

Transport to Facilitate the Economy

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Introduction

The purpose of transport is the movement of people and goods. It is critical for Bhutan's economic development, like tourism, which should include scenic drives and cultural tours and treks. The effort to diversify the economy by encouraging Cottage and Small Industries (CSIs) also faces a major problem with the transportation of products within the country. Transport, long recognised as a priority, has slowed down, to the extent that it might soon be a problem more than a driver of growth. Bhutan has had the right policies, but recent governments have not made the right decisions. Looking ahead, can the new government prevent Gross National Happiness from getting stuck in a traffic jam?

Clogged Cities

When university graduate, Rinzin, found a job in Thimphu 18 years ago, there were only about six cars in his company. Today, at least two in three of the 78 employees in the company own cars. Rinzin has two and his company, a fleet. Parking in the office is a mess and the security guard doubles as the traffic man.

This problem is spread across the capital city. The city bus service, the only public transport service, is inadequate. What took 10 minutes a few years ago on the expressway, now takes 30 at rush hours. More government organisations and corporations are rushing to open new offices in the already crowded city. Stores that require trucks at their doorsteps are located in the inner city. The city boundary was expanded to decongest and accommodate the rapid development but there is no space in the extended city, which was once paddy fields. Meanwhile, city traffic is now getting clogged almost everywhere and we do detours to get to our destinations. We are burning more fuel than we should at a time when fuel price is breaking all records.

It is no better in Phuentsholing, the commercial hub and gateway to Bhutan. Phuentsholing town is also choked. Traffic comes to a standstill with 16-wheeler trucks competing with other vehicles for space on the road. The increasing number of tourists who drive their own cars adds to the traffic. It is easier to walk than drive in Phuentsholing. To many observers it is not very different from its neighbour, Jaigaon. On any given day, broken down trucks line the road from Phuentsholing to Pasakha, the industrial estate. A plan to connect the busiest estate by a rail link from Hashimara in India has remained a plan.

Public Transport Missing

The need for reliable, cheap and efficient public transport in the cities has long been recognised. The problem is we are still only talking about it. The number of buses, the only mode of public transport, and the routes they cover, has increased, but it is just addressing one part of the problem. Availability of efficient and affordable public transport - or lack of it - impacts on the number of private cars. Our transport policies aim to prevent road congestion and pollution, but successive governments have been pursuing a populist policy, a policy that is forcing or encouraging people to buy more private cars.

The new government, looking at its manifesto, will be no different. While there is a mention of public transport, both political parties running for government promised to increase the amount of the vehicle import quota. One even promised to extend it to most civil servants.

We have the highest number of vehicle ownership per 1,000 people among the SAARC countries. As per the “Bhutan Transport 2040” document developed by the Asian Development Bank (ADB), the motorisation per 1,000 population is expected to touch 400 by 2040. A vehicle buying frenzy has gripped us, the prognosis of which is quite worrying for a small valley city like Thimphu. It is estimated that by 2020, two years from now, 50 percent of Bhutanese will be living in urban areas. This will add pressure on transport infrastructure and amenities.

There is no space for those interested in cycling or walking to work. Without bus lanes, buses compete for the limited space to reach stops on time. The biggest worry, says a city bus driver, is when the bus is full of students with the traffic being a mess. Buses, taxis and small cars vie with trucks and heavy earth-moving machines for space on the city's road at rush hours. There is no timing to regulate the movement of heavy vehicles on the expressway. With economic success adding more cars on the roads every day, public transport is not just a necessity, it should be treated as an emergency.

An Important Sector

As a landlocked country, the transport sector was long recognised as a priority in Bhutan's development plans. Since the first road was built in 1961, successive Five-Year Plans prioritised roads. It was meant to boost the economy as the enabler of socio-economic development.

It has cut distance, helped lift people out of poverty by providing access to opportunities, and taken development to remote areas. However, with the transformation of the economy, largely fuelled by the rapid growth of the secondary sector -- especially hydropower, trade and tourism -- the infrastructure did not keep up with the pace of economic development.

Investment in transport has a wider impact on the economy. Efficient and reliable transport not only improves the movement of people and goods, but is an important driver of the economy by improving productivity and marketing, and reducing transportation cost and time. As the Bhutanese economy diversifies, there is demand for improved connectivity between villages, dzongkhags and towns. This includes air and rail connectivity, a road network for all purposes, postal and delivery systems.

Building Roads

For our size and population, the length of the road network is impressive. As of December 2017, Bhutan had over 12,200 kilometres (km) of motorable roads classified into five categories. This is more than double the 5,362 kilometres in 2008. It is evident from the road-building activity that, since governance transited to a democracy in 2008, the priority has been

connectivity, with elected governments investing in roads, particularly farm roads, as more and more villages wanted better lives, which they expected from road access.

For example, remote Pemagatshel, one of the poorest and least connected dzongkhags, today has all its 11 gewogs and 56 chiwogs connected via roads, one even with a tunnel (Kuensel, March 3, 2015). But it has not translated into an improved movement of people. Pemagatshel is the only dzongkhag without a public transport service even today. The roads translated into votes during election, but not economic prosperity.

Have Roads Benefitted the People?

Elected leaders are quick to take credit for the thousands of kilometres of road constructed in the last decade. To put it into context, about 5,400 kms of roads were constructed in five years in the 11th Plan. Today, 91.6 percent of houses all over the country are within 30 minutes of a road. This is a huge achievement, at least on paper.

The investments were expected to reduce transportation time and costs by reducing travel time, decreasing the cost of transport, and enhancing access to destinations. But connectivity is still an issue in landlocked Bhutan. From the experience of the last 10 years, roads are built based on populist political decisions and not on the larger long-term interests. In the economics of opportunities, a motor-able road to Laya or Sakteng, for instance, can be a curse more than a boon. Given their scenic beauty, unique traditions and customs, the highlanders of Laya and Sakteng may benefit more, for example, from trekking. As other parts of Bhutan become overcrowded by tourists, Laya and Sakteng could represent the pristine Bhutan.

The highlanders could benefit from longer visits, farmhouse stays, locally-made products, porter and pony businesses. What will they benefit if tourists drive into Laya or remote Sakteng with a packed lunch, take a few photographs, and leave? Some Layaps feel that the motor road should be stopped halfway, at Kohina, to save the beauty of the existing trail¹.

¹ Kinley Dorji, commentary, Kuensel, October 2016.

Tourism is the biggest sector after hydropower in terms of revenue source. But the benefits from tourism, which the large tour companies are reaping, are not trickling down to the local communities.

Connecting Villages

In Bhutan, farm roads meant development. Therefore, governments prioritised connecting the remotest *chiwog* (village) by farm roads, which comprise more than 50 percent of the country's total road network. Farm roads have benefited thousands of farmers. It contributed to generating increased agricultural incomes, access to social services, and marketing of agricultural produce, thereby enhancing the quality of rural life. But the rush to build farm roads without proper planning, survey, supervision and monitoring had rendered hundreds of kilometres of farm roads useless. There are no recent studies done, but a 2009 Royal Audit Authority performance audit on farm roads pointed out the deficiencies.

In the 9th Plan, the government planned 597.6 km of farm roads. At the end of the Plan, 1,064 kms were constructed, which is a 78 percent increase from the initial plan. The RAA pointed out that 49 farm roads, costing over Nu 200 million, were non-functional. There are disparities, where some gewogs enjoyed excessive connectivity while 64 gewogs were not connected by roads. Twenty-five farm roads were not usable for lack of bridges and 12 roads didn't connect to "productive" areas. Cost of farm road construction also varied by as high as 2000 percent.

A 2016 RAA performance audit on the Gewog Development Grant found that many gewogs used the grant to construct or maintain farm roads. However, the grant was not effective, as the actual construction with limited budget resulted in poor quality of roads providing "no value for money". The GDG funded farm roads did not fulfil the standards specified and many were found not usable. It only fulfilled a promise without serving the purpose.

Transportation Planning

Even as we finalise the 12th Plan, we can be assured of a higher growth trajectory. The 12th Plan has an estimated budget of Nu 336 billion, and will also have to accommodate promises made by political parties.

With sectors like trade, tourism, mining, and hydropower driving growth, the pressure for connectivity will increase. The inclusion of transportation decision-makers and stakeholders in the planning process, and integration of transportation plans in overall development planning, have become crucial, with the sector slated for playing an increasingly important role in facilitating development of all sectors. This calls for a comprehensive transport policy.

The three Cs—Coordination, Consolidation and Collaboration - need to be brought to life. The highlight of the 12th Plan provides an opportunity to take another look at our transportation policies, with roads and transport planned together. A senior transport planner blames the lack of coordination among ministries and agencies. The road department builds roads and bridges, the communication ministry plans transport, the revenue and customs department taxes vehicles, and driving schools are licensed by the labour ministry. When this happens, there are implications. “What happens when the Ministry of Economic Affairs allows a 16-wheeler truck on a bridge built by Ministry of Works and Human Settlement for eight tonnes breaking the Ministry of Information and Communication limit of 10 tonnes?” he asks.

Bold, Not Populist, Decisions Needed

There has been a call for an improved public transport system since the early 2000. It featured in the long-term transport plans, like the National Transport Policy, 2006, the Road Sector Master Plan (2007 to 2027) and several other legislations, government reports and independent studies. In the absence of public transport, the increasing number of vehicles is overwhelming. As of September 2018, there were 98,475 vehicles on our roads. On 31 December 2017, the number was 92,008. In just nine months, 6,467 new vehicles were added, almost half of them in Thimphu.

Financial institutions are offering cheap loans to buy cars. The Central Bank intervened, but both consumers and banks have tricks up their *lagays* (sleeves) to facilitate loans. There are subsidies for rich companies importing vehicles. Some politicians have called for the abolishing of the quota system when not in power, and promised generous quotas when campaigning for power.

The National Environment Commission in its State of the Environment Report, 2016, attributed the increasing vehicle numbers and GNG emissions to the vehicle import quota given to civil servants, service forces and the tourism sector. The NEC called for a review of the “quota system”. The civil servants quota that exempts taxes and duties on Nu 800,000 of a vehicle’s cost and the parliamentarians’ quota that exempts all taxes and duties, are the most traded items in the black market. Traders include lawmakers and policy implementers.

Increasing vehicle numbers has implications, especially when the infrastructure was not built to carry it. Road safety, growing congestion in urban centres, parking and pollution are the main challenges for the road safety authority. In the last decade, road accidents killed at least 76 people every year. In 2000, when the vehicle number was about 19,000, the transport sector contributed 45 percent of all energy related GHG emissions, about seven percent of the overall GHG emissions. The number has increased fivefold.

Economic Lifeline

On the outskirts of the city, *Aum* (an elderly woman) Bidha is constructing two buildings in her once paddy fields. The cost of transportation is “killing” her, she says. “If my husband could drive, I would have bought a truck.” The farmer turned landlord did her simple maths and found out that she could easily buy two trucks by the time she completed her construction. All she can do now is bargain with the truckers transporting sand, boulders, cement, steel, bricks -- everything, except boulders -- that come in truckloads from the bordering town of Jaigaon, India.

The cost of transportation has a rippling effect. Fully dependent on imports, and on road transport to bring them in, the driver of all costs is transportation. Transportation cost comes in monetary forms - like fares, fuel and other vehicle operating costs and non-monetary, such as the value of time devoted to a journey, influenced by the reliability, quality and comfort of travel.

We built a road from Phuentsholing to Thimphu in the 1960s. When the 29.2 km bypass was completed this year, travellers were reminded that we have been circumambulating around Chapchha to transport goods and people from Phuentsholing to Thimphu.

Economics of travel and transportation require that we cut distance to save time and cost. Our “master plans” recognise this, but the problem is we are still mulling over the implementation. Financial experts argue that if we had diverted the funds spent on constructing unusable farm roads to creating new roads to shorten distance, more *chirwogs* and *gerwogs* would have benefited.

Increased traffic flow is demanding upgrading of roads to all-weather roads, while carrying capacity has to be improved to reduce cost of transportation. The need for an east-west southern highway has become critical for security and economic reasons. Some headway had been made, but it is not keeping up with the demand.

Plans for improved inter-dzongkhag connectivity were laid out years ago. A road to connect Lhuentse, a remote dzongkhag with one of the highest population under poverty, is stuck in a political and environmental quagmire.

Planners have identified about a dozen new roads and bypasses that would not only shorten distances between dzongkhags, but also open them to economic opportunities, and bring rural Bhutan out of isolation. Experience has shown that good connectivity is crucial for pursuing regional economic self-sufficiency and poverty reduction. In our pursuit of balanced regional development, investments in roads call for different regional priorities.

CSIs and Transportation

Transporting goods within the country is a problem. Without good internal routes connecting places, transporters are robbed by illegal taxes on Indian highways. Our logistics capacity at border transit facilities cannot accommodate the increasing trade and traffic. The customs office in Phuentsholing is a crowded mess, where goods are inspected visually and taxes are levied on assumption. We do not use ICT to ensure faster clearance. Transporters skip weighing bridges and carry more than the legal weight.

Recognising that cottage and small industries account for 95 percent of industries in Bhutan, the government in 2010 created the Department of Cottage and Small Industry (CSI) to spearhead development of CSIs, (MoEA 2011).

The growth and success of CSIs and other small businesses depend on many factors. Again, transportation is a key. In the absence of reliable and efficient delivery services, both entrepreneurs and clearing agents depend on public transport, like passenger buses and taxis. It is infrequent and uneconomical.

“Sometimes goods are damaged on the way and sometimes they are lost. If we ask for compensation, they will refuse to carry our goods,” says a manager of a printing firm in Trashigang. “Most of the time we have to beg drivers to deliver our goods even after paying them.”

It is more difficult for smaller businesses like dairy cooperatives that produce perishable goods. Transportation cost adds to the cost of the produce, making them noncompetitive, hence affecting growth or expansion. Kofuku International is a Druk Holding and Investment company in Trashigang. The FDI Company, with resources, is not spared by the lack of transportation services. Poor road connectivity and transportation, officials say, is making their products expensive. The company invested in refrigerator vans to transport their goods, but feels they could concentrate on specialising product development if transportation is available.

Those working in the CSIs believe that there should be government intervention in encouraging specialised transport systems if CSIs are to grow, especially in rural Bhutan.

The Road Ahead

Planned investment in transportation infrastructure could provide the answer to concerns related to a diversified rural economy, poverty reduction, and sustainable economic growth. Since good infrastructure is the backbone of effective development strategies, there are opportunities that need to be included in our policies and plans.

We have a new government, elected on the promise of change. This is an opportune time to look again at policies and especially gaps in implementation. It is also a good time for institutional reorganising - for example, whether we even need a separate transport ministry with relevant departments. We should see if our legislations should be amended to facilitate better urban transport planning.

These are just some of many possibilities and requirements.