

Myanmar

General Transport Infrastructure - Market Snapshot

Myanmar Headlines

- Myanmar is the largest country in mainland Southeast Asia border with Bangladesh and India in the west and northwest, China in the north and northeast, Lao PDR and Thailand in the east and southeast.
- 13% gross domestic product increase in 2030- a \$40 billion opportunity annually³.
- Myanmar was ranked 113 out of 160 countries studied by the World Bank's Logistics Performance Index (LPI) in 2016. This presents opportunities for private sector investment across several sectors⁴ (LPI 2016, World Bank).
- Investments in Myanmar transportation were only 1.0% -1.5% of GDP between 2005 and 2015.
- \$60 billion in transport infrastructure investment is required for 2016-2030³ (ADB,2016)
- The Asian Development Bank will help Myanmar modernise its transportation infrastructure seeing public private partnerships as key to promoting projects⁵. (Feb, 2017)

Market Overview

The Myanmar government has indicated that its immediate priority is to improve infrastructure projects including land connectivity, transportation links with regional economies to boost economic integration and improvement of basics amenities to transform Myanmar into a world class green metropolis.

Since 2012, the government of Myanmar has been formulating the National Transport Master Plan. Approval from the Cabinet has secured the implementation of the projects under the Master Plan and there are 142 proposed projects for road, rail, maritime, inland water, transport, and air sectors.

Inland Transportation

- Myanmar has 151,298km of which 39,076 km is paved road. The country's internal road network is presently insufficient to service a country of 676,578 sq km².
- Vehicle registration has more than tripled in a decade and daily travel in Yangon has slow down by two to three times.
- New types of public transport are being introduced with the new Yangon Bus Service launched in February 2016⁶.
- There are five main overland crossings with Thailand, and one each other with China and India².
- Road transport dominates long-distance travel, with 90% of freight transport and 86% of passenger transport.

- ADB estimates that Myanmar needs to increase its road network from 157,000km to about 260,000km just to connect all the villages³.

Rail

- Myanmar Railway (MR) is the state-owned agency that operates the railway network in Myanmar.
- Myanmar has the longest network of rail lines among the ASEAN countries with 412 locomotives, 960 stations, 1375 passenger coaches and 3384 wagons².
- Aging equipment and infrastructure caused repeated delays and derailment and the Myanmar government is eager to improve its rail network¹.
- Over the past few years, rail transport authorities have been actively reaching out to both domestic and international players to bid for rail-related projects⁶.
- There are two big development projects for a railway funded through Japan ODA loan:
 - Yangon- Mandalay Railway Improvement Project (2017 to 2023) valued to USD 249 million.
 - Yangon 47km Circular Railway Line Upgrading Project (2025 to 2022) valued to USD 2078 million.

Ports

- Myanmar has a long coastline with growth in volumes of imports and exports providing connections with other ports. Yangon Port momentarily handles 85% of Myanmar's import and export.
- Myanmar's ports have the potential to become regional transportation hubs serving markets in China, India and Indo-China region due to the possibility to save shipping time via over-land transport through Myanmar¹.
- Excluding Yangon, Myanmar has nine coastal ports. To meet future demand, the Myanmar government has proposed privatising berths previously held by the Myanmar Port Authority (MPA). The development of Special Economic Zones (SEZ) such as Thilawa and Dawei in Myanmar will also see concessions being awarded to the private sector for berths and jetties (including fuel storage facilities) and in so doing increase port capacity across its coastline.
- River Freight transport consists of commodity items for the Agriculture sector. There is demand for both bulk cargo and liquid cargo ports to handle the import of petroleum products for inbound distribution.
- Although passenger services have been on the decline, there are still 13-15 million passengers who use river transport³.

Opportunities

The Ministry of Transport and Communications and the Ministry of Construction have drafted a National Transport Sector Policy Statement. If approved, it should serve as the foundation of the subsequent transport sector development, including the development of a first Transport Law. In order to meet transport investment needs, the government is unlocking private sector growth by pursuing Public-Private Partnership approach (PPP). There are a range of opportunities for UK companies:

Inland Transportation

- An expected increase in tenders for both local and national-level projects
- PPP opportunities in road construction
- Contracts for various aspects of road construction, including engineering and design
- Financing
- Add-on industries such as parking garages, traffic management systems

Rail

- Cargo and container handling equipment for rail
- Railway maintenance equipment
- Electrification and communication of railways
- Railway safety equipment
- Rail traffic management systems
- Line expansion and improvement
- Opportunities to supply rolling stock
- Service-based upgrades
- Consultancy, engineering, project management and design work

Ports

- Terminal building includes warehousing
- Inland transport, improving ship building and design
- Ships for tourism, search and rescue, supply, harbour tugs
- Port and stevedoring capacity
- Improved navigation of waterways, including night time transport
- Human resources for ocean-going vessels
- Marine supply base in Yangon and Deep Sea Ports
- Installing a proper energy supply base in all ports
- Development of port facilities
- Capacity building for port management

Investment Recommendations by ADB in short term

ADB recommend investment should focus on key national corridors, in Yangon, and on infrastructure maintenance³. This review identifies the following short-term priorities:

- **Yangon-** develop high-capacity bus rapid transit lines, manage car demand and parking, invest in traffic engineering, and rehabilitate sectors of the Yangon Circular Railway
- **Highways-** upgrades the international corridors to Myawaddy and Muse, open the expressway to trucks, rehabilitate and modernize the pavement of highways with high traffic, and improve road safety
- **Railways-** modernise the Yangon- Mandalay line and scale up the maintenance of other main lines
- **Ayeyarwady River** – implement low-cost navigation aids, channel works and ports up to Mandalay.

Challenges

Pace of reform- Myanmar is implementing wide-reaching reforms under the new government, but they will take time to come into effect. Legislative issues are being updated and adapting to changes on the ground as the country readies itself for foreign investment. These are sometimes unclear and there may be uncertainty.

Local Partnerships- foreign investment in key sectors including infrastructure is still restricted to joint ventures, making the choice of local partners crucial for foreign investors, particularly identifying the ones with specific knowledge and localization strategies.

Case examples

Myanmar's infrastructure has so far been dominated by Asian governments and international finance institutions. China has backed roads and energy projects for many years and Japan has liberally issued official development assistance (ODA) loans for projects including power, railways and a special economic zone. Korea becomes an increasingly active investor, as are Thailand and Singapore.

- **ADB to support Myanmar to develop transport projects through PPP⁵**

The ADB and the Ministry of Transport and Communications have signed an advisor services agreement on February 2017, where ADB will provide strategic and transaction advisory services to support the Myanmar government identify and develop transport projects through public-private partnerships (PPP). The ADB will help in screening and prioritizing projects, undertaking due diligence, and structuring work with a view to placing these projects in the market for private sector investment.

- **JICA updates 2040 plan for Yangon development⁶**

Japan International Cooperation Agency (JICA) has been active across many areas of transport infrastructure in Myanmar, particularly in Yangon. There are 41 priority projects under the strategic urban development part of the 2040 plan, which JICA recommends be started by 2020. Reviews and updates for priority projects will take place every five years. Regional Minister of electricity, industry and transportation has been in discussions with JICA, KOICA, France Agence Francaise de Developpement and the UK Department for International Development in its effort to amalgamate various proposed projects into a single Yangon 2040 master plan. In 2014, JICA signed a deal to provide low-interest loans to Myanmar for four projects, with a total up to \$594m to improve rail lines.

- **World Bank Loans US\$40m to Myanmar Industrial Port⁶**

In April 2016, the International Finance Corporation (IFC), a member of the World Bank Group has announced a \$40m long-term loan to Myanmar Industrial Port. The first phase of a \$200m will support the port to complete the first phase of its expansion plans to improve the terminal's annual handling capacity.

- **Award of Kyaukphyu Special Economic Zone project to Chinese conglomerate⁶**

The Myanmar government awarded the US\$14 billion Kyaukphyu Special Economic Zone project (comprising a deep sea port, industrial park, and integrated residential area spread over an area of 4,200 acres located in Rakhine state) to Chinese conglomerate CITIC in January, 2016 which will hold an 85 per cent stake with the Myanmar state retaining the rest.

• **Korea and Myanmar Conglomerates propose expressway from Yangon to Bago⁶**

Myanmar Conglomerates Capital Diamond Star Group (CDSG) hopes to work with South Korea's Lotte E&C and Halla Corporation to build an express way that would link Yangon to a new international airport at Hanthawaddy. A joint proposal has been sent to the Ministry of Construction in 2015 and decision has not yet been made.

• **Myanma Shipyards partners with Vietnam company⁶**

Myanma Shipyards and Dong A Shipbuilding Joint Stock Company has signed a joint venture agreements to build vessels where Myanmar has 51 percent stake and Vietnam controls the rest.

• **Singapore-Led Consortium Wins Kyaukphyu SEZ (KP SEZ) Consulting Tender⁶**

The Bid Evaluation and Awarding Committee of KP SEZ has assigned Singapore's CPG Corporation in March 2014 to do consultancy work on land issues, deep sea port construction, finance and project programs, calling tenders to recruit SEZ developers. The tender was worth \$2.5 million.

• **Mitsubishi Corporation (MC) and Hitachi Ltd to supply and install train signalling systems in Myanmar⁶**

MC and Hitachi Ltd were signed with Myanma Railways in May 2015. This partnership is valued approximately 2.4 billion yen and is under grant aid from the JICA. Completion of the project is scheduled for June 2017.

How we can help you

The British Chamber can offer UK companies a range of business services to new UK Exporters and UK companies interested in doing business in Myanmar.

These include:

- **Business Matching**
- **Promotional Events**
- **Market Visit Programme**

For more information and further discussion on how we can help, feel free to contact to:

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Visit our website: <http://www.britishchambermyanmar.com/services.html>

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