



Brunei Darussalam-Indonesia-Malaysia-Philippines  
East ASEAN Growth Area  
(BIMP-EAGA)

# Review of the BIMP-EAGA Land Transport MoUs





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Final Report  
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# Abbreviations

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ADB	- Asian Development Bank
AFAFGIT	- ASEAN Framework Agreement on the Facilitation of Goods in Transit
AFAFIST	- ASEAN Framework Agreement on the Facilitation of Inter-State Transport
AFAS	- ASEAN Framework Agreement on Services
AH	- ASEAN Highway
ASEAN	- Association of Southeast Asian Nations
BEBC	- BIMP-EAGA Business Council
BIMP-EAGA	- Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BIMP-EAGA FC	- BIMP-EAGA Facilitation Centre
CIQS	- Customs, Immigration, Quarantine, Security
CVLB	- Commercial Vehicles Licensing Board
FTF	- Frequent Traveler Facility
iCLID	- Intelligent Clearance Identity
LTWG	- Land Transport Working Group
MoU	- Memorandum of Understanding
R&R	- Rest and recreational
RORO	- Roll-on roll-off
SOP	- Standard Operating Procedure
SOSEK-MALINDO	- Socio-Economic Exchange for Malaysia-Indonesia
STOM	- Senior Transport Officials Meeting
TMM	- Transport Ministers Meeting
TTR	- Transit transport route

NOTE: "\$" refers to US dollars.

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# Executive Summary

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The BIMP-EAGA MoU on Cross-border Movement of Commercial Buses and Coaches and BIMP-EAGA MoU on Transit and Inter-State Transport of Goods were signed in 2007 and 2009, respectively. The overall objective of the MoUs was to facilitate intra-EAGA movement of people and goods.

Under the MoUs, inter-state and transit transport operations among BIMP-EAGA Member Countries are exempted from customs duties, customs security, taxes and other charges. Member Countries agreed to harmonise and simplify rules, regulations and administrative procedures relating to cross-border bus and truck operations and to provide the supporting physical transport infrastructure and facilities.

The MoUs provide a clear policy framework for Intra-EAGA land transport cooperation and commit the BIMP-EAGA Member Countries to open up their domestic transport markets to some degree of external competition.

The MoUs have been quite well received by the private sector as indicated by the large number of permits utilized.

Individual Member Countries have put in significant effort to streamline and simplify their respective domestic policies, regulations and procedures to facilitate the implementation of the MoUs. Implementation of the MoUs has resulted in a more coordinated approach towards land transport infrastructure development in BIMP-EAGA.

However, BIMP-EAGA faces the following challenges in the implementation of the MoUs: (a) absence of an EAGA-wide vehicle permit scheme; (b) absence of an EAGA-wide third party vehicle insurance coverage; (c) weak implementation guidelines/standard operating procedures (SOPs); (d) low cargo and passenger volume; and (e) inadequate infrastructure.

To move forward, BIMP-EAGA should work towards creating a common permit scheme that grants: (a) full right of inter-state and transit transport; and (b) full right to load and discharge third countries' goods destined for or coming from Member Countries. Permits issued under such scheme should have a standard validity period of at least one year or longer. BIMP-EAGA should put in place a permit scheme in which permits are issued based on market demand.

BIMP-EAGA should establish a sub-regional insurance scheme that leverages on the signed but yet to be implemented Protocol 5 (ASEAN Scheme of Compulsory Motor Vehicle Insurance) of the ASEAN Framework Agreement on the Facilitation of Goods in Transit, particularly on the operation of the Blue Card Scheme.

BIMP-EAGA should work on enhancing the existing SOPs of the MoUs and endeavour to bring greater clarity and consistency in at least three areas: (a) road traffic regulations; (b) vehicle and associated structures/components/parts; and (c) customs transit system. To



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effectively operationalize the SOPs, capacity building programmes must be conducted for the relevant public agencies, transport operators and transport crews.

Selected operators that are established, credible and reliable should be given the privilege to perform seamless inter-state and transit transport operation based on the authorized economic operator principles.

For greater multimodal functionality and hinterland accessibility, BIMP-EAGA should consider designating more roads as transit transport routes under the MoUs. Other measures that may boost passenger volume include flexible implementation of land cabotage; improving service quality and scheduling; developing visitor/tourist-friendly facilities; and joint-marketing/packaging of tourism products/ locations.

For freight traffic, one possibility is to promote intra-EAGA consolidation of supply-chain traffic by relaxing restrictions on raw or semi-processed materials (oil palm, cocoa, seaweed etc). Reduction of market access barriers, national treatment barriers and regulatory barriers as well as removal of anti-competitive practices and pricing should contribute to increased volume for cross-border traffic.

Better enforcement may be the only way to address the problem of unfair competition brought about by the presence of informal or illegal transport operators. But to be effective, Member Countries must join forces in carrying out the enforcement exercise.

ASEAN has been working on integrating regional logistics services, with targets of liberalizing relevant transport services. With the “test bed” principle, BIMP-EAGA should look into how these can be taken up to promote efficiency and competitiveness of the operators, which would contribute to higher quality and lower costs, thus generating more demand/ volume for intra-EAGA traffic. ASEAN and BIMP-EAGA should therefore intensify their engagement efforts.

Essentially, the bottom-up approach adopted by BIMP-EAGA compliments the top-down approach of ASEAN, making it a vital building block for the ASEAN Economic Community. To optimize the complementarity effects, BIMP-EAGA should take conscious efforts to align its land transport facilitation programs with wider ASEAN initiatives.

The proposed solutions made in this study were presented to the Informal STOM and 9th TMM held in Brunei Darussalam on 18–20 November 2014. The Informal STOM and TMM endorsed the proposed solutions and tasked the BIMP-EAGA Transport Cluster to:

- Work towards creating a common permit scheme that stipulates a simplified and cost-effective vehicle permit application process with standardized permit validity periods;
- Work together with private insurance companies and Ministries of Finance to establish a sub-regional third party vehicle insurance scheme;
- Collaborate with Ministries of Finance to explore the feasibility of having a simplified yet functional customs transit mechanism for BIMP-EAGA based on the “test-bed” approach; and

- Based on the authorized economic operator (AEO) concept, identify and select transport operators that are established, credible and reliable as authorized operators to perform end-to-end transportation and supply-chain solutions under the BIMP-EAGA MoU on Trucks.

The directives of the TMM and STOM should form the main agenda of the BIMP-EAGA Transport Cluster and LTWG meetings in 2015.



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# 1 Background

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The 8th BIMP-EAGA Transport Ministers Meeting (TMM) held in Banjarmasin, South Kalimantan, Indonesia in October 2013 requested the Asian Development Bank (ADB) to provide its support in transport development including support to accelerate the implementation of the BIMP-EAGA transport MoUs. In response to the request and following the decision of the BIMP-EAGA Land Transport Working Group (LTWG) Meeting held in Davao City, Philippines in May 2014, the ADB, under its Technical Assistance on Institutional Development for Enhanced Sub-regional Cooperation in the aSEA Region (TA 6462), hired a consultant in early July 2014 to undertake a study on the BIMP-EAGA land transport MoUs.

## 1.1 Objective and Scope

This study aims to identify the progress made and challenges faced in the implementation of the following MoUs. It also seeks to formulate strategies and policy measures to accelerate the implementation of the two MoUs.

- The BIMP-EAGA MoU on Cross-border Movement of Commercial Buses and Coaches (signed in November 2007) (MoU on Buses); and
- The BIMP-EAGA MoU on Transit and Inter-State Transport of Goods (signed in June 2009) (MoU on Trucks).

The study also examines BIMP-EAGA's effort in implementing the sub-regional land transport facilitation programs within the context of ASEAN's transport facilitation agenda. The main objective of the exercise is to explore possible complementarity to further enhance the ability of BIMP-EAGA as a viable platform for fast-track implementation of ASEAN transport initiatives.

## 1.2 Approach

The study uses a combination of secondary and primary data sources. Published and unpublished documents/reports are reviewed and relevant BIMP-EAGA and ASEAN official meeting reports and statements are analyzed. Annex A outlines the list of documents and reports reviewed.

Survey questionnaires were circulated during the 2nd BIMP-EAGA Transport Cluster Meeting held in Jayapura, Papua, Indonesia in September 2014. The Consultant also conducted face to face interviews with BIMP-EAGA transport officials and BIMP-EAGA Business Council (BEBC) representatives on the sidelines of the meeting.

The initial findings and recommendations of the study were presented and deliberated at the Transport Cluster Meeting in Jayapura. Subsequently, the draft report of the study was circulated to Member Countries for further inputs and comments.

## 2 Review of the BIMP-EAGA Land Transport MoUs

Telephone interviews with selected transport operators were carried out in the months of October and November 2014.

A discussion paper was prepared incorporating the responses and feedback received. The discussion is a summary of the key findings and recommendations of the study. It was later presented by ADB at the Informal BIMP-EAGA Senior Transport Officials Meeting (STOM) and 9th BIMP-EAGA Transport Ministers' Meeting (TMM) held in Bandar Seri Begawan, Brunei Darussalam in November 2014. The Informal STOM and TMM had adopted the key findings and recommendations (see Concluding Remarks).

### 1.3 Report Organization

An introduction on the BIMP-EAGA land transport MoUs is provided. This is followed by an assessment on the implementation status of the MoUs. The assessment is done at two levels, i.e., sub-regional and individual country levels. The report then provides an analysis on the challenges facing the implementation of the MoUs and proposed solutions to the challenges. The latter part of the report reviews the implementation of the MoUs within a broader context of ASEAN transport facilitation and liberalization initiatives. The report ends with a section on concluding remarks.

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# 2 BIMP-EAGA Land Transport MoUs: An Introduction

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## 2.1 Objective and Scope of Application

In mid 2000s, the BIMP-EAGA Transport Ministers decided to turn the sub-region into a “test bed” of related ASEAN transport facilitation initiatives to expedite their implementation in Member Countries (while ASEAN needs to wait for non-BIMP-EAGA countries’ ratification).

Consequently, the BIMP-EAGA MoU on Buses was signed by the BIMP-EAGA Transport Ministers during the occasion of the ASEAN Transport Ministers Meeting held in Singapore in November 2007.

The objective of the MoU is to facilitate cross-border transport of people between and among the Member Countries through commercial buses and coaches.

The MoU on Buses applies to cross-border carriage of passengers by buses and coaches. This includes express buses of seating capacity of no less than 22 passengers and coaches or excursion buses used for conveyance of tourists.

The MoU allows the licensed bus operators to perform both inter-state operation and transit operation. To illustrate:

- For inter-state operation, under the MoU, a Brunei-owned bus company can perform Brunei-Sarawak operation. In this case, Sarawak grants market access right to the Brunei-owned bus company;
- For transit operation, a Brunei-owned bus operator is allowed to perform Brunei-Sarawak-Pontianak-Sarawak-Brunei operation with Sarawak granting the bus operator the transit right; and
- The operations are done without the need to change vehicle and driver at the border check points.

In June 2009, about one and a half year after the signing of the MoU on Buses, the BIMP-EAGA MoU on Trucks was signed by the BIMP-EAGA Transport Ministers. The objective of the MoU is to facilitate inter-state transport of goods and transportation of goods in transit between and among BIMP-EAGA Member Countries as well as to promote multimodal transport.

#### 4 Review of the BIMP-EAGA Land Transport MoUs

Under the MoU, transport operators established in one BIMP-EAGA Member Country may undertake the following transport operations:

- Transit transport, i.e., transport of goods that involves passing through one or more Member Countries before arriving in the country of destination of the goods;
- Inter-state transport, i.e., transport of goods into and/or from the territories of other BIMP-EAGA Member Countries; and
- Load and unload third countries goods destined for or coming from BIMP-EAGA Member Countries.

Only sealed rigid and articulated road transport vehicles are permitted to operate under the MoU on Trucks. A sealed vehicle is defined as a vehicle the load compartment of which is constructed and equipped in such a manner that:

- Customs seal can be easily and effectively affixed to it;
- No goods can be removed, or introduced into, the sealed part of the vehicle without leaving visible traces of tampering or without breaking the Customs seal;
- It contains no concealed space where goods may be hidden; and
- All spaces capable of holding goods are readily accessible for Customs inspection.

Under the two MoUs, inter-state and transit transport operations shall not be subject to any unnecessary delays or restrictions. Road vehicles shall be exempted from the requirement to provide any customs security or bond. The MoUs commit Member Countries to harmonize and simplify rules, regulations and administrative procedures relating to cross-border transport. Member Countries should endeavor to provide the necessary transport facilities and infrastructure.

The two MoUs are patterned to follow the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) (1998) and ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST) (2008). For example, the designated inter-state and transit transport routes (or in short, the transit transport route (TTR)) of the MoUs are based entirely on the Borneo and Mindanao portions of the designated TTR of Protocol 1 of the AFAFGIT and AFAFIST. The Borneo portion of the TTR is part of the ASEAN Highway Number 150 (AH150) and the Mindanao portion of the TTR is part of the ASEAN Highway No. 26 (AH26). The TTRs of the MoUs are shown in Figure 1 and Figure 2.

Figure 1: Transit Transport Route (TTR), Borneo Island

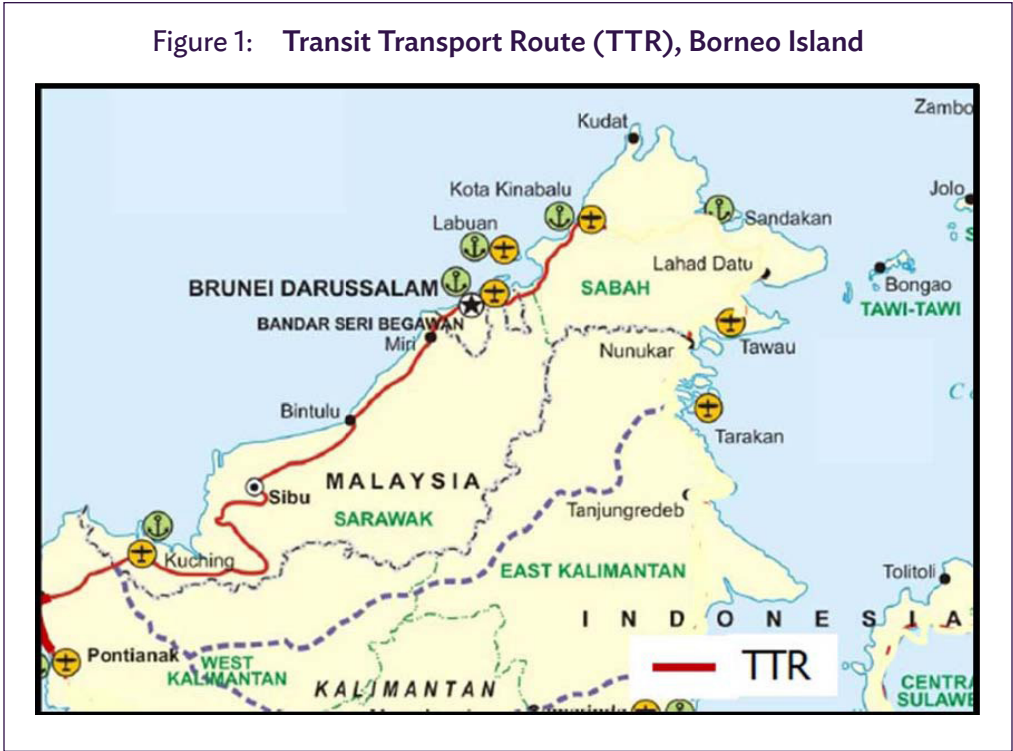
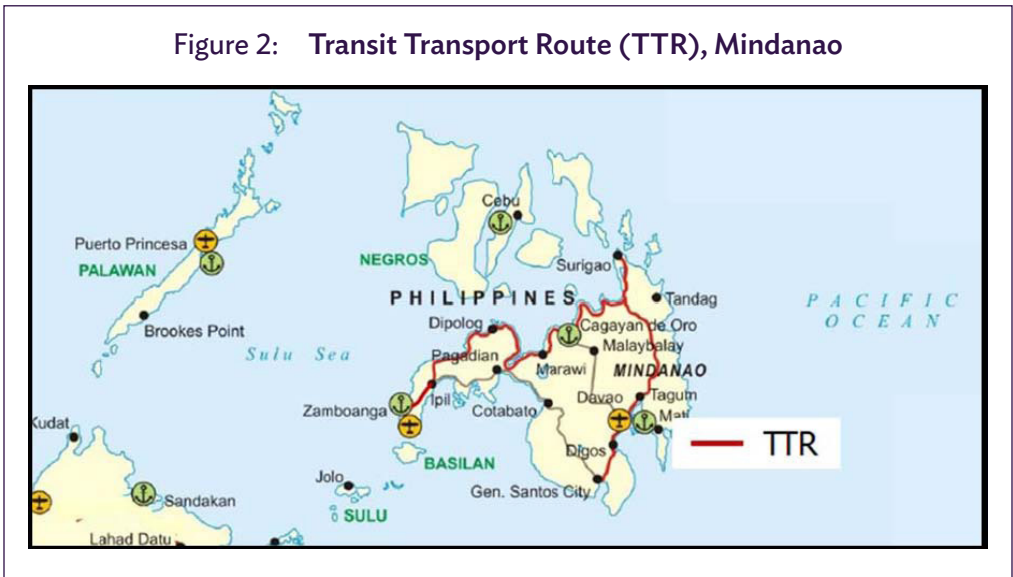


Figure 2: Transit Transport Route (TTR), Mindanao





### Boxed Article 1:

#### The Significance of the BIMP-EAGA Land Transport MoUs

The MoUs are among the very few multilateral liberalization agreements signed at the ministerial level in BIMP-EAGA's history. The MoUs have not only provided a regional policy framework for land transport cooperation but also committed the BIMP-EAGA Member Countries to open up their domestic transport market to some degree of external competition.

The granting of market access right represents a more mature level of regional economic cooperation, i.e., moving from voluntary economic cooperation to a relatively binding market liberalization arrangement.

The MoUs provide the possibility for buses and trucks from the Philippines to enter the Island of Borneo once roll-on roll-off (RORO) ferry connection between the two sides is established.

The MoU on Buses offers the businessmen, leisure travelers and migrant workers in the sub-region a new mode of transport. They have now an extra option to choose from (in addition to airplanes, ships and private cars) when travelling around Borneo. It is cheaper to travel by buses and coaches than by flights or boats.

The MoUs contain a number of provisions that uphold green and safe transport operation. Old vehicles are not allowed on intra-EAGA roads to minimize air pollution. Vehicles that do not meet certain road safety standards will not be given permit to operate.

The MoUs leverage on the progress made at the ASEAN-level and put BIMP-EAGA as a frontrunner in "test-bedding" ASEAN transport initiatives.

The whole process of formulation, negotiation and implementation of the MoUs has made BIMP-EAGA transport officials more aware of and accustomed to ASEAN's initiatives and its *modus operandi*.

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## 3 Status of Implementation

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This section looks at the implementation progress of the MoU on Buses and MoU on Trucks in three main areas, namely (i) private sector utilization of the MoUs to provide transport services; (ii) policy and regulatory reforms by BIMP-EAGA Member Countries to facilitate the operations under the MoUs; and (iii) provisions and development of related infrastructure for these services.

### 3.1 MoU on Buses

#### 3.1.1 Private sector utilization

The MoU on Buses has been well utilized by the private sector. In February 2008, four months after the signing of the MoU, a trial bus service for the Pontianak (West Kalimantan) -Serian-Bintulu-Miri (all in Sarawak)-Bandar Seri Begawan (Brunei Darussalam) route was conducted.

Brunei Darussalam officially launched its bus services under the MoU in September 2008. Across BIMP-EAGA, a simultaneous official launching of bus services under the MoU was conducted in October 2008.

The latest (November 2014) update received from Member Countries has shown that the following operators are currently active in providing services under the MoU on Buses (Table 1).

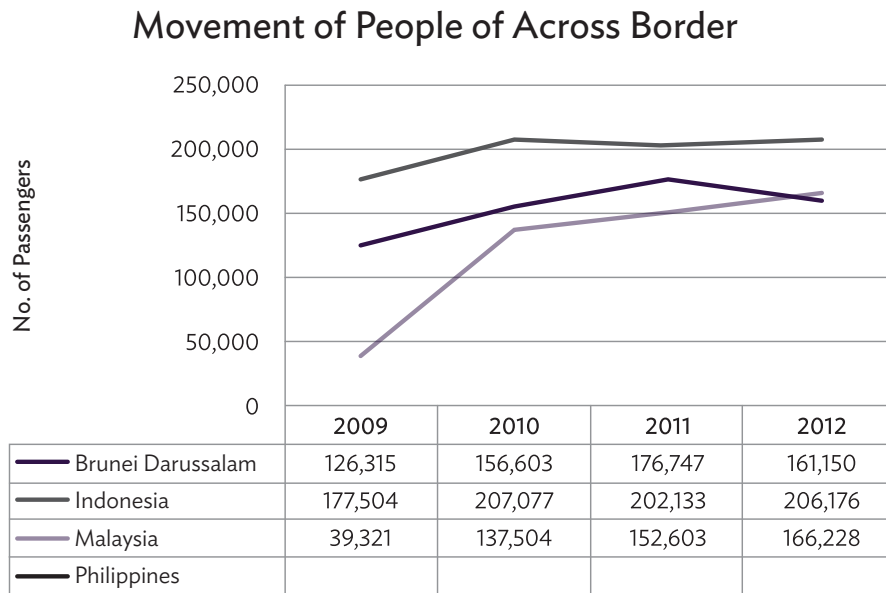
**Table 1: Active Bus Operators and Number of Permits Issued under the MoU on Buses**

Country	Name of operators	Number of permits*
Brunei Darussalam	1. Murni Haji Saban Transportation Services Sdn. Bhd.	3
	2. PHLS Sdn. Bhd.	
Indonesia	1. P.T. Setia Jiwana Sakti	8
	2. Proyek Angkutan Umum Perum Damri	
Malaysia	1. Biaramas Express Sdn. Bhd.	8
	2. Bintang Jaya Express Sdn. Bhd.	
	3. Eva Express Sdn. Bhd.	
	4. Borneo Tesoro Sdn. Bhd.	
	5. Jesselton Express Sdn. Bhd.	
The Philippines	Nil	Nil

Note: \*Permits are issued based on vehicle.

Source: ADB.

**Figure 3: Number of Passengers Utilized the Bus Services Offered under the MoU on Buses, 2009–2012**



Source: The BIMP-EAGA Facilitation Centre.

Implementation of the MoU has contributed to greater people mobility across many parts of Borneo with official data showing that some 343,140 passengers took these trans-national bus services in 2009. The figure rose steadily to 533,554 in 2012 (Figure 3).

Among the popular bus routes are:

- Pontianak (Indonesia) – Bandar Seri Begawan (Brunei Darussalam) (via Sarawak, Malaysia)
- Kota Kinabalu (Malaysia) – Bandar Seri Begawan (Brunei Darussalam) (via Sarawak, Malaysia)
- Bandar Seri Begawan (Brunei Darussalam) – Miri (Malaysia)
- Pontianak (Indonesia) – Kuching (Malaysia)
- Miri (Malaysia) – Bandar Seri Begawan (Brunei Darussalam) – Limbang (Malaysia) – Bangar (Brunei Darussalam) – Lawas (Malaysia)

## 3.1.2 Policy and regulatory reforms

### Sub-regional level assessment

The domestic policies, regulations and procedures of Member Countries have been streamlined and simplified to facilitate the implementation of the MoU on Buses. This includes:

- Taking a sub-regional perspective, Member Countries have identified and designated their respective domestic trunk roads and international entry and exit points to collectively form an integrated inter-state and transit transport route (or in short, transit transport routes (TTR));
- Customs authorities of Member Countries exempt all buses operating under the MoU from import duty and customs security;
- Transport operators need to secure an operation license from their respective land transport authorities in order for them to operate under the MoU. BIMP-EAGA land transport authorities mutually recognize each other's operation license;
- Land transport authorities in BIMP-EAGA mutually recognize each other's bus registration certificate and registration plate;
- Land transport authorities in BIMP-EAGA mutually recognize each other's commercial bus driver's license;
- Land transport authorities mutually recognize each other's technical inspection certificate;
- The bus permit application processes and procedures have to some extent been streamlined and simplified.
- All passenger bus permits have now a standard validity period of one year;
- Transport operators are allowed to set up and operate representative offices in the host countries (the country where transport operation are performed) for purposes of promoting their services and selling of bus tickets; and
- Member Countries have concertedly put in place measures to ensure transport services provided under the MoU are regular and safe. For example it is a mandatory requirement to have two drivers for a stretch of 300 kilometers or more and a driving duration of four hours or more.

### Country level assessment

The level of domestic policy and regulatory reform varies across the sub-region. This is summarized in the following country-level assessment (Table 2). The results of the assessment were verified via email communication by Member Countries in October–November 2014.

Table 2: Implementation of the MoU on Buses, Level of Readiness by Country

Policy/Regulation/Standard	Assessment	Level of readiness (High, Medium, Low)
<b>Brunei Darussalam</b>		
Transit transport route	<p>The Brunei Darussalam's portion of the transit transport route (TTR) is part of the ASEAN Highway no. 150 (AH150). It has a total length of 168 km.</p> <p>The TTR is well integrated with the TTR in Sarawak.</p> <p>The TTR is in excellent condition with technical design standards and road signs and signals that meet international and ASEAN standards.</p> <p>The route numbering system of the TTR is in compliance with the system stipulated in the MoU on the Development of the ASEAN Highway Network Project (1999).*</p>	High
Customs	No major issues in granting admission to buses from Malaysia and Indonesia. Buses from the two countries are allowed to enter Brunei Darussalam on a daily basis without the need to pay any import duty or security.	High
Permit	<p>Relatively simple documentation requirement in bus permit application. The documents required are:</p> <ul style="list-style-type: none"> <li>• Application form</li> <li>• Vehicle registration card</li> <li>• Vehicle permit license</li> <li>• Vehicle insurance</li> </ul> <p>For permit approval, Brunei Darussalam recognises the commercial vehicle inspection certificate of Indonesia and Malaysia provided that the certificates are still valid.</p> <p>Cross-border passenger bus operation permits are issued with a validity period of one year.</p> <p>For chartered and excursion bus permit application, applicants are required to provide passenger manifests. The copies of the manifest will then be extended to the Brunei's Immigration Department and the Royal Brunei Police accordingly. The manifest still needs to be produced again to the immigration authority at the CIQ posts in respect of daily trips.</p> <p>Brunei Darussalam has recently shortened the validity period of the excursion bus permit from one year to six months.</p>	<p>High (for passenger bus)</p> <p>Medium (for excursion bus)</p>
Driving license	Brunei Darussalam recognizes the domestic bus driving licenses issued by BIMP-EAGA Member Countries.	High
Rule on left/right-hand traffic	<p>Brunei Darussalam has left-hand traffic, i.e., it uses right hand drive buses.</p> <p>Brunei Darussalam has no problem receiving buses from Indonesia and Malaysia since the two countries also drive on the left. But it does not allow left hand drive buses from the Philippines.</p>	Medium
Insurance	<p>Brunei Darussalam recognizes Malaysia's third party vehicle insurance but not the third party vehicle insurance of Indonesia and the Philippines.</p> <p>Brunei Darussalam is of the view that the coverage amount of the Indonesia's third party vehicle insurance is low by regional standard. Buses from Indonesia are therefore required to purchase Brunei Darussalam's third party vehicle insurance before entering the country. No such requirement is imposed on Malaysian buses as the two countries mutually recognize each other's third party vehicle insurance.</p> <p>None of the insurance companies in Brunei Darussalam has any affiliation with insurance companies in Indonesia. Although there was suggestion in the past for Indonesian registered vehicle to buy insurance policy in Malaysia before proceeding to Brunei Darussalam, the General Insurance Association of Brunei was of the position that those insurance policies bought in Malaysia would only cover Malaysia-registered vehicles but not Indonesia-registered vehicles.</p> <p>However, the Bank Islam Brunei Darussalam provides insurance coverage for Indonesia-registered buses on a short term basis. Indonesian bus operators can purchase the insurance at Sungai Tujoh border crossing in Brunei Darussalam.</p>	Medium

*continued on next page*

Table 2 continued

Policy/Regulation/ Standard	Assessment	Level of readiness (High, Medium, Low)
Immigration	<p>ASEAN citizens on entering Brunei Darussalam are exempted from visa. Visa on arrival services are available for non-ASEAN citizens at Sungai Tujoh border crossing.</p> <p>At bilateral level, the implementation of Frequent Traveler Facility (FTF) between Brunei Darussalam and Malaysia has made it easier for Bruneian or Malaysian passport holders to travel between the two countries.</p> <p>There are multiple endorsements in the bus drivers' passport for the Miri (Malaysia)-Bandar Seri Begawan (Brunei Darussalam) – Kota Kinabalu (Malaysia) route by virtue of the geographical situation and the autonomy of Sabah and Sarawak in immigration affairs.</p> <p>No special immigration passes are issued for professional bus drivers from other Member Countries.</p> <p>Indonesian bus drivers are given a 14-day visa free entry to Brunei Darussalam. Indonesia requests for an extension of the 14-day visa free period to 30 days but there has been no positive response from the immigration authority in Brunei Darussalam.</p>	Medium
<b>Indonesia</b>		
Transit transport route	<p>Indonesia has designated the Pontianak–Entikong section of the AH150 in West Kalimantan as the designated TTR under the MoU on Buses. This section of the AH150 is mostly of Class III standard (ASEAN Highway Classification).*</p> <p>Installation of common ASEAN route numbering signs along the TTR is being implemented in stages.</p> <p>The one year old Ambawang Bus Terminal is the main inter-state terminal for the Pontianak-Kuching route. Bus passengers find it inconvenient to use the terminal as it is about 15 km away from Pontianak and is said to be not very well served by domestic taxis.</p>	Medium
Customs	<p>Under the Socio-Economic Exchange for Malaysia-Indonesia (SOSEK-MALINDO; a bi-lateral socio-economic arrangement between Indonesia and Malaysia predates the MoU on Buses) and BIMP-EAGA frameworks, designated buses are exempted from import duties and customs guarantee.</p>	High
Permit	<p>Under the SOSEK-MALINDO framework, Indonesia has issued 20 permits for buses from Sarawak to serve the Pontianak-Kuching route. These buses are operated by Sri Tebakang (permits for 3 buses), Kirata (3 buses), Saphira Pacific (3 buses), Sri Merah (3 buses), Eva Transport (5 buses), and Bintang Jaya Express (3 buses).</p> <p>Under the BIMP-EAGA MoU on Buses, buses from Brunei Darussalam and Malaysia are given one-year permits to operate along the designated route in West Kalimantan.</p> <p>Indonesia recognizes the inspection certificates and registration certificates of Brunei Darussalam and Malaysia.</p>	High
Driving license	<p>Indonesia recognizes the bus driving licenses of other BIMP-EAGA Member Countries.</p>	High
Rule on left/ right-hand traffic	<p>Under the MoU on Buses, Indonesia has no problem receiving right hand drive buses from Brunei Darussalam and Malaysia. But left hand drive buses from the Philippines will need to secure special permits prior to entering the country.</p> <p>Indonesia prohibits left hand drive buses.</p>	Medium
Insurance	<p>Bus operators from Brunei Darussalam and Malaysia are required to purchase Indonesian third party vehicle insurance before entering the country.</p> <p>Insurance policies can be purchased at the insurance service counter at Entikong border crossing or branch offices of the two main insurance companies (PT. Jasa Raharja Putra and PT Jasa Raharja) in Pontianak.</p> <p>There is uncertainty and anxiety among foreign bus operators over the amount of compensation and types of coverage that those insurance policies can provide. The general assessment is that Indonesian insurance policies have lower coverage than the Bruneian and Malaysian insurance policies and they may not provide sufficient protection for vehicles/drivers/passengers from the two countries.</p>	Low
Immigration	<p>ASEAN citizens on entering Indonesia are exempted from visa.</p> <p>There is no visa on arrival services for non-ASEAN citizens at Entikong border crossing.</p> <p>No special immigration passes for professional bus drivers.</p>	Medium

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## 12 Review of the BIMP-EAGA Land Transport MoUs

Table 2 *continued*

Policy/Regulation/Standard	Assessment	Level of readiness (High, Medium, Low)
<b>Malaysia</b>		
Transit transport route	<p>The Malaysia's section of the TTR for MoU on Buses starts from Tebedu (Sarawak) and ends at Kota Kinabalu (Sabah). Most of the TTR are of the ASEAN Highway Class II standard.*</p> <p>The road linking Kota Kinabalu-Sandakan-Lahad Datu-Tawau-Serudong (eastern Sabah) is not part of the TTR under the MoU on Buses (it is also not part of Protocol 1 of the AFAFGIT and AFAFIST). Therefore, technically there is no official access road in eastern Sabah for buses originating from the Philippines and provinces in North Kalimantan.</p>	Medium
Customs	Under the SOSEK-MALINDO framework and MoU on Buses, designated buses from Indonesia and Brunei Darussalam are exempted from import duties and customs guarantee.	High
Permit	<p>The Commercial Vehicles Licensing Board (CVLB) of Sarawak and CVLB of Sabah have their branch offices in the main towns of the states. Bus operators have the options of submitting their permit application to the branch offices near the borders or do it in the state capitals.</p> <p>But there is no single central permit approving and issuing body in East Malaysia. For Bruneian bus operators that intent to operate in Sarawak, Sabah and Labuan, they have to get their permits from the CVLB in Sarawak, CVLB in Sabah and CVLB in Labuan, respectively. Similarly, for chartered and excursion bus services, they have to get the permits from the Ministry of Tourism and Culture's state offices in Sarawak, Sabah and Labuan, respectively.</p> <p>It is compulsory for every foreign excursion/chartered bus operating in Malaysia to hire a local tour guide. Bus operators may request in writing to be exempted from this requirement.</p> <p>Excursion bus permits issued by Malaysia have a relatively short validity period of three months.</p>	<p>Medium (for passenger buses)</p> <p>Low (for excursion and chartered buses)</p>
Driving license	Under the 1985 Agreement on the Recognition of Domestic Driving Licenses Issued by ASEAN Countries, Malaysia recognizes the domestic bus driving licenses of Brunei Darussalam, Indonesia and the Philippines.	High
Rule on left/right-hand traffic	<p>Malaysia uses right hand drive buses. Malaysia accepts buses from Brunei Darussalam and Indonesia since the two countries use right hand drive buses as well.</p> <p>Left hand drive buses from the Philippines must secure a special permit from the land transport authority in Malaysia before they are allowed to enter the country.</p>	Medium
Insurance	Malaysia recognizes Brunei Darussalam's third party vehicle insurance. Malaysia however does not recognize Indonesia and the Philippines' third party vehicle insurance.	Medium
Immigration	<p>ASEAN citizens on entering Malaysia are exempted from visa.</p> <p>The Frequent Traveler Facility (FTF) implemented between Brunei Darussalam and Malaysia helps to facilitate movement of Bruneian and Malaysian passport holders between the two countries.</p> <p>The autonomy of Sabah and Sarawak in immigration affairs means bus drivers and passengers travelling along the Miri-Bandar Seri Begawan-Kota Kinabalu route are subject to multiple immigration checks.</p> <p>Passenger manifest is required for buses on transit for purposes of immigration control. Passenger manifest is however not required for inter-state bus services.</p>	Medium
<b>Philippines</b>		
Transit transport route	<p>The Philippines designated the Mindanao portion of the AH26 as the transit transport route under the MoU on Buses. A significant percentage of the AH26 is still of Class III standard.*</p> <p>Route markers and directional signs that are of international and ASEAN standards have been installed along AH26.</p> <p>None of the roads in Palawan have been designated as TTR under the MoU on Buses.</p>	Medium

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Table 2 continued

Policy/Regulation/Standard	Assessment	Level of readiness (High, Medium, Low)
Customs	There is no specific law in the Philippine that governs the temporary admission of foreign buses. Buses that are brought in by RO-RO ships are treated as imported goods and potentially subject to a relatively long process of customs clearance and documentation requirements. All foreign buses are dutiable items under the Philippine Customs Regulations.	Low
Permit	Though the Philippines is a signatory to the BIMP-EAGA MoU on Buses, so far no permit has been issued by the country. The Philippine Bureau of Import Service of the Department of Trade and Industry is the permit issuing body. The Philippines' permit issuance mechanism under the MoU on Buses is yet to be tested.	Unknown
Driving license	Under the 1985 Agreement on the Recognition of Domestic Driving Licenses Issued by ASEAN Countries, the Philippines recognises the domestic bus driving licenses of Brunei Darussalam, Indonesia and Malaysia.	High
Rule on left/right-hand traffic	Right-hand-drive buses are not permitted to enter the country. The Philippines will have difficulty in receiving buses from Brunei Darussalam, Indonesia and Malaysia which are of left-hand-drive.	Low
Insurance	A compulsory third-party liability insurance policy is required before any motor vehicle can be registered with the Land Transportation Office. There is no cross-border bus traffic between the Philippines and other BIMP-EAGA Member Countries. It is therefore unclear how compatible is the third-party liability insurance of the Philippines with the same insurance scheme of other Member Countries.	Unknown
Immigration	ASEAN citizens on entering the Philippines are exempted from visa.	High

Note: \*See Annex B and Annex C for the ASEAN Highway Classifications and Standards, respectively.

Source: ADB.

### 3.1.3 Infrastructure development

Implementation of the MoU on Buses (and also MoU on Trucks) has provided the needed impetus to the move forward the following physical infrastructure construction and improvement projects which are critical for facilitation of cross-border traffic. The locations of these infrastructure projects are shown in Figure 4.

#### Roads

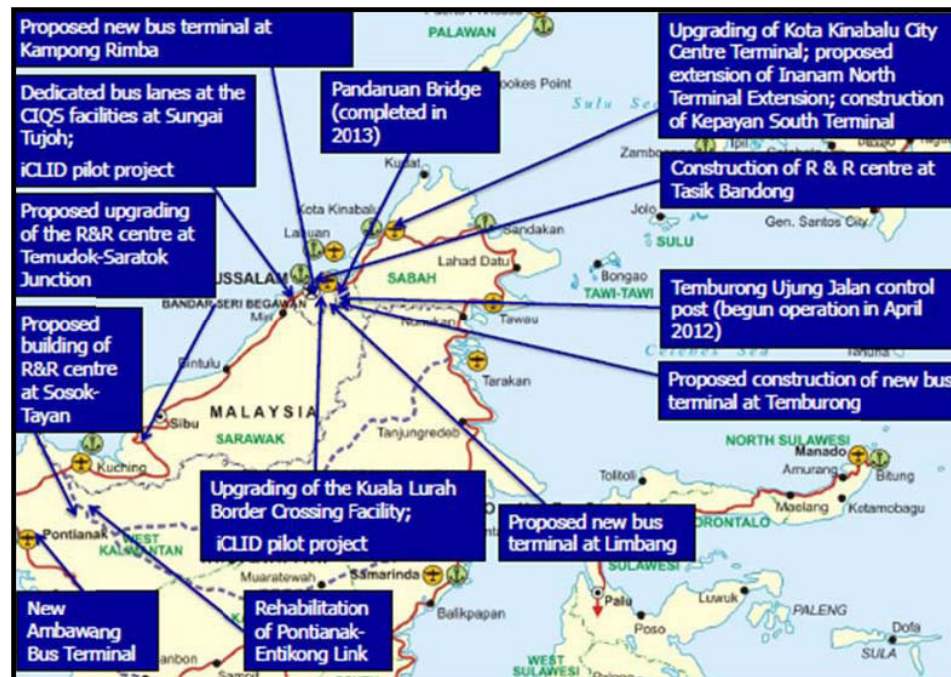
- Ongoing rehabilitation of the Tayan-Entikong road section which is part of the Pontianak-Entikong Link (ASEAN Highway No. 150)
- Some 1,000 km of the Malaysia's portion of the ASEAN Highway No. 150 are earmarked for widening to a four-lane road and construction is expected to begin by June 2015
- On-going rehabilitation works along the General Santos-Davao City road section (AH26), including works to address landslide prone areas along the road (Figure 2)

#### Bridge

- Opening of Pandaruan Bridge in December 2013, linking the Limbang Division in Sarawak, Malaysia and the Temburong District in Brunei Darussalam



**Figure 4: Infrastructure Projects that Support Implementation of MoU on Buses**



Source: ADB.

### Control Posts

- Provision of dedicated lanes for buses at the Customs, Immigration, Quarantine, Security (CIQS) facilities at Sungai Tujoh/Miri (Brunei Darussalam/Malaysia border crossing)
- Pilot implementation of the Intelligent Clearance Identity (iCLID) System Project at the Sungai Tujoh border crossing and Kuala Lurah border crossing
- Upgrading of the Kuala Lurah Border Crossing Facility (Brunei Darussalam)
- The Temburong Ujung Jalan Control Post began operation in April 2012. The US\$4.5 million (B\$6 million) facility has two buildings that cater for arrival and departure traffics. Each building is equipped with eight vehicular traffic lanes, automated barrier systems, a CCTV security system, a weighing bridge for heavy vehicles and mobile X-ray facilities

### Bus Terminals

- Proposed new bus terminal at Kampong Rimba (Brunei Darussalam)
- Proposed construction of a new bus terminal at Temburong, Brunei Darussalam. The site for the project has been gazetted and construction will begin when funding is available

- The new Ambawang Bus Terminal (Pontianak, Indonesia) was officially open in December 2013. It serves as an inter-state bus terminal for buses plying the Pontianak-Kuching route
- Proposed new bus terminal at Limbang (Sarawak, Malaysia)
- Ongoing upgrading of Kota Kinabalu City Centre Terminal (Sabah, Malaysia)
- Proposed extension of Inanam North Terminal Extension (Sabah, Malaysia)
- Construction of new Kepyayan South Terminal (Sabah, Malaysia)

### Rest and Recreational Centres

- Construction/improvement of rest and recreational (R&R) centres at selected areas along the designated routes. This includes the R & R centres at Tasik Bandong (Brunei Darussalam) and the proposed construction of R&R centre at Sosok-Tayan (West Kalimantan, Indonesia) as well as upgrading of the existing R&R centre at Temudok-Saratok Junction (Sarawak, Malaysia)
- Construction of R&R centres at selected points along in General Santos City, Digos City and Davao City (Figure 2)

## 3.2 MoU on Trucks

### 3.2.1 Private Sector Utilization

The private sector in BIMP-EAGA welcomes the introduction of the MoU on Trucks. The level of private sector utilization is reflected by the number of permits issued under the MoU.

#### Brunei Darussalam-Malaysia Operation (as of August 2014)

- The Motoring Transport Licensing Authority of Brunei Darussalam had issued 979 permits to transport operators from Sarawak and Sabah;
- The CVLB of Sabah (Malaysia) had issued 61 permits to transport operators from Brunei Darussalam; and
- The CVLB of Sarawak (Malaysia) had issued 414 and 275 permits to transport operators from Brunei Darussalam and Sabah (Malaysia), respectively.

Judging by the number of permits issued, it is clear that there are significant cross-border truck operations between Brunei Darussalam and the Malaysian states of Sabah and Sarawak. To date, the most commonly used routes are those linking the major cities and towns along the AH150, including:

- Kota Kinabalu, Beaufort and Sipitang (Sabah, Malaysia) – Bandar Seri Begawan, Kuala Belait (Brunei Darussalam)
- Bandar Seri Begawan, Kuala Belait (Brunei Darussalam) – Miri, Bintulu (Sarawak, Malaysia)
- Lawas – Limbang (Sarawak, Malaysia) via Temburong District (Brunei Darussalam)

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There are trucks operating the Labuan (Malaysia) – Muara (Brunei Darussalam) route (via RORO ferry services). But there is no truck services along the Pontianak (West Kalimantan) and Kuching (Sarawak) route following the decision of the Sarawak State Government to regulate movement of trucks and cargo at the Tebedu-Entikong border crossing. Indonesian trucks are requested to unload cargo at the Tebedu Inland Port in Sarawak. Situated about 85km from Kuching, Tebedu Inland Port comes under the jurisdiction of the Kuching Port Authority.

There is no inter-state truck operation between Mindanao and Borneo since there is no RORO ferry connection between the two.

### 3.2.2 Policy and Regulatory Reforms

#### Sub-regional Level Assessment

The standard operating procedures (SOPs) of the MoU on Trucks have yet to be fully developed. Nevertheless, implementation of the MoU has so far led to some form of realignment in domestic transport policies and regulations towards a more streamlined sub-regional framework:

- Individual member countries have identified and designated their domestic trunk roads and key international entry and exit points to collectively form the sub-regional inter-state and transit transport route;
- Exemption of import duty and customs security for trucks operating under the MoU;
- Land transport authorities mutually recognize each other's operation license, vehicle registration certificate and registration plate;
- Vehicle permits issued under the MoU have a standard validity period of one year;
- Domestic competence authorities are committed to ensure only road worthy trucks are allowed to operate under the MoU;
- Only sealed rigid and articulated vehicles are permitted to operate under the MoU. The vehicles must fulfil the mandatory technical requirements which, among others, covers vehicle dimensions, gross weights and loads and smoke emission standards; and
- Land transport authorities mutually recognize each other's technical inspection certificate.

#### Country level assessment

Across the sub-region there are varying degrees of readiness in domestic policies and regulations to support the implementation of the MoU on Trucks. This is summarized in the following country level assessment (Table 3).

**Table 3: Implementation of the MoU on Trucks,  
Level of Readiness by Country**

Country	Assessment	Level of Readiness (High, Medium, Low)
<b>Brunei Darussalam</b>		
Transit transport route	<p>The Brunei Darussalam's portion of the transit transport route (TTR) is part of the ASEAN Highway no. 150 (AH150) with a total length of 168 km. The TTR is well integrated with the TTR in Sarawak.</p> <p>The TTR is in excellent condition with technical design standards and road signs and signals that meet international standards, including those stipulated in the MoU on the Development of the ASEAN Highway Network Project (1999).*</p>	High
Customs	<p>Grants temporary admission of licensed trucks from Sabah and Sarawak.</p> <p>Since April 2009, following the amendment to the Customs (Customs Transit) (Amendment) Rules (2008), a service charge of US\$38 (B\$50) has been imposed for transporting of restricted goods and US\$19 (B\$25) for transporting of general goods.</p>	High
Permit	<p>Not overly heavy on documentation requirements.</p> <p>Single truck permits issuing and approving body.</p>	High
Driving license	Brunei Darussalam recognizes the domestic truck driver's license issued by other BIMF-EAGA Member Countries.	High
Rule on left/right-hand traffic	Brunei Darussalam has no issue accepting trucks from Indonesia and Malaysia since the two countries also drive on the left. But it does not allow left hand drive trucks from the Philippines.	Medium
Insurance	<p>Brunei Darussalam recognizes Malaysia's third party vehicle insurance.</p> <p>Brunei Darussalam does not accept the third party vehicle insurance of Indonesia due to its relatively low coverage amount.</p>	Medium
Immigration	<p>ASEAN citizens on entering Brunei Darussalam are exempted from visa. Visa on arrival services are available for non-ASEAN citizens.</p> <p>There are far too many endorsements in the trucks drivers' passport for the Sarawak-Brunei Darussalam-Sabah route.</p> <p>No special immigration passes for professional truck drivers.</p>	Medium
<b>Indonesia</b>		
Transit transport route	<p>Indonesia has designated part of the Kalimantan portion of the AH150 as the designated route under the MoU on Trucks.</p> <p>The Pontianak-Entikong section of the AH150 is mostly of Class III standard (ASEAN Highway Classification).*</p> <p>Installation of common ASEAN route numbering signs is being done in stages.</p> <p>Proposal to connect Simanggaris (North Kalimantan, Indonesia) and Serudong (Sabah, Malaysia). ADB is supporting a feasibility study on the Indonesian portion of the route from Tanjung Selor through Malinau to the border at Simanggaris. But this route has yet to be formally designated as part of the TTR under the MoU on Trucks.</p>	Medium
Customs	<p>To protect local producers and businesses, Indonesia has imposed import controls on certain essential goods. For example, at present, Indonesia imposes a 5 percent import duty on imported wheat flour. In addition, the Indonesian government also requires the import of certain essential goods (e.g., wheat flour) to be shipped through seven designated seaports, namely Belawan in Medan, Boom Baru in Palembang, Panjang in Lampung, Tanjung Priok in Jakarta, Tanjung Perak in Surabaya, Tanjung Emas in Semarang and Soekarno Hatta in Makassar. Entikong is not one of the seven designated ports. Other trade restrictions include the ruling that Entikong residents are allowed to purchase goods from Malaysia, with a maximum transaction value of RM600 (approximately US\$172) per person per month. Such import control and restriction measures do not promote intra-EAGA cargo flow and inhibit the growth potential of cross-border truck services in the sub-region.</p> <p>Under the SOSEK-MALINDO arrangement, designated trucks from Malaysia are exempted from import duties and taxes.</p>	Low

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## 18 Review of the BIMP-EAGA Land Transport MoUs

Table 3 *continued*

Country	Assessment	Level of Readiness (High, Medium, Low)
Permit	No permit has been given under the MoU on Trucks. This may be attributable to the present ruling that Entikong is not a designated point of entry for imported essential goods.	Low
Driving license	Indonesia recognizes the truck driver's license of other BIMP-EAGA Member Countries.	High
Rule on left/ right-hand traffic	Indonesia prohibits left hand drive vehicles.  Under the MoU on Trucks, Indonesia has no problem receiving right hand drive trucks from Brunei Darussalam and Malaysia. But left hand drive trucks from the Philippines will need to secure a special permit from the land transport authority of Indonesia prior to entering the country.	Medium
Insurance	Third-party vehicle Insurance is regulated under Act No. 34 year 1964, Road Traffic Accident Fund. To raise the Road Traffic Accident Fund, motorists must pay a levy when registering their vehicles. The Road Traffic Accident Fund is managed by a public entity named PT. Jasa Raharja (Persero).  The third-party liability vehicle insurance covers only bodily injury. It does not cover the risk of loss and damage of vehicle and related legal expenses. Foreign vehicles are encouraged to purchase additional insurance policies to protect against other risks such as collision/total loss and theft.	Low
Immigration	ASEAN citizens entering Indonesia are exempted from visa.  No special immigration passes for foreign professional truck drivers.	Medium
<b>Malaysia</b>		
Transit transport route	The Malaysia's section of AH150 starts from Tebedu (Sarawak) and ends at Kota Kinabalu (Sabah).  Though the Kuching (Sarawak) and Pontianak (West Kalimantan) are physically linked by AH150, there is no cross-border truck service between the two cities. This is because Sarawak does not permit Indonesian trucks from going beyond the Tebedu Inland Port which is some 85km from Kuching.  The road linking Kota Kinabalu-Sandakan-Lahad Datu-Tawau-Serudong (eastern Sabah) is not part of the TTR under the MoU on Trucks. This implies there is no official access road in eastern part of Sabah for trucks originating from Mindanao (the Philippines) and North Kalimantan (Indonesia).	Medium
Customs	Under the SOSEK-MALINDO and BIMP-EAGA frameworks, licensed trucks are exempted from import duties and customs security.  To promote cargo consolidation and distribution at Tebedu Inland Port as well as to curb smuggling activities, Sarawak regulates truck movements from West Kalimantan. Indonesia trucks are required to load and unload cargo at Tebedu Inland Port and are not permitted to go beyond the port.  No major issues with trucks from Brunei Darussalam	Medium
Permit	For greater accessibility, the Commercial Vehicles Licensing Board (CVLB) of Sarawak has branches in most of the main towns in Sarawak including in Miri (near Brunei Darussalam) and Serian (near West Kalimantan). Likewise the CVLB of Sabah has branches in many parts of the state including in Beaufort and Sipitang (near Brunei Darussalam).  However Bruneian transport operators serving the Brunei Darussalam-Sabah, Brunei Darussalam-Sarawak and Brunei Darussalam-Labuan routes have to approach three CVLB offices in three different locations for permit renewal and for new permit applications, i.e., the CVLB in Sabah, CVLB in Sarawak and CVLB in Labuan, respectively.  Under the SOSEK-MALINDO framework, 83 truck companies have been given the permits to perform inter-state transport services between West Kalimantan (Indonesia) and Sarawak (Malaysia) via the Tebedu-Entikong border crossing along the AH150. However, the requirement imposed by Sarawak to load and unload cargo at Tebedu Inland Port means presently there isn't any inter-state truck operation between West Kalimantan and Sarawak. Compounding the problem is the import controls imposed by the Indonesian Government in which Entikong is not an official international entry point for certain imported essential goods.	Medium

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Table 3 continued

Country	Assessment	Level of Readiness (High, Medium, Low)
Driving license	Under the 1985 Agreement on the Recognition of Domestic Driving Licenses Issued by ASEAN Countries, Malaysia recognizes the domestic truck driving licenses of Brunei Darussalam, Indonesia and the Philippines.	High
Rule on left/ right-hand traffic	Malaysia uses right hand drive trucks. Malaysia accepts trucks from Brunei Darussalam and Indonesia since the two countries use right hand drive trucks. Left hand drive trucks from the Philippines must secure a special permit from the relevant authority in Malaysia before they are allowed to enter the country.	Medium
Insurance	Malaysia recognizes Brunei Darussalam's third party vehicle insurance. Malaysia however does not recognize Indonesia and the Philippines' third party vehicle insurance.	Medium
Immigration	No special immigration passes for foreign professional truck drivers. There are multiple immigration endorsements in truck drivers' passports along the Sarawak (Malaysia)-Brunei Darussalam-Sabah (Malaysia) route.	Medium
<b>Philippines</b>		
Transit transport route	The Philippines designated the portion of the AH26 in Mindanao as the transit transport route under the MoU on Trucks. However, none of the roads in Palawan have been designated for cross-border truck operation under the MoU. Route markers and directional signs that are of international standards have been installed along AH26. The AH 26 and AH150 are not linked because presently there is no RORO ferry connection between Mindanao and Borneo.	Medium
Customs	There is no specific law in the Philippine that governs the temporary admission of trucks. All foreign trucks are dutiable items under the Philippine Customs Regulations. Trucks that are brought in by RO-RO ships are treated as imported goods and are potentially subject to a relatively long process of customs clearance and documentation requirements.	Low
Permit	Under the MoU on Trucks, no permit has been issued by the Philippines to date. The permit issuance system is yet to be tested. The issuing body is the Philippine Bureau of Import Service of the Department of Trade and Industry.	Unknown
Driving license	Under the 1985 Agreement on the Recognition of Domestic Driving Licenses Issued by ASEAN Countries, the Philippines recognizes the domestic truck driving licenses of Brunei Darussalam, Indonesia and Malaysia.	High
Rule on left/ right-hand traffic	Right-hand-drive vehicles are strictly not permitted to enter the country. The Philippines will have difficulty in receiving trucks from Brunei Darussalam, Indonesia and Malaysia which are of left-hand-drive.	Low
Insurance	A compulsory third-party liability insurance policy is required before any motor vehicle can be registered with the Land Transportation Office of the Philippines. As presently there is no cross-border traffic between the Philippines and other BIMP-EAGA Member Countries, the compatibility of the Philippines' insurance scheme with that of the other Member Countries is yet to be determined.	Unknown
Immigration	ASEAN citizens on entering the Philippines are exempted from visa. No special immigration passes for professional truck drivers.	Medium

Note: \*Please see Annex B and Annex C for the ASEAN Highway Classification and Standards, respectively.

Source: ADB.

### 3.2.3 Infrastructure Development

There are a number of infrastructure projects that have been put in place to support the implementation of the MoU on Trucks (and also MoU on Buses). Some of the infrastructure projects mentioned here was also discussed under the section on MoU on Buses.

#### Roads

- Installations of road signage and numbering signs in Brunei Darussalam have been completed
- Upgrading and widening of the a 79km section of the Pontianak to Entikong road (AH150) with support from the ADB (Figure 5)
- Upgrading of a 190 km road from Tanjung Selor through Malinau to the border at Simanggaris, North Kalimantan, Indonesia with ADB's support (Figure 5)
- Below Class III road upgrading projects in AH-150 in Malaysia have been completed. All AH-150 roads have been upgraded to minimum Class II standard
- On-going installation of AH26 in the Philippines
- Ongoing rehabilitation works along the General Santos-Davao City road (AH 26) for landslide prone areas
- Upgrading of roads near Cagayan de Oro, Butuan, Dipolog and North Cotabato with the bidding process underway for 3 of 4 roads and the other one is under design

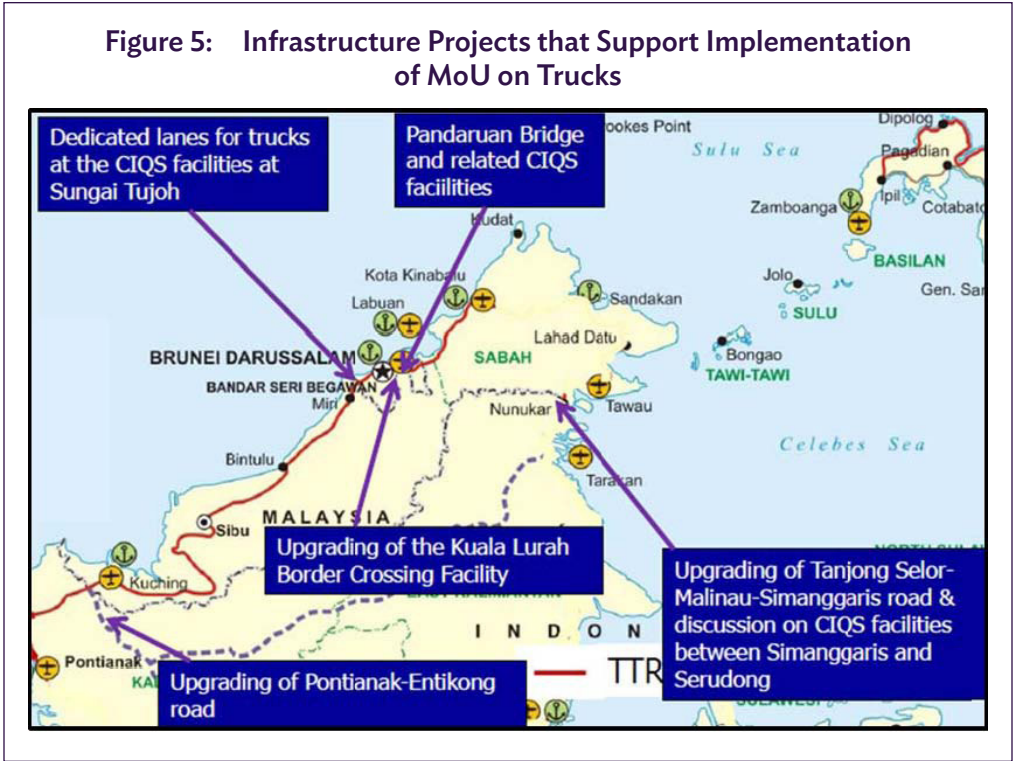
#### Bridge

- Opening of Pandaruan Bridge in December 2013, linking the Limbang Division in Sarawak, Malaysia and the Temburong District in Brunei Darussalam. The bridge replaced the ferry service between the two sides, giving faster traffic clearance (Figure 5)

#### Control posts

- The CIQS facilities in Pandaruan (Sarawak, Malaysia) along the AH 150 have been renovated with provisions for dedicated lorry lanes (Figure 5)
- Provision of dedicated lanes for trucks at the CIQS facilities at Sungai Tujoh (Brunei Darussalam)/Miri (Malaysia) border crossing (Figure 5)
- Upgrading of the Kuala Lurah (Brunei Darussalam) Border Crossing facility
- Ongoing discussion between Indonesia and Malaysia on construction of cross border facilities (and link roads) between Simanggaris (North Kalimantan, Indonesia) and Serudong (Sabah, Malaysia) (Figure 5)

Figure 5: Infrastructure Projects that Support Implementation of MoU on Trucks





## 4 Challenges and Proposed Solutions

Based on the above sub-regional and country-level assessments, results of the face-to-face and phone interview surveys with transport officials and transport operators conducted during the period September-November 2014, as well as analysis of the past BIMP-EAGA transport meeting reports and minutes, the key challenges facing the implementation of the MoU on Buses and MoU on Trucks are identified, as follows:

- Absence of an EAGA-wide vehicle permit scheme
- Absence of an EAGA-wide third party vehicle insurance coverage
- The existing implementation guidelines/Standard Operating Procedures (SOPs) for inter-state and transit transport operations are not robust enough. The SOP of the MoU on Trucks is especially weak
- Low cargo and passenger volume
- Inadequate infrastructure

Table 4 encapsulates the key challenges faced and outlines the proposed solutions to overcome these challenges.

**Table 4: MoUs on Buses and Trucks, Challenges and Proposed Solutions**

Challenges	Proposed solutions
<p><b>Absence of an EAGA-wide vehicle permit scheme</b></p> <p>Consequently, there are different documentation requirements for vehicle permit application.</p> <p>Without common guidelines, the application process has become confusing at times. The process becomes more complicated with transit transport permit application as transport operators are required to deal with permit approving authorities in both the host and transit countries.</p> <p>Transport operators find it difficult to comply with the following permit application requirements imposed by certain member governments:</p> <ul style="list-style-type: none"> <li>• Submission of passenger manifests (for excursion bus permits)</li> <li>• Hiring of local tour guide (excursion bus permits)</li> <li>• Submission of certified copy of depot contracts done between transport operators and depot operators of host country to prove the availability of designated places for vehicle parking in the host country (for truck permits)</li> <li>• Short validity period (three months for excursion bus permits)</li> </ul>	<p><b>Create a common permit scheme</b></p> <p>BIMP-EAGA should work towards creating a common permit scheme that grants: (a) full right of inter-state and transit transport; and (b) full right to load and discharge third countries' goods destined for or coming from Member Countries. The scheme should be simple and minimizes operating costs.</p> <p>Permits issued under such scheme should have a standard validity period of at least one year or longer and for multiple-entry.</p> <p>Online application of permits should be introduced and encouraged and where possible a barcode system should be incorporated in the design of the permit to facilitate vehicle movement at borders crossing points.</p> <p>Presently, vehicle permits are issued on reciprocity basis and quantitative restrictions are in place. BIMP-EAGA should move towards having a permit scheme in which permits are issued based on market demand.</p> <p>In the long run, permit requirements and quota systems should be gradually phased out with greater emphasis on operator and vehicle standards.</p>

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Table 4 *continued*

Challenges	Proposed solutions
<p><b>Absence of an EAGA-wide third party vehicle insurance coverage.</b></p> <p>Vehicles entering into another Member Country must have a third party liability vehicle insurance. Due to the absence of an EAGA-wide third party vehicles insurance scheme, transport operators involving in inter-state and transit operations have no other option but to purchase two or more insurance policies in order to protect against the risks of bodily injury, collision/total loss, theft, etc.</p> <p>The present system requires transport operators to purchase insurance at the border or from an insurance company in the host country before beginning of a cross-border transport operation.</p>	<p><b>Establish a common insurance scheme</b></p> <p>Land transport insurance protects against transportation-related risks, which in turn helps to safeguard regional and international trade flows.</p> <p>BIMP-EAGA should establish a sub-regional insurance scheme. Such scheme should aim at providing greater consistency in regulatory frameworks within EAGA to give market participants greater clarity and assurance on the provision of cross-border insurance services.</p> <p>To begin with, transport officials may work together with finance officials (Ministries of Finance are lead agencies for insurance) to negotiate and enter into an EAGA MoU/agreement on third party vehicle insurance. The MoU shall build on the signed but yet to be implemented Protocol 5 of the AFAFGIT particularly on the operation of the Blue Card Scheme.</p> <p>BIMP-EAGA does not need to start everything from scratch but to leverage on the progress made at the ASEAN-level, as follows:</p> <p>All ASEAN Member Countries have already set up their respective National Bureaus, as required under Article 3 of Protocol 5 of the AFAFGIT. National Bureaus are designated agencies to perform functions necessary for the operation of the ASEAN Scheme of Compulsory Motor Vehicle Insurance. These National Bureaus consist of either insurance companies (in the case of Indonesia and Malaysia) or insurance associations (Brunei Darussalam and the Philippines)</p> <p>Insurance brokers that are licensed, registered, approved or otherwise regulated and supervised in the ASEAN Member Countries are now allowed under the fifth package commitment of the ASEAN Framework Agreement on Services (AFAS) to provide cross-border services as approved international marine, aviation and transit insurance brokers</p> <p>Current efforts by the ASEAN Insurance Regulators Meeting include consultations with private sector (Council of Bureaux) to implement compulsory insurance for motor-vehicles under the Blue Card System</p>
<p><b>The existing implementation guidelines/Standard Operating Procedures (SOPs) for inter-state and transit transport operations are not robust. The SOP of the MoU on Trucks is especially weak.</b></p> <p>This has created uncertainties and given rise to the perception that there are inconsistencies in the implementation of the SOPs.</p>	<p><b>More robust SOPs</b></p> <p>The BIMP-EAGA Land Transport Working Group (LTWG) should work on enhancing the existing implementation guidelines/SOPs of the MoUs. The LTWG should endeavour to bring greater clarity and consistency in at least three areas:</p> <ol style="list-style-type: none"> <li>1. Road traffic regulations</li> <li>2. Vehicle and associated structures/components/parts</li> <li>3. Customs transit system</li> </ol> <p><b>1. Road traffic regulations</b></p> <p>Members of the LTWG should agree on several essential requirements that give priority to the security and safety of cross-border transport operation. Attention should also be given to improving emission standards of vehicles. There should be prescribed common minimum standards and specifications that prohibit vehicles that are unfit, unsafe and overweight</p> <p><b>2. Vehicle types and associated structures/components</b></p> <p>This should include coming out with clear SOPs on temporary admission of foreign prime movers, trailers, containers and others vehicle parts. The SOP should also include guidelines on documentation requirements, guarantee system and charges involved in transporting those structures/ components/parts</p> <p><b>3. Customs transit system</b></p> <p>To date, all BIMP-EAGA Member Countries have already signed Protocol 7 (Customs Transit System) of the AFAFGIT, including its Technical Appendix. While waiting for Protocol 7 to be signed and ratified by all ASEAN Member Countries, BIMP-EAGA governments (Ministries of Finance) should negotiate and agree on a sub-regional customs transit system. It should be a simple yet functional system that builds on the key features of Protocol 7.</p>

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Table 4 *continued*

Challenges	Proposed solutions
	<p>(Note, as of November 2014, Thailand had yet to sign Protocol 7. All other ASEAN Member Countries had already signed it. Protocol 7 will only enter into force upon ratification by all ASEAN Member Countries. The ratification process may take years.)</p> <p>To produce a set of SOPs that is truly functional and relevant, BIMP-EAGA Member Countries should go beyond the existing practice of merely compiling, sharing and exchanging of national road traffic rules and regulations and administrative procedures. They should focus their efforts on analysing and identifying discrepancies or inconsistencies among the national road traffic rules and regulations and administrative procedures and to come out with practical recommendations for simplification and harmonization of these rules, regulations and procedures.</p> <p>Lastly, to effectively operationalize the SOPs, capacity building programmes must be conducted to sensitize and equip the relevant public agencies, transport operators, drivers and assistant drivers.</p>
<p><b>Low cargo and passenger volume.</b></p> <p>Underpinning this challenge is the fragmented sub-regional transport system and imbalance between exports and imports.</p> <p>The former is more to do with the highly regulated domestic land transportation sector while the latter is a common structural problem facing Member Countries which inherently are export-oriented and resource-based economies with small internal markets and narrow industrial bases.</p> <p>There is also the perennial problem of unfair competition from illegal or informal transport operators.</p>	<p><b>Model upon the authorized economic operator model</b></p> <p>Inland ports are increasingly being used to regulate cross-border cargo flows and truck movements. The requirement to drop off and pick up cargo at designated inland ports at border areas discourages seamless and end-to-end transport operation.</p> <p>To move forward, proven operators should be exempted from loading/ unloading at border areas but be given the privilege to perform seamless inter-state and transit transport operation.</p> <p>Based on the Authorized Economic Operator (AEO) principles, Transport Cluster should identify and select operators that are established, credible and reliable as authorized operators under the MoU on Trucks. These operators should be able to meet the following selection criteria:</p> <ul style="list-style-type: none"> <li>• Adhering to high level security (facility, personnel, cargo)</li> <li>• Capable of monitoring their trucks and goods movement in an efficient and effective manner</li> <li>• Strong financial capability with good track records when comes to honoring of commitments</li> </ul> <p><b>More designated routes</b></p> <p>To date, the key entry and exits points and inter-state and transit routes have already been designated. But for greater multimodal functionality and hinterland accessibility, BIMP-EAGA should consider designating the following roads/ports:</p> <ul style="list-style-type: none"> <li>• Road linking Kota Kinabalu-Sandakan-Lahad Datu-Tawau-Serudong (eastern Sabah), which is not part of the designated routes under the MoUs on Buses and Trucks. If this is not done, it will mean no official access road in eastern Sabah for vehicles originating from the Philippines and Simanggaris in North Kalimantan</li> <li>• All access roads to key seaports and airports in BIMP-EAGA (note: there is an ongoing effort in Brunei Darussalam to add the Muara Tutong highway leading to the Muara Port terminal to AH150)</li> </ul> <p><b>Flexible land cabotage</b></p> <p>Flexible implementation of land cabotage on a reciprocal basis should promote better route configurations and scheduling of transport services. This in turn will translate into better commercial viability of cross-border transport services.</p> <p><b>Measures to promote visitor/tourist flows</b></p> <p>For passenger traffic, in addition to migrant worker flows, more efforts should target on promoting visitor/tourist flows by (i) improving service quality and scheduling; (ii) development of visitor/tourist-friendly facilities; (iii) joint-marketing/packaging of tourism products/locations; and (iv) provision of visa on arrival services at main border crossings.</p>

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Table 4 continued

Challenges	Proposed solutions
	<p><b>Reduce market access barriers</b></p> <p>For freight traffic, one possibility is to promote intra-EAGA consolidation of supply-chain traffic by relaxing restrictions on raw or semi-processed materials (oil palm, cocoa, seaweed etc).</p> <p>It is important to look at the market forces on demand/supply for cross-border transport services. Reduction of market access barriers (such as FDI restrictions), national treatment barriers (or discriminatory barriers such as subsidies to local companies), regulatory barriers (i.e., barriers relating to regulation, licensing, technical standards, etc) and other barriers (such as anti-competitive practices and pricing) should contribute to increased volume for cross-border traffic.</p> <p><b>Test-bed ASEAN initiatives</b></p> <p>BIMP-EAGA should examine possible complementarity and/or overlapping between sub-regional and ASEAN transport initiatives/programmes with a view to further enhance the ability of BIMP-EAGA as a viable platform for fast-track implementation of ASEAN transport initiatives.</p> <p>It is important to look at the market forces on demand/supply for cross-border transport services. Relaxing market access or liberalizing cross-border transport services could contribute to increased volume/load factor for cross-border traffic and therefore expanding the private sector utilization. The 2007 ASEAN Sectoral Integration Protocol for the Logistics Services Sector under the 1995 ASEAN Framework Agreement on Services could be a good start to identify possible scope of further cooperation on this area.</p> <p><b>Address the structural problems of the economies</b></p> <p>This must be complemented by sub-regional economic policy frameworks that encourage diversification of economic structures, broadening of export-base, promotion of downstream investment and adoption of environmentally sustainable production techniques for sustained growth.</p> <p>In the context of the BIMP-EAGA Implementation Blueprint 2012-2016, this underscored the need to move forward not only Pillar 1 (Enhanced connectivity) but also Pillar 2 (Food basket for ASEAN and the rest of Asia), Pillar 3 (Promoting BIMP-EAGA as a premier regional tourism destination), and Pillar 4 (Ensuring the sustainable management of the environment).</p> <p><b>Coordinated effort to eliminate illegal transport operators</b></p> <p>Better enforcement may be the only way to address the problem of informal or illegal transport operators. But to be effective, Member Countries must join forces in carrying out the enforcement. The current unilateral enforcement actions will not be effective and sustainable.</p>
<p><b>Inadequate infrastructure</b>, including roads, bridges, border crossing facilities, secure parking areas, rest areas, proper bus terminals and road signage that are essential for cross-border transport operation</p> <p>A significant portion of the designated routes (ASEAN Highways No. 150 (Borneo) &amp; 26 (Mindanao) is under Class II and III standards</p>	<p><b>Incorporate sub-regional projects into national plans</b></p> <p>Member Countries should intensify effort to promote infrastructure development along the designated transit routes, including getting sub-regional transport infrastructure project proposals into their respective annual and mid and long-term national development plans.</p> <p><b>Diversify funding sources</b></p> <p>BIMP-EAGA should set up effort to tap into international and regional funding sources such as the ASEAN Infrastructure Fund to finance the infrastructure investment needs.</p>

Source: ADB.

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## 5 Interaction between BIMP-EAGA MoUs and ASEAN Agreements

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This section explores the relationship between the BIMP-EAGA land transport MoUs and relevant ASEAN transport agreements in both technical provisions and implementation. The main objective is to examine possible complementarity among them and seek to further enhance the ability of BIMP-EAGA as a viable platform for fast-track implementation of ASEAN transport initiatives.

As discussed earlier, the BIMP-EAGA MoUs on Buses and Trucks comprise some of the key features of the relevant ASEAN agreements. For example:

- The designated routes and points of entry and exit are based on Protocol 1 (Designation of Transit Transport Routes and Facilities) of the ASEAN Framework Agreement on the Facilitation of Goods in Transit 1998;
- Member Countries mutually recognized the domestic bus and trucks driving licenses in accordance with the Agreement on the Recognition of Domestic Driving Licenses issued by ASEAN Countries signed in 1985;
- The passengers and drivers who are citizens of BIMP-EAGA Member Countries who hold valid passports are exempted from visa requirement in accordance with the ASEAN Framework Agreement on Visa Exemption signed in 2006;
- Transit transport operation is conducted in accordance with the 1998 ASEAN Framework Agreement on the Facilitation of Goods in Transit;
- Inter-state transport operation is conducted in accordance with the 2008 ASEAN Framework Agreement on the Facilitation of Inter-State Transport;
- BIMP-EAGA Member Countries recognize each other's vehicle inspection certificate in accordance with the Agreement on the Recognition of Commercial Vehicle Inspection Certificates for Goods Vehicles and Public Services Vehicles Issued by ASEAN Member Countries signed in 1998; and
- Buses and trucks are not allowed to carry goods prohibited and/or restricted as specified in Protocol 9 (Dangerous Goods) of the ASEAN Framework Agreement on the Facilitation of Goods in Transit 1998 not unless there is a special permit from the host country.

This shows that BIMP-EAGA can be a viable platform for fast-tracking implementation of ASEAN transport initiatives.

The AFAGIT was signed way back in 1998 and the AFAFIST in 2008. Both agreements are yet to be implemented because the negotiations over several of their implementing protocols have reached an impasse.

In contrast, it took BIMP-EAGA only about a year to negotiate and sign each of the MoUs. The MoUs were implemented almost immediately after their signing.

The main reason why BIMP-EAGA was able to accomplish the processes within a short period of time is because there was no need for it to spend time discussing and renegotiating over those provisions or protocols it 'borrowed' from AFAFGIT and AFAFIST since the national governments of BIMP had already reached a consensus on them at the ASEAN level (BIMP are part of ASEAN). There was no need for BIMP-EAGA to reinvent the wheel.

In terms of membership, BIMP-EAGA has four members compared to 10 in ASEAN. BIMP-EAGA's members are resource-based economies. They have similar geographical characteristics (archipelago), similar level of socio-economic development (developing) and similar cultural background. These common characteristics offered a natural platform for fast-track implementation of ASEAN agreements.

ASEAN should recognize the strategic role of BIMP-EAGA (and other ASEAN sub-regional frameworks) towards contributing to the ASEAN connectivity agenda and early realization of the ASEAN Economic Community.

ASEAN has been working on integrating regional logistics services, with targets of liberalizing relevant transport services. With the "test bed" principle, BIMP-EAGA could look into how these can be taken up to promote efficiency and competitiveness of the operators, which would contribute to higher service quality and lower costs, thus generating more demand/volume for intra-EAGA traffic.

ASEAN and BIMP-EAGA should therefore intensify their engagement efforts. To begin with, there should be closer consultation and collaboration between the ASEAN Secretariat and the BIMP-EAGA Facilitation Centre. There should also be closer collaboration between the ASEAN Transport Facilitation Working Group and BIMP-EAGA Transport Cluster and Land Transport Working Group. BIMP-EAGA Transport Officials from provinces/states should be invited to take part in the ASEAN Transit Transport Coordinating Board meeting.

The main purpose of the consultation and collaboration is to identify potential joint activities/programs/projects and to develop mechanism to enhance coordination and monitor progress of identified areas for collaboration between ASEAN and BIMP-EAGA.

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## 6 Concluding Remarks

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This study has identified the significant progress made in the implementation of the BIMP-EAGA MoUs on Buses and Trucks. It has also identified the main regulatory, technical and physical challenges constraining their implementation progress and provided possible solutions to overcome these challenges.

The challenges identified by and proposed solutions made in this study were presented to the Informal STOM and 9th TMM held in Brunei Darussalam on 18–20 November 2014. The Informal STOM and TMM acknowledged the challenges faced and endorsed the proposed solutions. The TMM tasked the BIMP-EAGA Transport Cluster to:

- Work towards creating a common permit scheme that stipulates a simplified and cost-effective vehicle permit application process with standardized permit validity periods;
- Work together with private insurance companies and Ministries of Finance to establish a sub-regional third party vehicle insurance scheme;
- Collaborate with Ministries of Finance to explore the feasibility of having a simplified yet functional customs transit mechanism for BIMP-EAGA based on the “test-bed” approach; and
- Based on the authorized economic operator (AEO) concept, identify and select transport operators that are established, credible and reliable as authorized operators to perform end-to-end transportation and supply-chain solutions under the BIMP-EAGA MoU on Trucks.

At the same TMM, reinforcing the importance of BIMP-EAGA as a viable test-bed for ASEAN initiatives, the Deputy Secretary-General of the ASEAN Secretariat informed that a joint consultation meeting among transport officials from BIMP-EAGA, Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) and ASEAN Transport Facilitation Working Group would be organised by both the ASEAN Secretariat and ADB in the first half of 2015. The consultation meeting would focus on land transport facilitation to explore potential synergy and improve alignment between ASEAN and sub-regions activities including the identification of ASEAN transport agreements/programs which could be implemented in the sub-regions on “test bed” basis.

With regards to the proposal to develop a common vehicle permit in BIMP-EAGA, the ASEAN Secretariat informed that a similar initiative led by Malaysia is being pursued under the ASEAN Transport Facilitation Working Group for the ASEAN Customs Transit System. The lessons drawn from this implementation would be shared with BIMP-EAGA. The ASEAN Secretariat also encouraged wider implementation of 3rd party vehicle insurance coverage in BIMP-EAGA using Blue Card Scheme to operationalize Protocol 5 of AFAGIT (e.g., ASEAN Scheme of Compulsory Motor Vehicle Insurance).

The directives of the TMM and STOM and the guidance provided by the ASEAN Secretariat mentioned above should form the main agenda of the BIMP-EAGA Transport Cluster and LTWG meetings in 2015.

Technical assistance from the ASEAN Secretariat and ADB shall be critical to support the Transport Cluster and LTWG in moving forward these agenda.



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# **Annexes**

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# Annex A

## Key BIMP-EAGA and ASEAN Documents and Reports Reviewed

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- BIMP-EAGA MoU on Cross-border Movement of Commercial Buses and Coaches;
- The BIMP-EAGA MoU on Transit and Inter-State Transport of Goods;
- The BIMP-EAGA Implementation Blueprint 2012–2016;
- Various meeting reports of the BIMP-EAGA Summit, Transport Ministers Meeting, Ministerial Meeting, Senior Officials Meeting, Transport Cluster and Working Group Meeting;
- The ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) (1998) and its Protocols;
- The ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST) (2008) and its Protocols;
- The ASEAN Framework on Multimodal Transport (AFAMT) (2005);
- The Agreement on the Commercial Vehicle Inspection Certificates for Goods Vehicles and Public Service Vehicles Issued by ASEAN Member Countries (1998);
- The Agreement on the Recognition of Domestic Driving Licenses Issued by ASEAN Countries (1985);
- The ASEAN Framework Agreement on Visa Exemption (2006);
- Ministerial Understanding on the Development of the ASEAN Highway Network Project (1999);
- ASEAN Framework Agreement on Services (AFAS) (1995);
- Master Plan on ASEAN Connectivity 2010–2015; and
- The Master Plan and Feasibility Study on the Establishment of an ASEAN Roll-On/Roll-Off (RO-RO) Shipping Network and Short Sea Shipping (2013).

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# Annex B

## ASEAN Highway Classification

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ASEAN Highway Classification\*

Classification	Description	Pavement Type
Primary	Access controlled motorway	Asphalt or cement concrete
Class I	4 or more lanes highway	Asphalt or cement concrete
Class II	2 lanes	Asphalt or cement concrete
Class III	2 lanes (narrow)	Double bituminous treatment

Note: \*Based on Asian Highway Standards by ESCAP 1995.

Source: Ministerial Understanding on the Development of the ASEAN Highway Network Project, 1999.

# Annex C

## ASEAN Highway Standards

### ASEAN Highway Standards

Highway Classification		Primary (4 or more lanes) (Control access)			Class I (4 or more lanes)		
Terrain Classification		L	R	M	L	R	M
Design speed (km/h)		100-120	80-100	60-80	80-110	60-80	50-70
Width (m)	Right of way	(50-70) ((40-60))			(50-70) ((40-60))		
	Lane	3.75			3.50		
	Shoulder	3.00		2.50	3.00		2.50
Min. horizontal curve radius (m)		390	230	120	220	120	80
Type of pavement		Asphalt/cement concrete			Asphalt/cement concrete		
Max. super-elevation (%)		(7) ((6))			(8) ((6))		
Max. vertical grade(%)		4	5	6	5	6	7
Min. vertical clearance (m)		4.50 [5.00]			4.50 [5.00]		
Structure loading (minimum)		HS20-44			HS20-44		

Highway Classification		Class II (2 lanes)			Class III (2 lanes)		
Terrain Classification		L	R	M	L	R	M
Design speed (km/h)		80-100	60-80	40-60	60-80	50-70	40-60
Width (m)	Right of way	(40-60) ((30-40))			30-40		
	Lane	3.50			3.00 [3.25]		
	Shoulder	2.50		2.00	1.50 [2]		1.0 [1.5]
Min. horizontal curve radius (m)		200	110	50	110	75	50
Type of pavement		Asphalt/cement concrete			Double bituminous treatment		
Max. super-elevation (%)		(10) ((6))			(10) ((6))		
Max. vertical grade(%)		6	7	8	6	7	8
Min. vertical clearance (m)		4.50			4.50		
Structure loading (minimum)		HS20-44			HS20-44		

Note:

1. Abbreviation: L = Level Terrain, M = Mountainous Terrain, R = Rolling Terrain.
2. ( ) = Rural, (( )) = Urban.
3. [ ] = Desirable Values.
4. The right of way width, lane width, shoulder width and max. super-elevation rate in urban or metropolitan area can be varied if necessary to conform with the member countries design standards.

Source: Ministerial Understanding on the Development of the ASEAN Highway Network Project, 1999.

