

# Tân Tạo Industrial Park on Road to Development

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The process of establishment and development of Vietnamese industrial parks (IPs) has experienced ups and downs, especially effects of the regional financial meltdown in late 1990s. However, regional economies have revitalized and saw a boom in recent years. The Party and Government's liberal policies and political stability have helped attract foreign investors to industrial parks, thus boosting economic growth. Formerly, an IP is considered successful if more than 50% of its area is covered with investment projects. At present, in the trend of economic globalization, Vietnam's industrial parks are required to apply modern models, provide better services for foreign investors and pay more attention to environmental protection. Tân Tạo IP's existing 181 ha have been totally occupied. The company is making compensation for site clearance to build the expanded IP on 262 ha. The IP is assessed as a successful one. Its leadership and employees always try their best to provide better services for investors and create more jobs to the people.

## 1. Introduction to Tân Tạo IP

Tân Tạo IP is one of the first concentrated IPs of HCMC. Its natural area totals 443 hectares (181.8 ha is existing and 262.2 ha under expansion), including 250 ha for lease. The IP has mobilized a combined investment capital of US\$100 million.

Tân Tạo IP has an ideal location for investors. It is located in Tân Tạo A Ward, Bình Tân District, HCMC. Its front is 3.5 km long, facing National Route 1 which is the country's

north-south backbone and under expansion. Its location is:

- 12 km from downtown HCMC.
- 8 km from Tân Sơn Nhất Airport.
- 15 km from Sài Gòn Airport.

The IP is one of the main gates to HCMC and southwestern provinces, near the great labor supply area and it is able to provide accommodations to workers.

## 2. The process of establishment

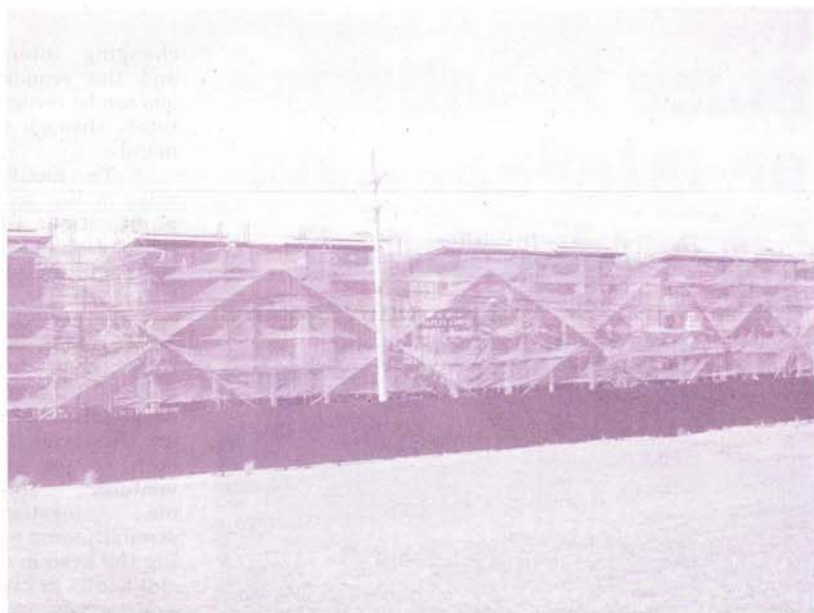
### and development of Tân Tạo IP

The project on building Tân Tạo IP was approved by the Prime Minister's Decision 906/QĐ-TTg dated November 30, 1996 with its owner as Tân Tạo IP Investment-Construction-Infrastructure Development Corporation (Tân Tạo Company). The process of developing Tân Tạo IP is one of combining capital and experience of management and infrastructure business. This is based on full utilization of internal strengths and mobilization of the people's funds for the national economic development, industrialization and modernization.

Tân Tạo IP was put into operation on February 3, 1997 when the regional economies fell into crisis and foreign investment saw a dramatic decline. In face of bad effects of the regional financial meltdown, the corporation directorate determined this was an opportunity to lure domestic investments because local businesses had a chance to buy equipment and machinery at low prices (down 30% to 50%) to innovate their technologies. The corporation has made great efforts to attract local in-

vestment flows, so it has provided free advising services for customers and helped implement the investment procedures with the motto: "Investors' development is also Tân Tạo IP growth". Right from their decision to pour money in Tân Tạo IP, investors will be given free advisory services of investment, import-export, finance, banking, taxation, etc. The corporation considers businesses' difficulties are also its problems to resolve together for the common development. Investors need only focus their efforts on production and business; other procedures will be done by the IP authority. As a result, investors always see Tân Tạo IP is their home.

In addition to infrastructure investment for land leasing, the company also works with banks and HCMC Investment Fund for Urban Development to build factories for sales by monthly installments in 10 years to help businesses lacking capital or using money to renovate equipment and machinery for business expansion. Otherwise, the client spends 30% of the investment expenses and the company spends the remaining 70% in the form of a bank loan. The company will help the client prepare procedures for mortgaging the premise and it has to pay the company's debt in installments at a preferential interest rate to the bank. This method is ideal since investors face fewer procedures and can concentrate on installing machinery for production; in addition, it also helps them use capital for building offices to invest in equipment and technology.





Tân Tạo IP has to date topped the national list of IPs building factories for leasing with 300,000 sq.m. and investment capital of VND450 billion. This support has recorded good achievements. Four months after registration, the business has been provided with factory to start production and its investment capital is quadruple as much as the company's construction cost. More importantly, as many as 50 companies were put into operation earlier, offering jobs to more than 7,000 people. These small businesses are given favorable conditions to use their capital for equipment innovation and improvement of product quality with the aim to win in the competition with foreign rivals.

Tân Tạo IP is always concerned about creating value added to investors. The IP has requested the Government to establish an Inland Clearance Depot (ICD) right within the IP. Businesses can enjoy speedy customs clearance procedure and lower transport charges. The company also set up an advanced network of information technology with high-speed leased lines to help businesses integrate in the regional and the world economies. In respect of health care, the IP has built a health station and been upgrading it into a clinic to serve its workers.

Beside efforts of its staff and workers, Tân Tạo Company has received assistance from the city and district governments, HCMC IP and EPZ Authority in removing obstacles and troubles to its development. HCMC IP and EPZ Authority has carried out administrative reformation applying the one-door mechanism. This is just an important motivation for the city IP evolution; it makes investors feel much more assured.

In its eight years of establishment and development, Tân tạo IP has so far attracted 207 investment projects with total capital of US\$118 million and VND4,269 billion, leasing 100% of existing land and 50% of expanded land. Here, there are 138 factories under operational, providing permanent jobs to 20,000 workers.

Tân Tạo Company has organized, improved and maintained a system of quality management certified by BVQI and become the first IP in the country to gain an ISO 9001:2000 certificate. It also made great efforts to build a system of environmental management and acquired an ISO 14001:1996 certificate on September

10, 2003. Tân Tạo IP is the only one in HCMC to get this certificate.

Having recorded above achievements, Tân Tạo Company received many awards, diplomas of merit in four consecutive years 2000, 2001, 2002 and 2003 as well as two third-class Labor Orders.

### 3. Experience lessons

In the process of IP development, one problem drawing a lot of attentions from governments is compensation for site clearance to build IPs. The IP's 262-hectare expansion project has been allowed by the PM on May 2000, but until March 2003, the IP only made compensation for 30 ha. Many investors who have registered land lease couldn't wait longer and went away. The company has suggested the city government to exchange IP land for housing land and resettle people owning land within the expanded IP and has got approval. This practice appears satisfactory to people, so the land clearance has been done rapidly because the people enjoy benefits 2.5 times as much as money paid to them. As a result, the company cleared 170 hectares only for one year, bringing the total cleared area to 200 ha. In the resettlement area, the company builds two blocks of apartments for workers. This helps save travel costs, reduce traffic jam and environmental pollution. In addition, cultural works and vocational centers are also established to improve living standard for workers.

In short, the Government and the Party's open policies, globalization trends, and international economic

integration have created both opportunities and challenges to the country's IP development. Clients are more and more demanding in terms of quality of infrastructure and support services. Just because of this, infrastructure development companies have to make great efforts to promote their services and fill up the IP.

### 4. Suggestions

In such a circumstance, especially since early 2005, the land clearance will face tougher problems when the new Land Law is executed because the compensation price is close to the market price. Therefore, the land lease is no longer attractive to investors. The Government is required to give supports to land clearance for building IPs. The following are suggestions:

- The company should be allowed to exchange IP land for housing land of people living within the IP plan. The infrastructure development company is exempted from land use tax when completing the procedure of land use right allocation for the people.

- The company should be given collateral-free loans with preferential interest rates and lending terms from 7 to 10 years so that the company is able to pay one-time compensation to the people. Otherwise, the Government pays one-time compensation to the people and allocates land to the company.

- The Government should speed up the construction of infrastructures outside the IP. ■