUR have an idea to hire such outsourcing companies?

Answer

In the future, O&M Company shall hire some outsourcing services such as security guards, cleaning staff for stations and cars, etc, as a measure to mitigate the company's organization.

2. Standard of accounting and taxation system

2.1 Accounting standard

By the contents of accounting standard, the Profit/Loss table or cash-flow becomes quite different. Basically the accounting standard in Vietnam is compatible with international standard like Japan. But the accounting standard has been modified often. JICA team would like to know the status of the standard in Vietnam which affects seriously to the accounting of the railway company. Hence please show the manner of asset depreciation, depreciation period and residue value for the major items such as rolling stock, the manner of the allowance for retirement and the lease accounting standard in Vietnam especially.

Answer (please see more at enclosed Annex)

MAUR would like to mention some related items as follows:

- ***Accounting Standard for Fixed Asset Lease: (****refer to Cirular* ***161/2007/TT-BTC*** *dated December 31, 2007)*
  Including: Financial Lease and Operating Lease. ***(Part I in the Annex)***
- ***Asset Depreciation and depreciation period: (refer to Part II and III in the Annex).***
  Additionally refer to Circular ***No. 203/2009/TT-BTC*** *by Ministry of Finance on guidance for management, using and deducting depreciation for fixed assets.*
- ***Retirement allowance: (Refer to Part V in the Annex)***
  Refer to **Law on Social Insurance and Decree No.** ***152*****/2006/NĐ-CP dated December 22, 2006**

2.2 Taxation system

2.2.1 By the contents of taxation system, the Profit/Loss table or cash-flow becomes also quite different. JICA team would like to know the status of the taxation system which will affect seriously to the accounting of the railway company. Especially, JICA team would like to know the taxation system in Vietnam, such as the border between the repairing expense and capital cost, the difference of the depreciation period in the accounting system and that recognized in the taxation system and the period in which the profit of the year can be utilized for the compensation for the deficit incurred in the previous years since they provide the important conditions in the calculation of the management result.

Answer

MAUR is not so sure about the answer for this question but JICA can refer to Part IV in the Annex.

2.2.2 Since the volume of the fixed asset and equipments for railway business is tremendous, the fixed property and commodity tax for railway business is reduced or exempted in Japan. Concretely, reduction of the fixed asset price at the procurement, reduction or exemption of the fixed asset tax rate and reduction of the commodity tax rate for railway business is carried out in Japan. By the way, such reduction or exemption is not adapted on the related business in railway companies.

In Vietnam, is the fixed asset tax or commodity tax regulated? For the company owned by the Governments, are such taxations exempted? Please provide the regulations on the fixed asset and commodity taxes to JICA Team.

Answer:

At present, there have not yet any regulations for Urban railways. However, there is several items of tax exemption for Railway (refer to **Circular No. 130/2008/TT-BTC)**

Regarding fixed assets and equipment lease for railways:

In case the procurement is based on ODA capital, tax policy application and tax preferential treatment are mentioned in Circular No. 123/2007/TT-BTC dated October 23, 2007.

For Railway company, Tax law must be followed, without any decrease or exmption for related business activities.

3. Regulations on railway business

3.1 Vietnam Railway Law

3.1.1 SAPI suggested that the current Vietnam Railway Law has some articles which are not compatible with the modern urban railways. Does the Central Government have a plan to modify it to be compatible with the modern urban railways? If they have, please show the outline of the

plan.

Answer:

At present, Urban railways is on the way of being constructed, therefore, Vietnam Railway Law shall be modified and supplemented to be suitable with Urban railways in the future. Urban railways is one part of Vietnam Railways. MAUR acknowledged that Vietnamese Government has not any official schedule for modification of Vietnam Railway Law.

3.1.2 It is said that one of the major causes for the management deterioration of the Japanese National Railways is that JNR could not raise their fare level by themselves due to the constraint from the Government. Hence after the privatization, Japanese Railways obtained the right to settle the fare level within a certain range in comparison to the existing one. Of course, they submit their plan to MOT beforehand.

Does the O&M Company have such a right from HCMC-PC?

Answer:

O&M Company is under HCMC PC, thus, any increase and adjustment in ticket price shall need acceptance of HCMC PC and HCMC People's Council. It will depend on the specific future situation when O&M Company may be authorized for self ticker price adjustment.

3.1.3 The Vietnam Railway Law describes that the urban railway system is invested, constructed, managed and exploited by the provincial people committees. From which agency, HCMC-PC or the Central Government, does the O&M Company have to get approval on the introduction of new equipments or additional procurement of rolling stock for the improvement of work efficiency or sustention of safety level?

Answer:

At initial stage, O&M Company is one member limited liability company which is under MAUR and HCMC PC, thus, any new equipment addition must be accepted by HCMC PC. In the future, when O&M Company will become joint stock company, they will no longer need HCMC PC's approval.

3.2 Labor law

It seems no regulations in Vietnam which will become an obstacle against drafting the Rules on Employment. Please hear MAUR's prospect on the reduction of working time per week/month in Vietnam.

Answer:

According to the Labor Code, it has not been any regulations on working hours decrease. However, this issue may be considered depending on the country economic situation in the future, aiming at achieving high efficiency in demand fostering. Then, O&M Company will submit HCMC PC for consideration.

3.3 Civil law

3.3.1 Please inform the basic citizen's rights for the land and the regal constraints to the development of the assets and the buildings.

Answer

In accordance with Land Law, land is owned by all people or by the government. Therefore, individuals only have land use right. The Government has the authority to recall but it must compensate in comparison with market prices.

Decree No. 84/2007/NĐ-CP dated May 25, 2007 by the Government, additionally regulating on issuance of Land use certificate, land recall, land use right application, procedures and order of compensation and assistance for re-settlement when land is recalled by the Government; and handling with complaints about land.

Decree No. 69/2009/NĐ-CP by the Government additionally regulates on land use planning, compensation and assistance for land acquisition.

3.3.2 Please inform the businesses which need official certifications

Answer

All business activities shall need business registrations.

3.3.3 Does HCMC-PC or the Central Government possess lands along the Line 1 and can they give the land to the O&M Company without charge in order to establish the sound management of the O&M Company? If such lands are available, the O&M Company can establish the asset development business by utilizing these assets for the sustainable sound management of the urban railways.

Answer

At present, HCMC PC assigned Department of Architecture Planning to do the planning along Line 1, thus, this is out of hand of O&M Company. In case the O&M Company wants to use the land along this line to do business, it is necessary to consult with HCMC PC.

Annex

Accounting standard, tax system and retirement mechanism

I. Accounting standard for fixed asset lease

Application standard: No. 06 "Asset lease", issued with attachment of Circular No. 161/2007/TT-BTC dated December 31, 2007

Asset lease includes financial lease and operating lease

1 Financial lease:

Refer to asset lease in which the leaser transfers most of risks and attached profit with asset proprietary to the leasee. Asset proprietary right can be transferred at the end of the leasing period.

At the time of receiving the leased asset, the leasee acknowledged the value of such asset in financial lease as well as principal payable of financial lease, which is equal to appropriate value of leasing assets. If the appropriate value of leasing assets is higher than present value of minimum leasing payment, it is recorded according to present value of minimum leasing payment.

Enterprises can utilize defaulted interest rate or lease contract's interest rate or margin leasing interest rate of the leasee when calculating the present value of minimum leasing payment for asset leasing.

In case the financial lease contract clearly states that principle payable is equal to appropriate value of leasing assets, the similar value will be acknowledged for leasing assets and payable of finance lease.

Direct expenses initially arisen relating to financial lease shall be calculated in original cost of lease assets.

Payment for asset leasing of financial lease shall be divided into financial expenses (interest of financial lease) and periodic principle payable. Interest of financial lease shall be calculated into financial expenses during leasing period. Interest of financial lease to be recorded in periodic financial expenses shall be determined by the balance of principle multipling by periodically fixed interest rate.

In case VAT value, which the leaser has paid when purchasing the fixed assets for leasing, shall be returned by the leasee, the interest of financial lease payable shall include the interest based on VAT which the leasee has not paid the leaser.

2 Operating lease:

- Asset lease is classified as operating lease when the asset lease contract does not mention about the transferring of most of risks and profits attached to the asset proprietary right.

- Asset lease which is land use right shall be usually classified as operating lease since land use right often has infinite economic usage period and the proprietary right shall not be transferred to the leasee even till the end of leasing period.

Operating lease expense is calculated into production and business expenses under straight-line method during asset leasing period, without depending on payment method of leasing (periodic payment, prepaid or after paid).

II. Asset depreciation

Depreciation method (Circular No. 203/2009/TT-BTC by Ministry of Finance guiding on management mechanism, using and deducting depreciation in fixed assets): Straight-line depreciation method; Declining-Balance method with adjustment; Depreciation based on volume

1. Straight line depreciation method:

Fixed assets of enterprises was calculated its depreciation by straight line depreciation method as follow:

- Annual average depreciation for fixed assets is identified as following fomular:

$$\text{Annual average depreciation deduction for fixed asset} = \frac{\text{Original cost of fixed asset}}{\text{Using period}}$$

- Monthly average depreciation deduction is equal to annual value divided by 12 months.

2. Declining-Balance method with adjustment:

Depreciation under declining-balance method with adjustment shall be calculated as follow:

- Determine using period of fixed asset:

Enterprises determines using period of fixed assets in accordance with Circular No. 203/2009/TT-BTC by Ministry of Finance.

- Calculate annual depreciation of fixed assets in initial years as the following fomular:

$$\text{Annual depreciation of fixed asset} = \text{Balance value of fixed asset} \times \text{Accelerated depreciation rate}$$

Of them:

Accelerated depreciation rate is calculated as follow:

$$\text{Accelerated depreciation rate (\%)} = \text{Depreciation rate of fixed asset under straight line method} \times \text{Adjustment coefficient}$$

Depreciation rate of fixed asset under straight line method is calculated as follow:

$$\text{Depreciation rate of fixed asset under straight line method (\%)} = \frac{1}{\text{Using period of fixed asset}} \times 100$$

Adjustment coefficient for using period of fixed asset is as following table:

Using period of fixed asset		Adjustment coefficient (times)
Less than 4 years	($t \leq 4$ years)	1.5
From 4 to 6 years	(4 years $< t \leq 6$ years)	2.0
More than 6 years	($t > 6$ years)	2.5

In final years, when the annual depreciation determined by declining-balance method is equal to (or lower than) the average depreciation between the balancing value and the remaining number of using years of fixed asset, depreciation shall be calculated by balance value of fixed asset divided by remaining number of using years of fixed asset.

- Monthly depreciation shall be calculated by annual depreciation divided by 12 months.

3. Depreciation based on volume:

Fixed assets of enterprises shall be depreciated under the volume method, which is as follow:

- Based on economic – technical profile of fixed asset, the enterprise shall determine total volume of products to be made in accordance with designed capacity of such fixed asset, this is called designed volume.

- Based on actual manufacturing conditions, the enterprise shall determine volume of products to be actually made monthly and annually of such fixed asset.

- Monthly depreciation of fixed asset shall be calculated by following fomular:

$$\text{Monthly depreciation of fixed asset} = \text{Monthly product volume} \times \text{Average depreciation rate per product}$$

- Annual depreciation rate of fixed asset shall be determined by total depreciation of 12 months in a year, or shall be calculated as following fomular:

$$\text{Annual depreciation rate of fixed asset} = \text{Annual volume of products} \times \text{Average depreciation rate per product}$$

In case designed capacity or original cost of fixed asset changes, the enterprise shall re-determine the depreciation rate of such fixed asset.

III. Depreciation period

TIMING FOR FIXED ASSET USAGE

List of fixed asset groups	Minimum using period (years)	Maximum using period (years)
A – Power machines, equipment		
1. Motive power machines	8	10
2. Generator	7	10
3. Transformer and power source equipment	7	10
4. Other power machines and equipment	6	10
B – Working machines, equipment		
1. Machine-tool	7	10
2. Machines, equipment used in mine ores field	5	10
3. Traction machine	6	8
4. Machines for agriculture, forestry usage	6	8
5. Water and oil pumping machines	6	8

6. Metallurgy, surface processing equipment for metal anti-rust and anti-corrosion	7	10
7. Equipment used for chemical manufacturing	6	10
8. Machines, equipment used for manufacturing construction materials, glazed terra-cotta and glass things	10	20
9. Equipment used for manufacturing electronic, optical and precision mechanical parts	5	12
10. Machines, equipment used for manufacturing leather, printing, stationeries and cultural products	7	10
11. Machines, equipment used for apparel industry	10	15
12. Machines, equipment used for textile industry	5	7
13. Machines, equipment used for paper industry	5	15
14. Machines, equipment for manufacturing, processing food	7	12
15. Film industry, health-care machines, equipment	6	12
16. Communication, information, electronic, computer and television machines, equipment	3	15
17. Machines, equipment for	6	10

manufacturing Phamaceutical products		
18. Other working machines, equipment	5	12
19. Machines, equipment used for oil refinary industry	10	20
20. Machines, equipment for oil survey and explotation.	7	10
21. Construction machines, equipment	8	12
22. Crane	10	20
C – Working tools for measurement, experiment		
1. Measuring and testing tools for mechanical, acoustic and thermodynamic items	5	10
2. Optical and spectrum equipment	6	10
3. Electrical and electronic equipment	5	8
4. Physicochemical measuring and analysing equipment	6	10
5. Radioactivity measuring equipment and tools	6	10
6. Special professional equipment	5	8
7. Other measuring and testing equipment	6	10

8. Dies used in casting industry	2	5
D – Transport equipment and modes		
1. Road transport modes	6	10
2. Railway transport modes	7	15
3. Waterway transport modes	7	15
4. Airway transport modes	8	20
5. Pipeline transport modes	10	30
6. Loading and unloading equipment	6	10
7. Other transport equipment and modes	6	10
E – Management tools		
1. Measuring and calculating equipment	5	8
2. Information, electronic machines, equipment and softwares for management	3	8
3. Other management tools and equipment	5	10
G – Houses, architecture things		
1. Strong-type houses (1)	25	50
2. Shift rest rooms, shift canteens, toilets, locker rooms, parking areas, etc	6	25

3. Other houses (2)	6	25
4. Store, containers; bridges, roads, airport runway; parking areas, drying ground, etc	5	20
5. Embankment, dams, cannals, ditches, spouts, ports, stone mouds, etc	6	30
6. Other architecture things	5	10
H – Animal, perennial garden		
1. Kinds of animal	4	15
2. Industrial tree garden, fruit garden, perennial garden.	6	40
3. Grass cover, green tree cover.	2	8
I – Other tangible fixed assets which have not been regulated in above groups	4	25

IV. Investment for improvement and repair of fixed assets:

1. Expenses paid by enterprises to improve the fixed assets are reflected into increase value of such fixed asset's original cost, it is unallowable to enter these expenses into accounts of period-based business and production expenses.

2. Expenses for repairing fixed assets shall not be entered into account of increase in fixed asset original cost, but shall be directly calculated or gradually allocated to period-based business expense in less than 3 years.

Expenses for fixed asset depreciation shall be deducted when handling with corporate income tax in following cases:

a) Depreciation for fixed assets which are not used in production, business doing.

Depreciation of fixed assets which, in particular, serve labors in enterprises such as: shift rest rooms, shift canteens, locker rooms, toilets, clean water containers, parking areas, health-care units, transport for labors, training centres, hostel for labors constructed by enterprises, shall be deducted when determining income subject to taxation.

b) Depreciation for fixed assets which have no certificates or papers to prove enterprises' ownership (except for financial leasing fixed assets).

c) Depreciation for fixed assets which are not managed, monitored, entered into accounting books of enterprises in accordance with existing fixed asset management rules and accounting rules.

d) Depreciation exceeds existing regulations of Ministry of Finance on mechanism of managing, using and deducting depreciation of fixed assets. In case the enterprises are profitable and in need of accelerated depreciation to change the technology and such enterprises are applying straight-line depreciation method, its depreciation charge shall be the higher amount in comparison with accelerated depreciation level as regulated.

Enterprise shall register its method of fixed asset depreciation with tax authority before calculating depreciation. Annually, the enterprise shall self decide its fixed asset depreciation in compliance with existing regulations of Ministry of Finance on mechanism of managing, using and deducting fixed asset depreciation, even with accelerated depreciation. During production, doing business period, the enterprise may have changes in its depreciation charge but this is still within the limit of regulated depreciation, in this case, enterprise can adjust the depreciation charge, but the latest timing for adjustment is when the corporate income tax balance sheet in depreciation charge year is submitted.

Equity fixed asset, adjusted fixed asset for dividing, splitting, merging, type changing receive re-appraisal as regulated, the receiving enterprise shall take the depreciation into account of expense, based on original cost after re-adjustment. For another assets which receive re-appraisal as regulated and are not possible to be recognized as equity fixed asset, adjusted fixed asset for dividing, splitting, merging, type changing, the receiving enterprise shall be allowed to calculate it into deducted expense, based on re-appraisal prices.

For fixed asset which needs self calculation of its original cost for depreciation, the original cost is total production expenses to make such asset.

e) Depreciation based on original cost which exceed 1.6bil VND per unit for under 9 seat cars newly registered and calculated for depreciation from January 1, 2009 (except for passenger traveling and service cars); depreciation charge for fixed asset as civil airplane and cruisers which are not purposed for freight, passenger and traveler transportation.

Under 9-seat cars used in passenger, travelling and service transportation purpose are registered under the name of enterprise and this enterprise registers one of its business fields is passenger, travelling transportation, hospitality business in its Certificate of Business Registration.

Civil airplane and cruisers which are not purposed to do business in freight, passenger, traveler transportation are those which are under ownership of enterprises who register and calculate the depreciation charge, but it its Certificate of Business Registration, there is no item for doing business in freight, passenger and travelling transportation.

g) Depreciation for fixed asset which has been fully depreciated.

h) Depreciation for works on the land both used for business purpose and others shall not be calculated into expenses for the work on the land of non-business purpose

In case works like office, workshop, shops assisting production and business activities are built on leased land or borrowed land from organizations, individuals, households (not directly rent government or industrial park land), the enterprise shall only calculate the depreciation into expenses for these works if following conditions are fulfilled:

- Land lease, borrow contracts are notarized at notarization agency in compliance with regulations; lease, borrow period based on contracts shall not less than minimum depreciation period of fixed asset.

- Invoice for construction quantity together with construction contract, contract liquidation, construction work balance sheet are under the name, address and tax code of the enterprise (Circular No. 130/2008/TT-BTC dated December 26, 2008 by Ministry of Finance on guidance for application of some articles in Corporate income tax law No. 14/2008/QH12, and guidance for application of Decree No. 124/2008/NĐ-CP dated December 11, 2008 by the Government on detailed regulation on several articles in Corporate income tax law).

Depreciation period in accounting system and this in taxation system are the same.

V. Retirement mechanism and lump-sum social insurance

RETIREMENT MECHANISM

A –Conditions of application:

The laborer who has enough 20 or more years contributing social insurance and satisfies the following conditions:

- Men and women at the age of 60 and 55, respectively;
- Men and women at the age of 55 and 50, respectively, with enough 15 years

working in particularly hard, poisonous and dangerous conditions or in the places which regulate the regional allowance rate of ≥ 0.7;

- Men and women at the age of 50 and 45, respectively, who lost ≥ 61% of labor abilities (a lower pension rate is paid);
- Regardless of age, men and women who lost ≥ 61% of labor abilities, with enough 15 years working in *particularly hard, poisonous and dangerous conditions* (a lower pension rate is paid);
- Men and women at the age from 50 to below 55, with at least 5 years working in mine coal exploitation field;
- Regardless of age for those who are infected with HIV/AIDS due to occupation-related accidents.

B – BENEFITS:

1/ Pension pay:

Monthly pension = Pension rate X Average salary contribution to social insurance

a/ Pension rate:

45% for the 15 initial years; with 2% (male) or 3% (female) added to each continuing year

Note: The maximum pension rate is 75%. For each year the laborer gets retired earlier before the regulated age, 1% will be subtracted from the defined pension rate.

b/ Calculation of average salary contribution to social insurance:

- Duration of social insurance contribution based on the salary coefficient in compliance with the state prescriptions:
  - 5 final years, if participating in social insurance before 1995
  - 6 final years, if participating in social insurance before 2001
  - 8 final years, if participating in social insurance before 2007
  - 10 final years, if participating in social insurance from 2007 to now
- Duration of social insurance contribution does not comply to the state salary rank: Average salary of overall working duration.
- Dividing in periods of contrubution, under and not under the state salary rank, the calculation will be made as follow: average salary of all periods of time, in which for the time contributing social insurance in accordance with the state salary rank, average of monthly salaries is calculated as above.

2/ Other benefits of pensioners:

- Receive free medical insurance funded by the Social Insurance Fund;
- Receive free ATM card when opening a retirement procedure.
- Receive mechanism for the death after dead;
- Receive monthly pension at the residence. The pension amount is adjusted on the basis of the living cost index for a period of time;
- The lowest pension is equal to the common minimum salary level;
- Receive one-time allowance after retirement if the laborer has contributed social insurance for more than 26 years for women and 31 years for men: From the 31st year (for men) and 26th year (for women) on, each additional year of social insurance contribution, the allowance will be calculated as half average monthly salary used for social insurance contribution.

3/ Lump-sum social insurance allowance for the laborer who does not meet the conditions for pension *(contributing social insurance from 3 months to < 20 years)*: for each year of social insurance contribution, the laborer receives 1.5 times of average monthly salary used for social insurance contribution.

Allowance is paid immediately without waiting for the next 12 months for those who:

- Lost more than 61% of labor ability;
- Are at the end of the labor age;
- Legally resides abroad.

Allowance is paid after 12 months: After one year getting retired, the labor does not continue his/her social insurance contribution.

4/ Individual months of social insurance contribution (When calculating monthly pension, one-time allowance after retirement or one-time social insurance):

- Below 3 months: Not counted
- From enough 3 months to below 7 months: half a year is counted
- From enough 7 months to below 1 year: 1 year is counted

C –PROCEDURE:

1/ For those who are contributing to compulsory social insurance, the documents include:

- Social insurance book;
- Decision on retirement for pension benefits;
- For those pensioners who lost labor ability, it is required for a verification certificate on the loss of labor ability issued by Medical Verification Council; for those pensioners who get infected with HIV/AIDS due to occupation-related accidents, it is required for a

verification certificate on HIV/AIDS infection due to occupation-related accidents issued by the authorized agencies (a copy or origin).

2/ For participants those who contribute voluntary social insurance, those who reserve the duration of obligatory social insurance contribution and those who continue to contribute obligatory social insurance, the documents include:

- Social insurance book;
- An application for pension benefits (Form No.12-HSB) or a Certificate on retirement benefits for those who get retired without sufficient life age;
- For those pensioners who have finished their imprisonment without suspended sentence, it is required for a certificate on their imprisonment completion (a copy).
- For those pensioners who lost their labor ability, it is required for a verification certificate on the loss of labor ability issued by Medical Verification Council beside the above-mentioned documents.

3/ Documents for lump-sum social insurance benefits:

- Social insurance book;
- Documents for each case as follows:

+ For those who have reached the age of retirement but do not have enough 20 years of social insurance contribution: Retirement decision (an origin or a copy) or resignation decision (an origin or a copy) or document about termination or expiry of the labor contract.

+ For demobilized, resigned people having insufficient conditions to enjoy pensions: Decision on demobilization (an origin or a copy).

+ For those who lost 61% or more of labor ability and do not have enough 20 years of social insurance contribution: a verification certificate on the loss of labor ability issued by Medical Verification Council.

+ For those who go to foreign countries for permanent residence: A Vietnamese notarized translation of the entry visa for permanent residence or Residence card or a Certificate on permanent residence issued by the authority of local countries.

+ The labor who does not have enough 20 years of social insurance contribution and the labor who voluntarily participates in social insurance (taking into account of reserving years of social insurance contribution), after one year of resignation, if he/she has not continue to contribute social insurance, he/she can claims to receive one-time social insurance: An application for one-time social insurance payment (Form 14-HSB).

+ For those who have finished their imprisonment in case there is no suspended sentence is applied: It is required to include a certificate on their imprisonment completion (a copy).

Terms of Reference for General Consultant

I. Project Information

A. Background Information

1 The Ho Chi Minh metropolitan area is the major hub of Southern Vietnam and the most important economic region in the country, and it is of paramount importance that this urban area functions efficiently. Increased traffic congestion has led to increased air pollution, deteriorated amenities, and reduced accessibility to urban services. The worsening situation due to lack of transport infrastructure continues to adversely affect the economic activities and daily life of the people. The current situation calls for the development of a comprehensive urban public transport system, which consists of outer ring roads, bus services and urban mass rapid transit system. The Five-Year Socio-Economic Development Plan 2006-2010 also targets to develop Ho Chi Minh City as a multi-center city, linked with other provinces in the region through modernized routes.

2 Population of Ho Chi Minh City metropolitan area increased from 6.589 million in 1997 to 7.653 million in 2002 including immigrants and visitors, and is predicted to increase to 13.5 million in 2020. Together with economic growth, motorization has been making progress: in the City from 1996 to 2002, number of motorcycles increased from 1.1 million to 2.0 million, and 4-wheel vehicles increase from 96,000 to 158,000. Accordingly, traffic volume has been increasing in the area. Average travel speed in the City is 27.5km/h in 2002, and is predicted to worsen 7.0-8.2km/h in 2020. Public transport shares 5.6% of the transportation mode, which attributes to the low speed of travel in the City.

3 In addition, pollution caused by growing traffic is also serious. The air quality in the area is the worst level in major cities in Asia, as shown by NO density (0.4-0.6mg/m3) and Suspended Particulate Matters (SPM)

(0.8-3.8mg/m3) in 2000.

4 Thus there is a need to develop mass rapid transit system in Ho Chi Minh City.

B. Location of the Project and Information on the Surrounding Area

5 In the Study on Urban Transport Master Plan and Feasibility Study in Ho Chi Minh Metropolitan Area (HOUTRANS) completed in June 2004, four urban mass rapid transit lines were proposed. Among them, the biggest ridership was estimated for Line 1 as of 2020. Line 1 is planned to traverse the inner core and connect with the satellite towns of Bien Hoa, Dong Nai Province and Binh Duong Province

C. Studies Carried Out to Date

6 HoChiMinh City Urban Railway Construction Project, Ben Thanh-Suoi Tien Section (Line 1) has been appoved by HCMC's People Committee at the official decision No.1453/QD-UBND, dated April 06,2007

D. Scope of the Project

7 The Project consists of the following works:

(i) Civil works (Underground)

- 2.6km of underground section (Ben Thanh-Ba Son); with 3 (three) underground stations (Ben Thanh, Opera House, Ba Son)

(ii) Civil works (Elevated)

- 17.1km of elevated section (Ba Son-Suoi Tien Bus Terminal) with 11 (eleven) elevated stations (Van Thanh Park, Tan Cang, Thao Dien, An Phu, Rach Chiec, Phuoc Long, Binh Thai, Thu Duc, High Tech Park, Suoi Tien, Suoi Tien Terminal)

(iii) Construction of depots

- 1 (one) depot in Long Binh

(iv) Electrical and mechanical works, rolling stock, track work, maintenance

(v) Consulting services

Proposed contract packages for implementation of the Project is as the table shown below:

Package	Scope of contract	Remarks
Civil Works (Underground)	Two (2) single track shield tunnels with approach sections, underground stations, station electrical & mechanical works but excluding lifts and escalators	EPC (Design – Build)
Civil Works (Elevated)	Two (2) single track elevated structure, elevated stations, station electrical and mechanical works but excluding lifts and escalators	EPC (Design – Build)
Depots	Depots and workshops including track works and procurement of equipment for depots	Design – Tender
Electrical and Mechanical Works	Signaling system, telecommunication system, substations and power distribution system including traction power system, automatic fare collection system, track-work, tunnel ventilation system, and lifts and escalators	EPC

Comment

8 Key dates of implementation

See project implementation progress (expected): Section 9 ? missing

E. Implementation Organization

9 Responsible bodies for project implementation are as follows:

(1) Executing agency under Loan Agreement: Ho Chi Minh City

People's Committee (HCMCPC)

10 (2) The Employer: Management Authority for Urban Railways (MAUR) MAUR is established by HCMCPC and under HCMCPC.

11 (3) Project Implementing Agency: Management Authority for Urban Railways (MAUR) has been established under HCMCPC.

12 (4) Implementation Arrangement

During preparation and implementation, Ministry of Transport (MOT) and Vietnam Railway Administration (VNRA) under MOT will be responsible in state management, from the aspect of their compliance with the Railway Law and its implementing rules.

Ministry of Construction (MOC) will be also responsible in state management of the Project, especially from the aspect of urban development.

URMD makes coordination inside HCMCPC, with Management of Operation Center for Public Transport (MoOCPT) which is controlling buses, Department of Urban Planning and Architecture, for the purpose of making necessary coordination among related departments.

Project Steering Committee is planned to be established. It will be held when necessary, to support HCMCPC in implementation of the Project, by discussing issues which HCMCPC needs to consult with related ministries.

II Terms of Reference for the General Consultant

A. OBJECTIVE

13 Objective of this contract is to obtain comprehensive consultancy services

for procurement, construction, commissioning and operation and maintenance of the Line 1 (I) project, including all civil engineering structures, tracks, signals, telecommunication facilities, traction arrangements, air conditioning and ventilation, rolling stock, maintenance of depots, stations, operation control centers, offices, station integration areas, bridges, flyovers, elevated, surface and underground sections over the project routes, integration with other modes of transport, future property development.

B. RESPONSIBILITIES OF GENERAL CONSULTANT

14 The responsibilities of the General Consultants will be as follows:

(1) GC will at all time exercise all reasonable skill, care and diligences in the execution of his duties. He will also be responsible for the accuracy and completeness of his works during commissioning of UMRT Line 1.

(2) GC will be responsible to ensure that the goods and services used for the project are suitable and having reasonable cost. The designs and specifications adopted on the project should not such that limit the requirements regarding competitive bidding. It is also essential that GC will be demonstrably impartial in the performance of his duties.

(3) GC will function in close co-ordination with The Employer in the performance of all services, including the supports of resources to The Employer.

(4) The functions and the activities of GC will be monitored and quality assurance inspection of the same will be done by The Employer.

(5) GC will assist The Employer for engagement of all contractors and suppliers.

GC will consistently act as a loyal consultant who protects the interests of The Employer.

(6) GC will record all aspects of the work covered by the project. The

Employer may inspect these records from time to time during course of the contract. Acceptance of the work by The Employer will not relieve GC of their professional obligations to correct, at their own cost, any errors in their work.

If services provided by GC proven to have mistakes which cause effects on the service quality, efficiency of works and costs of Project, GC will be responsible to make compensations to The Employer for those mistakes except for the case those mistakes are caused by factors beyond the control of GC.

(7) GC will assist The Employer for taking necessary action with regard to various environmental and social aspects which have been suggested by Ministry of National Resources and Environment, and those which have been agreed between The Employer and JBIC. GC will monitor the progress in these matters and report to The Employer.

(8) The originals of all plans, drawings, engineering specifications and similar materials, and any data and all records or documents pertaining to the work will be treated as confidential by GC and will not, without written consent of The Employer, be made available to any person and will be delivered to The Employer upon completion of the work and will become the property of The Employer. However, GC may retain, for his own record, copies of the said plans and documents.

(9) GC will be responsible to give explanations to the relevant bodies of Vietnam and to JBIC for the results of his consulting services. The consulting services will be considered to be completed upon the acceptance of and the payments of The Employer for the products, submitted documents and services provided by GC and upon the contract liquidation by the two parties.

C. *TECHNICAL INFORMATION*

15 (1) Civil Work Structure

The Project is planned with underground and elevated structures. The underground section is planned with shield tunneling method, so as to minimize impact on the surrounding environment including road traffic, and consideration to the construction cost. However, the section under Le Loi Street is planned with cut and cover method, because it is more suitable for complicated construction works of stations, and also in order to provide crossover for turn back.

For the section along Hanoi Highway, elevated structure is proposed as a more reasonable option than ground structure, considering impact on road traffic.

16 (2) Technical Specifications

Technical specifications will be described in the Feasibility Study report. "Standard Urban Railway System for Asia (STRASYA)" - specifications are prepared with the technical assistance supported by the Japanese Ministry of Land, Infrastructure and Transport - and the Japanese railway technical standards for permanent way and station will be applied to the project, under the condition that it is approved by Ministry of Transport.

17 (3) Design and Build Method

Design Build Method will be applied for the underground civil works, because the executing agency has no experience in large scale of underground construction in soft soil area, and thus executing agency prefers to transfer risk to consultant rather than being heavily involved by controlling the product throughout the design and construction process. Design and Build Method will be applied for the elevated civil works as well.

D. *SCOPE OF SERVICES*

18 The scope of services of GC is as follows.

(1) Supplement with the feasibility design for UMRT Line 1.

(2) Prepare tender design/documents for the packages of "Design and Build" contracts.

(3) Prepare tender design/documents for the different packages of "EPC" contracts.

(4) Prepare design/documents for the package of procurement of rolling stock.

(5) Prepare detailed design document for depot package.

(6) Prepare and, together with The Employer, submit estimates for each package and total project estimate for approval of the responsible authorities according to the regulations of Vietnam.

(7) Assistance for the selection of contractors and suppliers.

(8) Construction supervision.

(9) Environmental and social considerations

(10) Conducting HIV/AIDS prevention program.

(11) Commissioning and trial runs.

(12) Preparation of Manuals for construction, administration, operation and maintenance.

(13) Assistance for public campaign.

(14) Training personnel to The Employer

(15) Assistance for operation and maintenance.

19 Detailed scope of services is described in following paragraphs:

20 (1) Supplement with the feasibility design for UMRT Line 1.

GC will incorporate the preliminary designs, design criteria, specifications, drawings, reports, etc. in the tender documents. This task will be done in the following stages:

a) Preliminary investigation,

b) Preliminary system design,

c) Preliminary designs,

d) System integration.

On each stage, the following will be covered but not limited to:

21 a) Preliminary investigations

i) Previous feasibility studies;

ii) Topographic survey and mapping;

iii) Geotechnical survey.

iv) Utility investigation.

v) Investigation of the existing buildings, structures and urban development plan along the routes

vi) Investigation of records and documents on the buildings and the constructions along the routes.

vii) Investigation of laws, regulations, other related rules and guidelines, and international standards for accessibilities and preliminary survey for the situation and needs of elderly and disabled persons; preparation of an action plan for securing and maximizing accessibilities.

22 b) Preliminary system design

i) Locations of all stations and details of route alignment;

ii) Number of passengers getting on and off and connection rate of all stations at peak hour

iii) Sectional passenger flow diagram

iv) Preliminary train operation diagram.

v) Size of railcar and train formation.

vi) Current fare collection system.

vii) Substation and power distribution system.

viii) Track structure.

ix) Signaling and telecommunication system.

x) Train operation system

xi) Preliminary cost estimate and financial analysis.

23 c) Preliminary design

i) Alignment design;

ii) Track layout:

iii) Train operation diagram;

iv) Selection of construction method for the elevated section and underground section;

v) Outline design of the elevated stations and underground stations;

vi) Outline design of the railcar including performance requirements;

vii) Outline design of depots including inspection facilities and workshop;

viii) Outline of railcar maintenance schedule;

ix) Outline of substations and power distribution system;

x) Outline of signaling system;

xi) Outline of telecommunication system;

xii) Outline of the OCC (Operation Control Center), including train operation control system, SCADA system, passenger safety monitoring system, air-conditioning and tunnel ventilation system, etc.;

xiii) Outline of the central and branch offices and OCC building, driver's sheds, etc.;

xiv) Phased construction schedule;

xv) Construction cost, annual budget estimates and cash flows

24 d) System Integration

i) Power supply: balance between maximum power consumption and supply capacity;

ii) Maintenance equipment: comparison between manual maintenance and investment for man-saving maintenance equipment;

iii) Control systems: conflict among centralized control, independent control and central monitoring and decentralized autonomous control;

iv) Interference: interference by various power supplies with control signals

24b e) Finalization of outline design criteria, specifications, standards and codes of practice

For construction of the underground and the elevated sections, and the system-wide section, the recommended design criteria, specifications, general standard and codes will give due consideration to the relevant design criteria/codes/specifications established by relevant authorities. Where the standards and specifications are not available in the relevant authorities, the design criteria, specifications and general codes including applicable standards will be adopted with the appraisal of The Employer and relevant authorities. The recommended criteria, specifications, etc. will become part of design, on acceptance by The Employer.

GC will provide the relevant authority with necessary information in order for such recommended design criteria, specifications, and codes adopted for the sections to be Vietnamese technical standards.

It will be ensured that the design and specifications will meet the project requirements at reasonable cost, without imposing any limitations in regard to competitive bidding.

25 (2) Prepare tender design/documents for the packages of "EPC (Design and Buid)" basic contracts

26 a) The tender design for the underground section will be prepared by GC on "EPC (Design and Buid)" basis.

27 b) GC will recommend the designs for adoption as tender designs covering all aspects relevant to the implementation of the underground and elevated sections. The tender design will include:

i) Geometric designs of final alignment plans and profile;

ii) Design of cut & cover, bored tunnels shown in plan, cross-section profile, including details of tunnel lining, drainage system, etc.

iii) Construction tolerances of bored tunnel.

iv) Architectural and engineering design for underground stations including related details of stair case, pedestrian accesses, ventilation and ventilation shafts, air-conditioning equipment, evacuation facilities, etc. Space for lifts and escalators shall be indicated. Devices to accommodate special needs of the elderly and disabled persons shall be indicated as well, reflecting the result of consultations with DPOs.

v) Right-of-way plans on topographic map provided by The Employer.

vi) Any other relevant details/data.

28 c) ....

29 d) Preparation of tender documents for the underground and elevated section

i) Based on the tender designs, and accepted design criteria, specifications, standards and codes of practice, the General Consultant will prepare the estimate for the tender package for the Employer.

ii) The tender and contract and documents will include:

- Invitation Notice
- Form of Tender
- Instructions to Tenderers
- General Conditions of Contract (GCC)
- Special Conditions of Contract (SCC)
- Technical Specifications
- Owner's Estimate
- Drawings
- Form of Contract

The tenderers will be invited by the GC on behalf of The Employer.

30 e) Review of Project Design submitted by the tenderers for the underground and elevated section.

GC will review and check the design, including drawings and other related documents submitted by the contractors for conformity with the specifications, requirements and good engineering practice of The Employer and relevant authorities. The contractors have responsibility for correction and completeness of their design as stipulated in the contract.

31 (3) Prepare design/documents for various contract packages of "EPC" basis contracts

32 a) The tender design for the Systemwide section will be prepared by GC, keeping in view that the contract packages shall cover the construction of Signaling System, Telecommunication System, Substation and Power Distribution System including Traction Power Supply, Automatic Fare Collection System, Trackwork, Tunnel Ventilation System, and Lifts and Escalators, on "EPC" basis.

33 b) GC will recommend the designs for adoption as Tender designs covering all aspects relevant to the implementation of the systemwide sections. The tender design will include:

i) Geometric designs of final alignment plans and profile.

ii) Design of cut & cover, bored tunnels shown in plan, cross-section profile, including details of tunnel lining, drainage, etc.

iii) Construction tolerances for bored tunnel.

iv) Architectural and engineering design for underground stations including related details of stair case, pedestrian accesses, ventilation and ventilation shafts, air-conditioning equipment, evacuation facilities, etc. Space for lifts and escalators shall be indicated. Devices to accommodate special needs of the elderly and disabled persons shall be indicated as well reflecting the result of consultations with DPOs.

v) Right-of-way plans on topographic map

vi) Designs of Signaling, Telecommunication and Automatic Fare Collection System.

vii) Designs of Traction Power System, Power Distribution, Substation and other electrical installations.

viii) Design of Field Monitoring System to monitor the performance of elevated, at-grade and underground stations and tunnels.

ix) Design of track and its support system, its safety clearance in the tunnel and at stations, switching arrangements, etc.

x) Design of depot, including layout of buildings, facilities and tracks.

xi) Design of Tunnel Ventilation System, including the design concepts, conditions and parameters.

xii) Design of Lifts and Escalators, including salient features.

xiii) Any other relevant details/data.

34 c) ...

35 d) Preparation of tender documents for Systemwide sections

i) Based on the tender designs, and accepted design criteria, specifications, standards and codes of practice, the General Consultant will prepare Owner's Estimates for various tender packages.

ii) The tender and contract documents for the agreed tender packages shall be prepared in same lines as in paragraph 29 d) ii).

iii) The tender will be invited by the GC on behalf of The Employer.

36 e) Review of Project Design submitted by the contractor for the System-wide Section

GC will review and check the design, including drawings and other related documents submitted by the contractor for conformity with the specifications, The Employer's requirements and good engineering practice. The responsibility for correctness and completeness of contractor's design remains with the contractor, as stipulated in the contract.

37 (4) Prepare design/documents for procurement of Rolling Stock.

38 a) The tender design for the Rolling Stock will be prepared by GC, in a manner that it is consistent with the final design, its track, stations, associated equipment, safety clearance, etc.

39 b) The tender design for the rolling stock shall be fully compatible with traction power system and operation system. The recommended designs should satisfy the criteria of economy in initial cost, operating and maintenance cost, and life cycle cost as well.

40 c) The tender design shall cover the basic system design, including propulsion and braking system. Other important criteria are proven equipment with high reliability, passenger safety feature, energy efficiency, light weight equipment and coach body, aesthetically pleasing interior and exterior, low life cycle cost, accessibilities for all passengers including elderly and disabled persons, and flexibility to meet increase in traffic demand.

41 d) Preparation of tender documents for Rolling Stock

i) Based on the tender designs, and accepted design criteria / specification / standards and the general codes, the General Consultant will prepare Owner's Estimates for the tender package.

ii) The tender and contract documents for the agreed tender packages shall be prepared in same lines as in paragraph 29 d) ii)..

iii) The tenderers will be invited by the GC on behalf of The Employer.

42 e) Review of Project Design submitted by the contractor for the Rolling Stock

GC will review and check the design, including drawings and other related documents submitted by the contractor for conformity with the specifications, The Employer's requirements and good engineering practice. The responsibility for correctness and completeness of contractor's design remains with the contractor, as stipulated in the contract.

43 (5) Prepare Detailed Design document for depot package

44 a) GC will prepare the designs and drawings on the criteria, specifications, and format, as stipulated in the TOR

45 b) GC will prepare the following tender documents:

i) The tender documents shall be prepared by GC subject to the appraisal of The Employer. The tender documents will include but not be limited to the following items:

- Invitation Notice
- Form of Tender
- Instructions to Tenderers
- General Conditions of Contract (GC)
- Special Conditions of Contract (SC)
- Technical Specifications
- Bill of Quantities (BOQ)
- Drawings
- Form of Contract

ii) The tenders for the construction of the depot package will be invited in the sequence and time schedule decided in consultation with The Employer.

46 (6) Prepare and, together with The Employer, submit the separate estimate for each tender package and total estimate to the responsible authorities for approval in accordance with the prevailing regulations of Vietnam.

a) GC shall undertake the preparation of estimate for each item of the tender packages.

b) Preparing total estimate

c) Submitting, together with The Employer, the estimates and total estimate to the responsible authorities for approval in accordance with the prevailing regulations of Vietnam.