

From 1998 to 2008: Housing Welfare and New Housing Culture

The 1997 financial crisis of Korea dramatically changed the situations surrounding the housing market. The economic conditions of households worsened, leading to a significant drop in the housing demand and collapse in housing prices. The government tried to tackle the situations and revive the economy through a pump-priming package for the construction industry. Thanks to the more than ten deregulatory measures during the first two years (1998~1999) of the ex-president Kim Daejung government, the housing market gradually recovered, and the positive effects of deregulations continued until 2000.

However, since 2002, the war against property speculation has intensified. Expressing a strong willingness for anti-speculation, the following Roh Moohyun government strived to control property speculation announcing a series of related measures thirteen times from 2003. The typical policy tools used for the anti-speculation war include the introduction of the Comprehensive Real Estate Tax and Capital Gains Tax, and strengthened financial restrictions involving the Loan to Value Ratio (LTV) and the Debt to Income Ratio (DTI).

Coupled with this, housing welfare policies for the working poor were implemented. The supply of a house matching the income level, or customized housing represents the policies. Basically, housing welfare represents the policies. Basically, housing welfare policy for the working class puts the first priority on the housing stability of the target households. However, in this period, policies aimed at creating a new concept of housing were also promoted, and the following two initiatives well display the intention of the policies. One is, the construction of rental housing for reserve for the middle-income class. This is designed to expand the beneficiaries of rental housing policies to the middle-income class.

The other is a move to supply a sufficient amount of long-term public rental housing and transform people's awareness of housing from ownership-oriented to residence-oriented. This policy direction has been set after a thorough consideration of the tendency for people to desperately wish to own housing with the lack of proper measures of alleviating housing instability in the past.

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60 Years of Transportation Network Building: Nationwide Travel Time Reduced to Half a Day

Retrospect on Transportation Infrastructure Policy

Over the past six decades, policies for the supply of transportation infrastructure including roads, railways, ports and airports have continuously changed in close relationship with the situations of the times. After liberation from Japanese colonial rule and the following Korean War, the nation's transportation infrastructure was in a very poor condition. However, the economic growth under the five 'Five-year Economic Development Plans' from 1962 to 1991 rapidly increased the demand for passenger and freight transport.

Entering the full-scale economic growth in the 1970's, the Gyeongbu Expressway was built as a

preemptive measure for the estimated increase in the demand for passenger and freight transport following regional development. The Gyeongbu Expressway construction served as an occasion to build a nationwide road network system later on. Recognizing the limitation that roads alone could not solve traffic congestion in urban areas, in the 1980's, the nation also focused on the construction of urban railways, thus laying the foundation for public transportation infrastructure in metropolitan cities.

In the 1990's, the construction of the Gyeongbu High-speed Rail was initiated with the intent to resolve the difficulties in transporting passengers and freights on the road axis between Seoul and Busan. The construction of the Incheon

International Airport and the development of the Busan and the Gwangyang Port were an inevitable choice for the state, which was under the social pressure to strengthen national competitiveness by meeting the demand for the skyrocketing international passengers following liberalization of overseas travel in 1988, and by facilitating the handling of import and export freights. However, the experience of the IMF assistance following the 1997 financial crisis provided the nation with an occasion to reassess large scale national projects for infrastructure investment and improve its investment assessment guidelines, thereby more closely examining the effectiveness of such investments.

In retrospect, it has not been long since the transportation services of the nation became modernized. It is regarded that the expressway construction in the 1970's and the construction of urban railways fully initiated in the late 1980's marked a full-scale supply of transportation facilities in the nation. In contrast, inter-regional railway construction was partially achieved except for the construction of the Gyeongbu High-speed Rail, and the construction and expansion of ports and airports were small in terms of investment. In particular, failing to supply transportation facilities in advance on the basis of predictions on transportation demand and on future vehicle ownership, since the 1990's, the nation has suffered serious traffic congestion in inter-regional transportation, as well as in metropolitan cities.

Transportation difficulties arising from rapid increase in import and export volume and from traffic jams in metropolitan cities, went beyond simple traffic congestion and evolved into a social and economic loss when factoring in congestion costs and logistics costs. However, it was as late as in 1994 when the Special Accounts for Transportation Facilities was earmarked with a view to securing investment funds in a stable

manner. This means that it has been less than 15 years since the nation committed a full investment in transportation facilities.

Transformation of Transportation Infrastructure by Sector

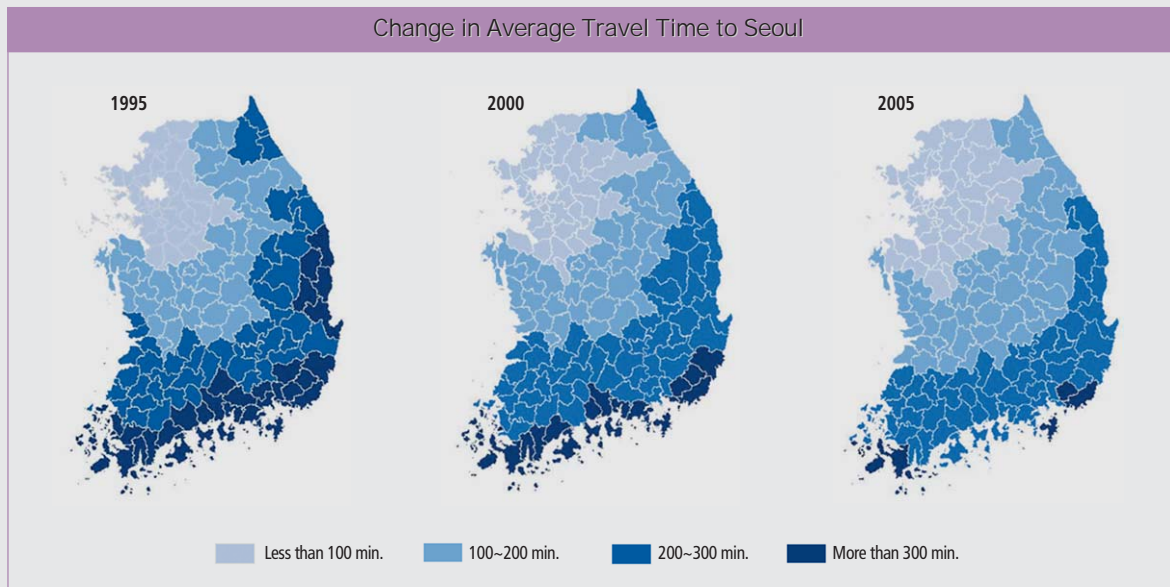
The infrastructure having the biggest impact on the current transportation network construction of the nation is the Gyeongbu Expressway completed in 1970. The opening of the expressway, along with the Gyeongin Expressway completed in 1968, provided a decisive occasion to gradually transform the then railway-centered transportation system into a road-centered system.

Despite oppositions, the nation concentrated national efforts and hastily completed the Gyeongbu Expressway totaling 428km in length in two and a half years. The construction was intended to brace for the forthcoming age of road transportation of passenger cars, and to lay the infrastructure that would dramatically improve the national logistics flow by building arterial roads connecting capital region with industrial complexes in the Busan · Gyeongnam region including Ulsan and Pohang. It would help the nation to join the ranks of export-led industrialized countries. Since the Gyeongbu Expressway construction, projects for expanding the nationwide expressway network have been consistently promoted, completing the Central, the West Coastal and the Inland Central Expressway. Currently, the nationwide expressway network, more than 3,000km long in total, are assuming the role and functions of national arterial transportation facilities.

According to the results of the estimation on a variety of impacts of expressway construction on the national economy and on people's quality of life improvement¹⁾, the direct impact on the economy of the entire expressway network of the nation completed up to 2005 is 139 trillion won annually, or 17.2% of the GDP. In addition, the results show

Impact of Expressway Construction (as of 2005)			
Division	Direct Impact	Total Travel Time Saved	Total Travel Distance Saved
For Entire Routes in 2005	App. 139 trillion won/ year	App. 21 million hours/ day	80 million km/ day
For Each Vehicle	9.05 million won/ year	84 mins/ day	5.2km/ day

Note: The impact on the entire routes has been calculated based on the number of the registered vehicles in 2005.
 Source: Kim, Hojung & Jung, Sunyoung (2007). New frontier policy required for highway construction, *Policy Brief* Vol. 136.



Source: Kim, Hojung & Jung, Sunyoung (2007).

that the expressway network has the effect of saving 9.05 million won and 420 liters of petrol a year, and 84 minutes and 5.2km-travel distance a day for each vehicle. In particular, regarding the average travel time to Seoul, the number of the nationwide cities and counties with more than 300 minutes of travel time to Seoul on average has significantly reduced since 1995, indicating the contribution of the expressway network to a balanced regional development.

The construction of the expressway network also proved to have the impact of psychological distance reduction in territorial space among the people²⁾. To be specific, it has been estimated that the impact of psychological distance reduction among people from expressway construction and the following road connection is approximately 16%. For a direct connection by means of expressways, the psychological distance reduction impact has been analyzed as approximately 60%.

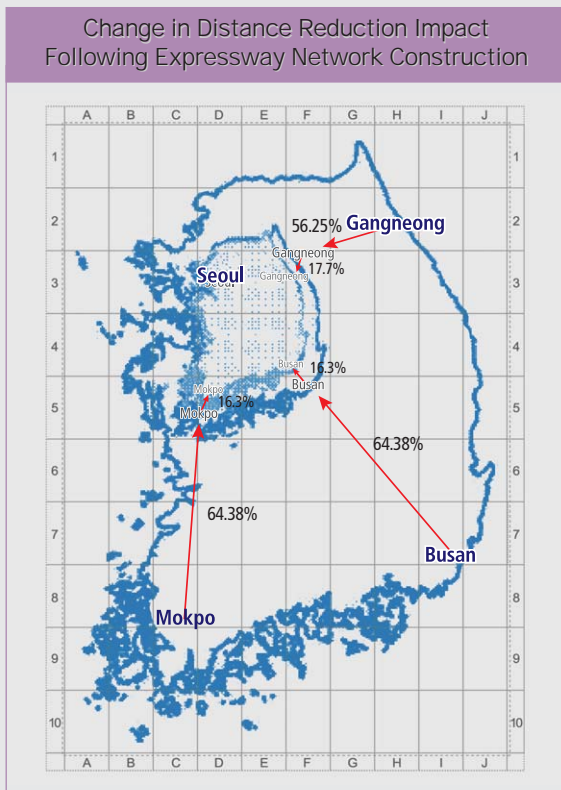
The railways, which once played a key role in land transport after liberalization in 1945, failed to make a major breakthrough until the 1990's compared to the roads. Most of the railway projects until the 1990's were limited to transforming

existing railways to double-tracked railways and rail transits, and construction of industrial railway tracks, with the investment in new arterial railway network construction remaining very low. Such a low investment in railways was due to the fact that basically, railways were less competitive than roads. Then, investments were fully made for urban railways prior to inter-regional railways because entering the 1980's, the rapid urbanization turned daily traffic congestions into a social issue primarily in metropolitan cities. In the meantime, the construction of the Gyeongbu High-speed Rail, conceptualized with the intent to address the congestions on the Gyeongbu Axis, was commenced in 1992 and partially opened in 2004, with the era of high-speed rail fully unfolding.

The liberalization of overseas travel in 1988 significantly increased the demand for international passenger transport, and raised the recognition of the capacity limitation of the Gimpo International Airport, providing the occasion to promote the construction of the Incheon International Airport. In addition, entering the 1980's, the Busan Port, which had been handling most of the container freights from across the nation in the export-oriented

1) Kim, Hojung & Jung, Sunyoung (2007).

2) Kim, Hojung & Chung, Ilho (2008). Highway network construction and psychological distance of territorial space. *Policy Brief* Vol. 192.



Source: Kim, Hojung & Chung, Ilho (2008).

equipped with seven berths at that time was falling behind its rival ports from Hong Kong, Singapore and Taiwan in terms of facilities, causing major large shipping companies to avoid the port, and consequently lowering the competitiveness of the import and export freights of the nation. In response to this, the nation made a decision to promote the Busan-Gwangyang two-port system in 1991 and made heavy investment. As of the end of 2007, a total of seven berths are operating in the New Busan Port and 16 in the Gwangyang Port.

Reflecting on the development of the transportation infrastructure of the nation over the past 60 years, it seems as if we were separated by an age. The transportation infrastructure, which began to be built to prop up the economic reconstruction of the nation amid the ruins after Korean War, during which even the transportation infrastructure established under the Japanese colonial rule for exploitation was destroyed, has now developed so much so that now people can feel the benefits in their daily life. This can be assessed as a noteworthy accomplishment attained with national efforts and surmounting numerous hardships. Now, the task that lies ahead of us is to construct transportation infrastructure to brace for future circumstantial changes.

economy of Korea, was experiencing serious delays in shipping and freight transportation. On top of that, the container terminal of the Busan Port

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60 Years of Construction Industry of Korea: from Drastic Change towards Partnership and Amalgamation

Birth of Construction Industry of Korea

The passage of the 「Draft Act on Construction Business」 with 8 Chapters and 48 Articles at the plenary session of the National Assembly on February 12, 1958, provided an institutional tool to promote the construction industry at the governmental level. The number of construction companies scattered across the nation at that time

was approximately 1,500¹⁾. Later, design and engineering-related license, registration and reporting systems were introduced, and various business sectors of the construction industry were formulated. Ever since, the 「Act on Construction Business」 has played a crucial role in the growth and development of Korea's construction industry, leading and observing the drastic change Korea has experienced over the past 60 years.

1) Construction Association of Korea (1997). *Fifty-year history of Construction Association of Korea.*