

Promoting Efficient and Competitive Intra-ASEAN Shipping Services – *Vietnam Country Report*

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Authors:

PDP Australia Pty Ltd/Meyrick and Associates

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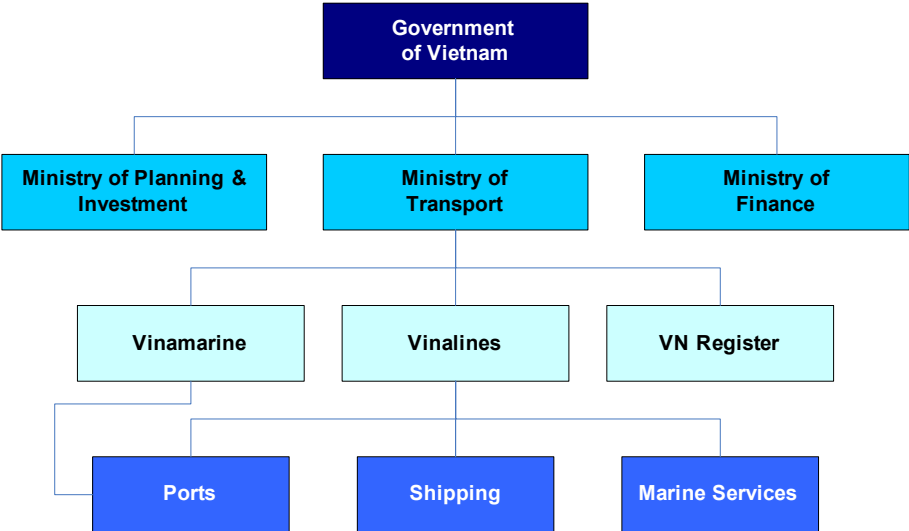
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I. NATIONAL SHIPPING POLICIES

A. MARITIME ADMINISTRATION STRUCTURE

Figure 1 is a thumbnail sketch of the interrelationships and lines of responsibility.

Figure 1: Vietnam: Structure of Maritime Administration



The information in the figure above is drawn from a presentation by Vinamarine, informed by notes of meetings with various maritime agencies of the Government.

MOT is responsible for all transport modes: maritime, road, railway, air, inland water transport. Its responsibilities in the maritime sector include transport industries (shipping, ship-building and related services) as well as ports and regulatory matters.

Vinalines, the "mother" shipping company, and Vinashin, the shipbuilding company, are quite powerful; they report to the Prime minister directly, as well as to Vinamarine and MoT on state administrative matters.

B. POLICY

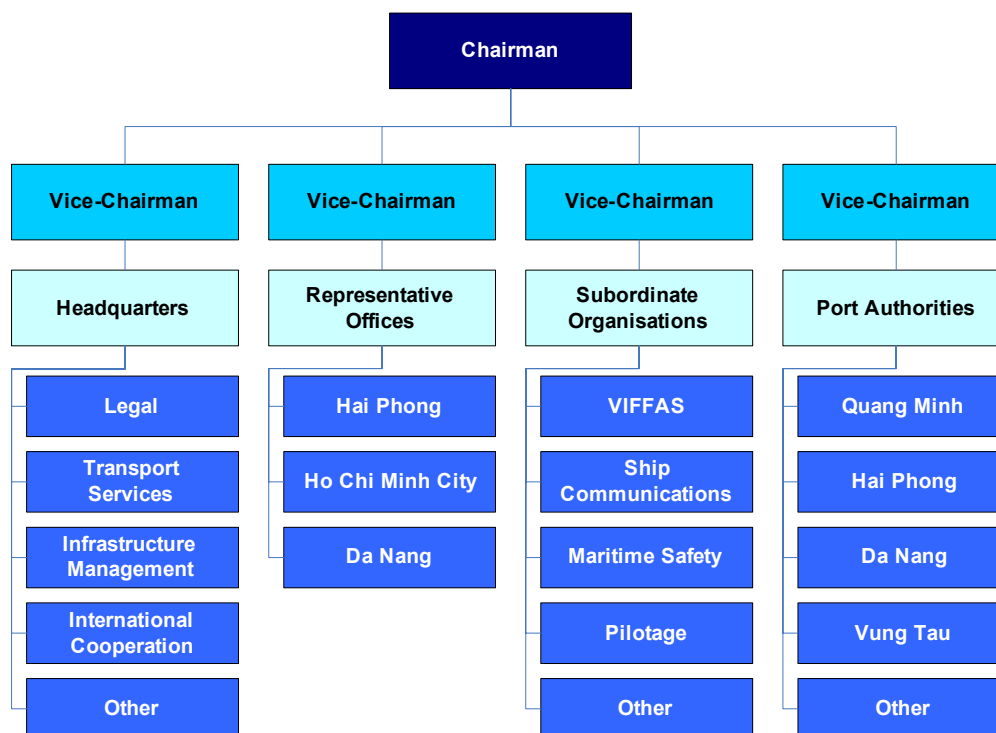
Policy responsibility for the maritime sector is shared principally by Vinamarine and Vinalines under the umbrella of the Ministry of Transport (MoT). Organisation charts show the Vietnam Register as under direct responsibility of the MoT, although discussion with agencies suggests that it is managed day-to-day by Vinamarine through the Ship and Seafarers' Registry Department.

The origins of both Vinamarine and Vinalines were combined in the Sea Transport Department in 1961; this was reorganised in 1992 to establish (i) Vinamarine (for essentially government, non-commercial and regulatory functions) and (ii) Vietnam National Shipping Lines, now known as Vinalines (for all commercial/semi-commercial functions, including shipping services and ports). A further reorganisation in 2003 put them under the Ministry of Transport.

One important point on organisation of state agencies: the Port Authorities under Vinamarine do not operate the ports; they are the state administrative agencies in each port responsible for the government (i.e. non-commercial) functions of port and vessel safety, entry/discharge permits, accident investigations, Port State Control (Tokyo MOU protocol), incoming/outgoing clearance and coordination of immigration and customs services. There are over 23 port authorities; only the biggest ones are shown in the organisation chart in Figure 2 below.

C. VINAMARINE

Figure 2 Vietnam: Vinamarine Structure



Vinamarine's tasks and responsibilities are defined as:

- Strategies for maritime development, master-plan, draft laws, shipping policies and regulations, rules of management and legal norms on maritime activities
- To join in and manage domestic and foreign investment projects of maritime infrastructure development, incl. ODA funded;
- To join bilateral maritime agreements, MOU;
- To give recommendations on accession to, adoption/ratification of maritime-related international conventions/treaties.
- To grant permission for foreign vessels to enter the territorial waters of Vietnam;
- To promulgate the statutes of port, their opening for navigation;
- To supervise maritime services;
- To carry out Search and Rescue coordination activities;
- To supervise maritime safety, conduct maritime safety inspection, including Port State Control;
- To issue certificates of registry to sea-going vessels; certificates of competency to seafarers;
- To investigate into maritime accidents and handle infringement/violations in maritime area.

For the legal framework governing Vinamarine, key documents include:

- Government Decree 10/2001/ND-CP on conditions for maritime services business
- Government Decree 57 /2001/ND-CP on conditions for sea transport business

- Government Decree 125/2003/ND-CP on Multimodal Transport (note: Vietnam is also participating in an ASEAN framework agreement on multi-modal transport, now in its final draft)
- Decision 61/2003/QD-BTC of 25/4/2003 & 62/2003/QD-BTC of 25/4/2003 on port tariffs. (Vinamarine is currently reviewing port tariffs in comparable countries as part of a tariff review)

In developing the legal framework, Vinamarine and the Legal Department would prepare proposals and review before submitting to the Minister, who issues decisions and regulations. Anything higher goes to the National Assembly, the main legislator. Efforts are underway to update the 1990 (effective 1991) Maritime Code to accommodate ISPS security matters, multi-modal transport and other IMO conventions. Below the level of a law are by-laws and ordinances issued by various Standing Committees of the National Assembly. Below them: Government decree; Minister's regulation/decision; Vinamarine notice/instruction.

Mot and Vinamarine are trying to create a more competitive legal framework to allow companies to develop their own business more independently. Some constraints, though: e.g. imported ships have to be <15 yrs old; domestic companies are encouraged to buy new capacity from Vinashin - they need a special waiver to buy overseas. Companies want to relax these controls. There are other inducements to buying domestic ships: the Government has set up a special low-interest funding program through state-owned banking system.

D. WTO MEMBERSHIP

Vietnam is now preparing for WTO membership (it applied November 1994); this, and commitments under AFTA/AFAS, have important implications for the reform process. Included under GATS/AFAS commitments, for example, are: CPC 7212 (no cabotage on international freight); CPC 7211 (no cabotage on international passenger services); CPC 748(?) (maritime agency services); CPC 7223 (vessel/crew chartering); and others on maintenance/repair of vessels, ship brokering etc.

E. VINALINES

On the operational side, there are many state-owned shipping companies, including some that are corporatised and equitised. The biggest is Vinalines. There are many subsidiaries under Vinalines (e.g. Vosco), some of which are wholly state-owned and others are JVs with Vinalines. There are more than 10 [19, according to Vinalines] private shipping companies, but these are mostly small. Joint-stock companies also tend to be small.

Since Vinalines was established in 1996 it has built up a fleet of 97 ships with combined tonnage of more than one million DWT, equal to 58 percent of the total capacity of the nationwide fleet. In 2003, as much as 32.8 million tonnes of cargo were transported via Vinalines' ports, representing 41 per cent of the total volume of cargo transported via all ports nationwide in the year. At present, the corporation is carrying out a number of projects to develop and modernise the fleet, upgrade and enlarge ports, in particular Da Nang and Hai Phong ports, and to build the Van Phong international entrepot port. (see under item 4, Major Port Developments below)

In 2001 the Prime Minister approved a pilot project to reorganize Vinalines that allowed its subsidiaries to buy stock in the corporation. The implementation of this project will last till 2005. According to its website, by that time, the corporation will be completely reorganized, except four seaports. So far 21 enterprises managed by Vinalines have been privatized.

In 2003: the volume of cargo transported by Vinalines totalled 17.8 million tonnes and the volume of cargo transported via Vinalines' ports totalled 32.8 million tonnes. Revenue exceeded VND6.63 trillion, three percent higher than that of 2002, including VND402.9-billion profit, eight percent higher than the 2002 profit.

As with many national lines, Vinalines is now operating globally. Previously the Vietnamese fleet [like Indonesia's] operated world-wide but now not so. It has shrunk with competition from foreign carriers. Sometimes VN carriers have to use time charters to offer adequate export/import capacity. 50% of Vinalines' VN tonnage is now chartered by outside countries.

The structure of Vinalines and its subsidiaries and associated organisations is very complex. Their literature lists seven owned shipping companies, five ports, seven marine service companies, two subsidiaries, seven joint-venture companies and fifteen share holding companies. Activities include container services, ship operations and management, labour services, marine consulting, sea and air freight forwarding, ICD and depot operations, and others including maritime IT and even design and supply of office equipment.

A presentation by Vinalines indicated that in Vietnam there are 413 shipping companies in all, out of which 152 are Government state-owned enterprises, 48 are shareholder companies (these have gone through equitisation, i.e. the sale of shares to third parties or government employees), 167 are limited liability companies (some of which can be government-owned), 5 Joint Ventures between government companies and foreign interests, 22 cooperatives and 19 private companies. The JVs (e.g. with Maersk) can have > 50% foreign ownership.

There is full cabotage on domestic movements. VN-owned vessels only, VN flag, VN crew (except some specialised officer positions). MOT, through Vinamarine (Transport & Maritime Services Department) can issue waivers on a case-by-case (voyage) basis.

A very high proportion of international cargoes is carried on foreign vessels.

Vinamarine has a program to encourage fleet replacement, supported by cheap government bank loans.

F. PARTICIPATION IN INTERNATIONAL TRADES

Vietnam has only 20% share of international traffic, even less for containers. Ships in the national fleet tend to be older, smaller and the range of ships is not well suited to trade requirements. There is a need to replace many and to purchase others more suited. Generally, Vietnamese flag container vessels only run feeder services to the major hubs like Singapore and HK.

G. MULTI-MODAL STRATEGY

Freight forwarding, logistics and supply-chain management in VN is in its infancy. Most freight forwarders are agents for foreign companies. Multi-modal transport is undeveloped, even though there was a decree introduced last year based on ASEAN agreement in Phnom Penh -- see ASEAN international convention on multi-modal transport. Even so, VN is on-track for liberalising shipping and logistics: it offers JV opportunities to foreign operators and investors, though within a limit of 51% local equity.

H. SHIP REGISTRATION

Vietnam maintains an open registry. The Vietnam Register of Shipping is essentially a classification agency; the registry itself is maintained by Vinamarine as the Ship and Seafarers' Registry Department.

I. CABOTAGE

Within Vietnamese waters, there is full cabotage: 100% by Vietnamese flag vessels, except where no alternatives exist. Foreign vessels require the Minister's approval, issued after consultation with Vinamarine and Vinalines. But there are no government controls on shipping tariffs. Like several other ASEAN countries, Vietnam is keen to retain cabotage although, unlike others, it does not have a problem with domestic shipping capacity. Many

JVs can operate their own ships, but must be approved by MOT. There is some domestic competition putting pressure on Vinalines, as well as the effects of rising prices for fuel, equipment and charter rates.

J. SUBSIDIES, GRANTS AND TAX INCENTIVES

Although not fully substantiated, it is understood that there is a 3% tax applied to export freight paid for which some ship operators obtain a concession or exemption. (See notes of discussion with Jardine Shipping- item 7 below). It was not clear how this, or the exemptions are applied but there was some dissatisfaction among forwarders.

K. OTHER AGENCIES

The Vietnam Register of Shipping is essentially a classification agency; the registry itself is maintained by Vinamarine.

The Vietnam Shipbuilding Corporation is the main ship-building company. It is capable of building some quite large vessels.

There are also many shipping agency and stevedoring companies, as well as around 400 freight forwarders, the latter mostly under VIFFAS. Other industry associations include: Ship Agents and Brokers Association; Shipowners' Association; VN Ports Association (very strong). In Vietnam, there is no shippers' association¹, but VCCI plays a similar role.

L. DEVELOPMENT OF THE MARITIME SECTOR: PROLIFERATION OF OPERATORS

In 1991, the government embarked on an initiative involving all sectors – ports, transport, energy etc. – wanting to establish large groupings to compete with overseas conglomerates. However, many of these large units were unable to manage their own finances, unable to audit themselves etc. The government stepped in and many smaller units were allowed to develop, resulting in the current proliferation, still continuing, of units within bodies such as Vinalines, of joint stock companies, joint ventures and shareholding companies with holdings sometimes but not always by government. Thus private organisations have grown within the larger bodies. Even the Army has its own shipping company, as well as its terminal in Saigon! To add to the difficulties of control, it is also much easier now for the private sector to set up companies; to compete with the state enterprises, which have to diversify and offer better services to customers under longer-term arrangements to protect their business. Now if they wish to be competitive, these smaller, semi autonomous companies need big capital.

M. KEY SHIPPING AND TRADE ISSUES

1. Terminal Handling Charges

The Vietnamese government has not allowed THCs to be applied for Vietnamese ports. The various sectors of the maritime industry have conflicting views.

VIFFAS, representing cargo interests, for instance, had a strong view on THCs. Since it is not yet applied, they concede that it shouldn't be an issue for them or their members. However, Vietnam's customers buy CIF and THC charges are apparently often applied by the shipping suppliers. Where they are applied, VIFFAS would like to see more open disclosure of the THC elements in the overall charge. Unfortunately Vietnam has no Shippers' Council and so is weak in negotiations with shipping companies.

Also, with imports mainly raw products for Vietnam's processing industries (eg garments), load port THC on imports has an impact on export competitiveness. They sometimes amount to US\$85 for a 40 ft container, or possibly \$3 per cubic metre. Needless to say, exporters are solidly against the application of THCs as this would see a doubling of the effect.

¹ Some respondents felt that there is a need for such a body.

On the other side of the coin, and just as understandably, shipping companies support THCs and commented that the lack of THCs in Vietnam trades in fact leads to lack of competitiveness which in turn discourages lines from investing in the trades.

2. Control of Shipping

The costs being already incurred by Vietnamese importers and, indirectly, exporters, may well be exacerbated by a lack of control by Vietnamese import/export community. VIFFAS commented that with the critical footwear and garment industries, shipping tends to be handled by a single offshore 3PL/logistics supplier. Goods travel under a forwarder's house bill and the cargo interest has little choice of carrier or control of costs. The VCCI concurred with this view, adding that Vietnam based shipping companies suffer. Much cargo is under contract with buyers nominating carriers. Thus non Vietnam interests are controlling the shipping. Export cargo is mainly FOB, imports CIF/C&F. They would like to see more control in Vietnam.

Shipping services are developing rapidly, together with freight forwarding and warehousing, especially in HCMC. The private sector is increasingly active in forwarding and warehousing. Unfortunately, though, import/export companies (consignees) often contract with foreign logistics providers, so there is little chance for Vietnamese participation in shipping and insurance. Also, it is the view of shippers representatives that Vietnamese shipping has limited capacity; there are too few companies, and they are too small; management and other commercial skills are lacking. Joint ventures with overseas lines are seen as a means to address this and import skills.

3. Ships' Agency

The ships' agency business is another sector in which there has been a proliferation of activities. Vietnam Ship Agents & Brokers Association (VISABA) report that there are nearly one hundred shipping agents registered, although only about 30% are active. Even so, this is over-supply in world terms. For example, the port of Antwerp has eight agency companies, the port of Saigon has eighty!

To become a ship agent, a company needs to have a certificate/licence and be registered with the Ministry of Planning and Investment. According to industry sources, the licence is easy to get; hence the mushrooming numbers of such agents.

Currently although some big shipping companies and even some exporters (e.g. of coal, anthracite, petroleum) have their own shipping agencies, foreign shipping companies are not allowed to establish their own agency; they have to use local agents. However, the new maritime law, as currently drafted, envisages opening up the industry further, in accordance with the directives of WTO and AFTA. It will, however, strengthen the conditions for market entry and industry participation. Even so, in VISABA's view there will be an even greater threat from foreign companies once things have opened up².

² In fact, although the process may be painful in the short term for minor operators, the opening up of competition will no doubt be healthy in the long term provided that the playing field is reasonably level.

II. KEY TRADING RELATIONSHIPS

Trade from Vietnam to Malaysia and Thailand comprises mostly garments and seafood. Break-bulk is still important with many products not readily containerisable. Rice is containerised, but only for short, speedy shipments; the preference is for bulk shipment. Imported fertilizer comes in bags, mostly from China and Korea. Oil, chemicals are moved in tankers or drums. There are some imports of specialised cements.

Ship operators commented that ASEAN trade is showing good growth of 15-20% p.a. Competition is tough, though. They noted Indonesian rice and agricultural products; palm oil imports; chemical products; manufactured goods for Sony, Samsung, Toyota etc; imports from Malaysia and Thailand. Malaysia, Thailand and Singapore routes have shown the fastest growth in ASEAN, but even more rapid growth has been seen of course on China and Taiwan routes.

III. NATIONAL FLEET

The structure of the Vietnam-flagged fleet is set out in Table 1: Flagged Vessels – Vietnam below.

Table 1: Flagged Vessels – Vietnam

Vessel type	Sub-category	Number of vessels
<u>Container</u>	Panamax and smaller	3
	Post Panamax	-
<u>Dry cargo</u> (<i>non-container</i>)	General	543
	General/pax	11
	Reefer	7
	Ro-ro cargo	1
	Ro-ro/pax	-
	Passenger (pax)	2
	Other	-
Total dry cargo incl container	Total	567
<u>Tankers</u>	Up to 100,000 gt	63
	>100,000 gt	-
Total tankers		63
<u>Bulk carriers</u>	Handysize	9
	Handymax	9
	Panamax	-
	Capesize	-
Total bulk carriers		18
<u>Grand total</u>		648

The size and age distribution for vessels of various types are given in Figure 3 to Figure 6 below.

Figure 3: Tankers: Size and Age Distribution

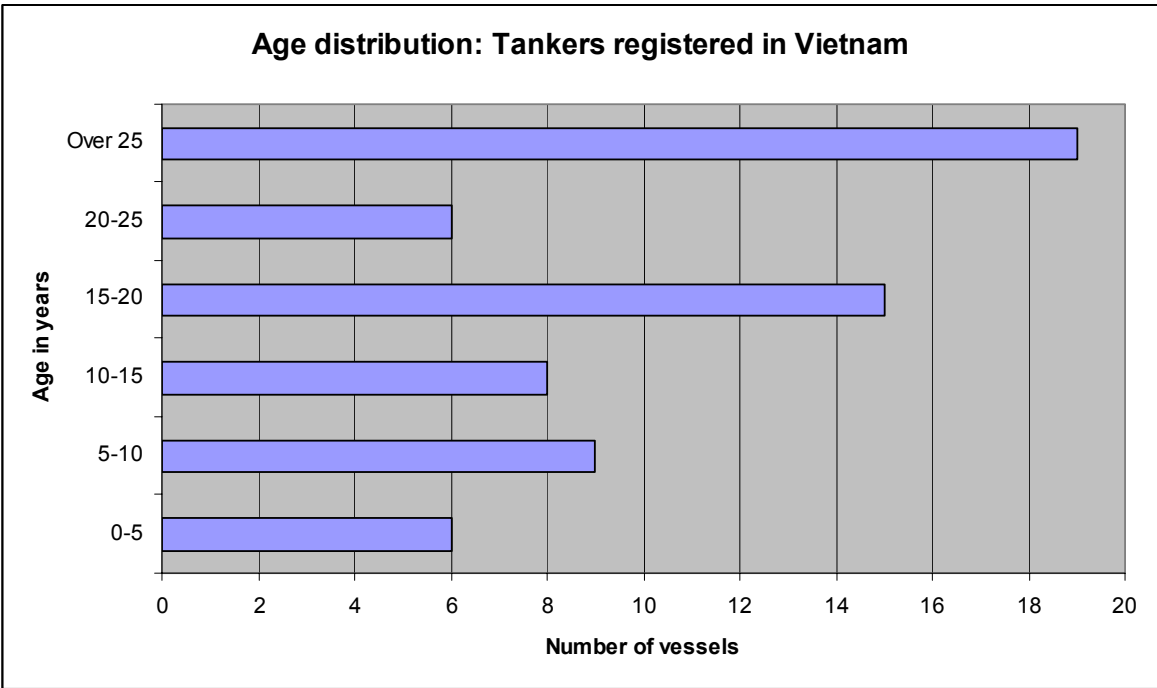
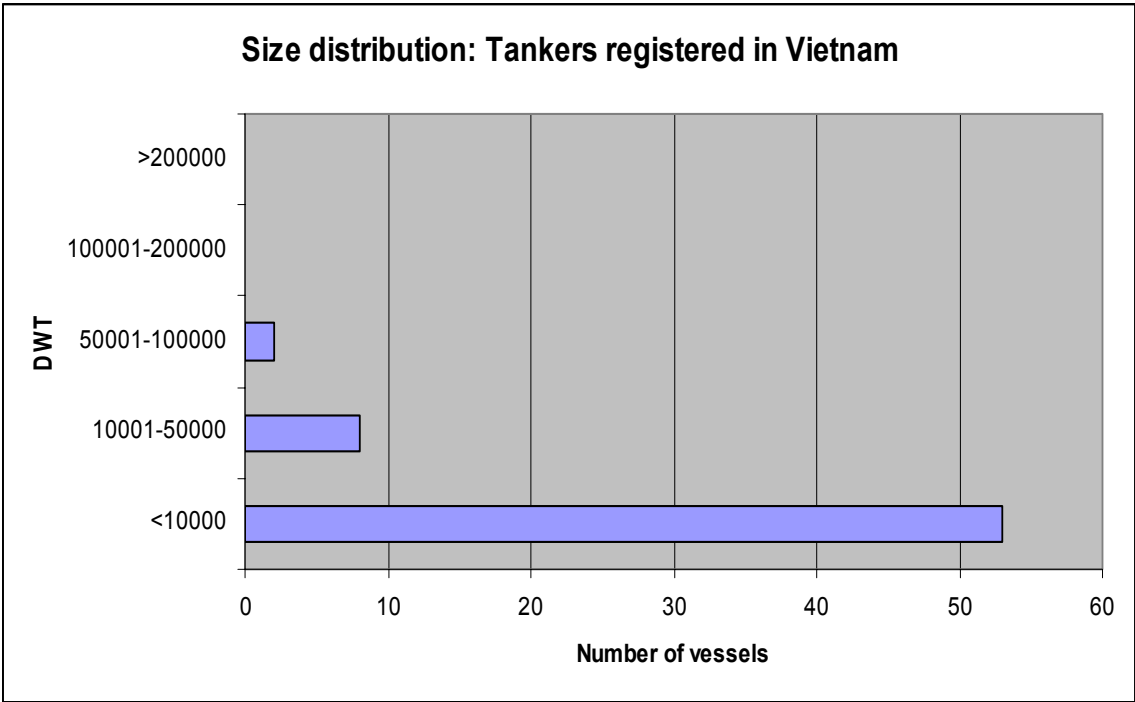


Figure 4: Container Vessel: Size and Age Distribution

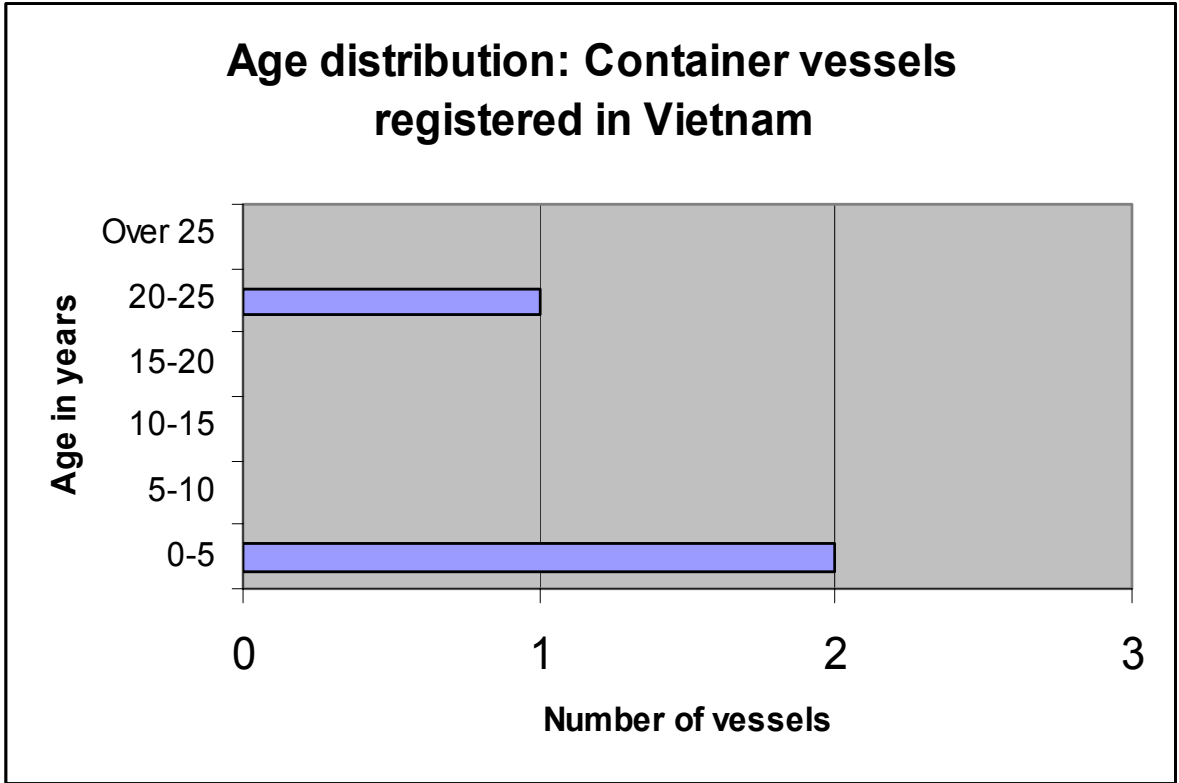
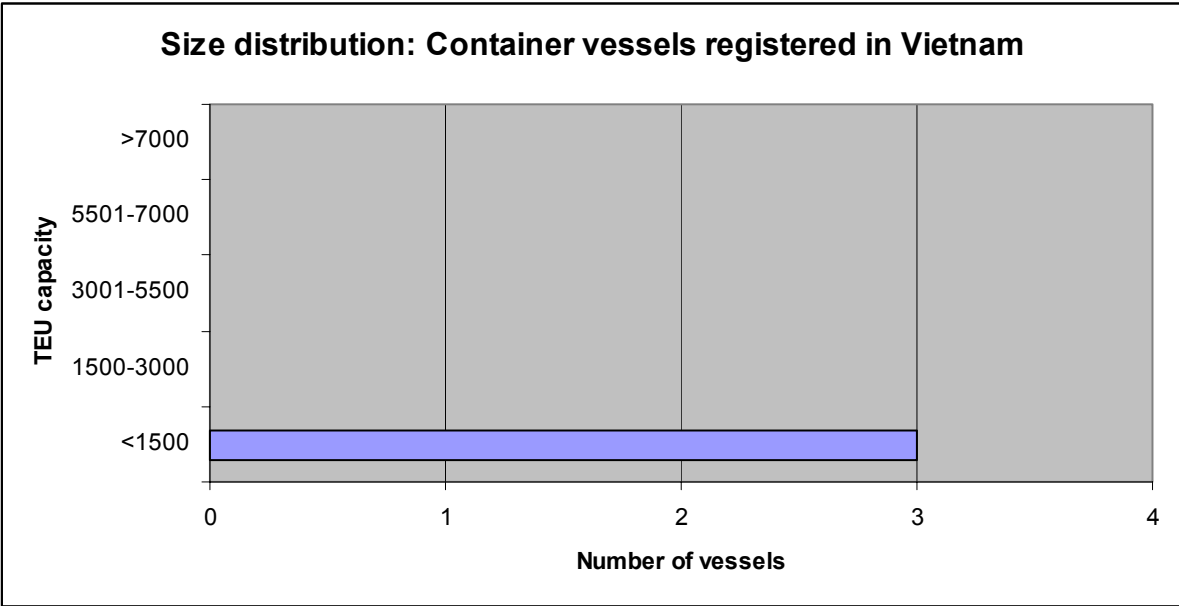


Figure 5: Bulk Carrier: Size and Age Distribution

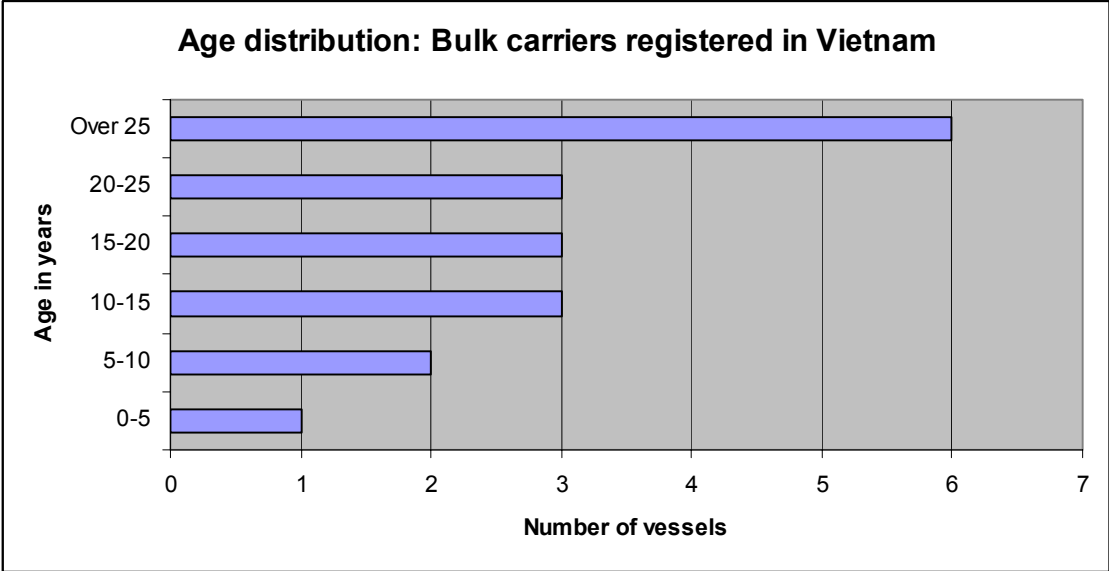
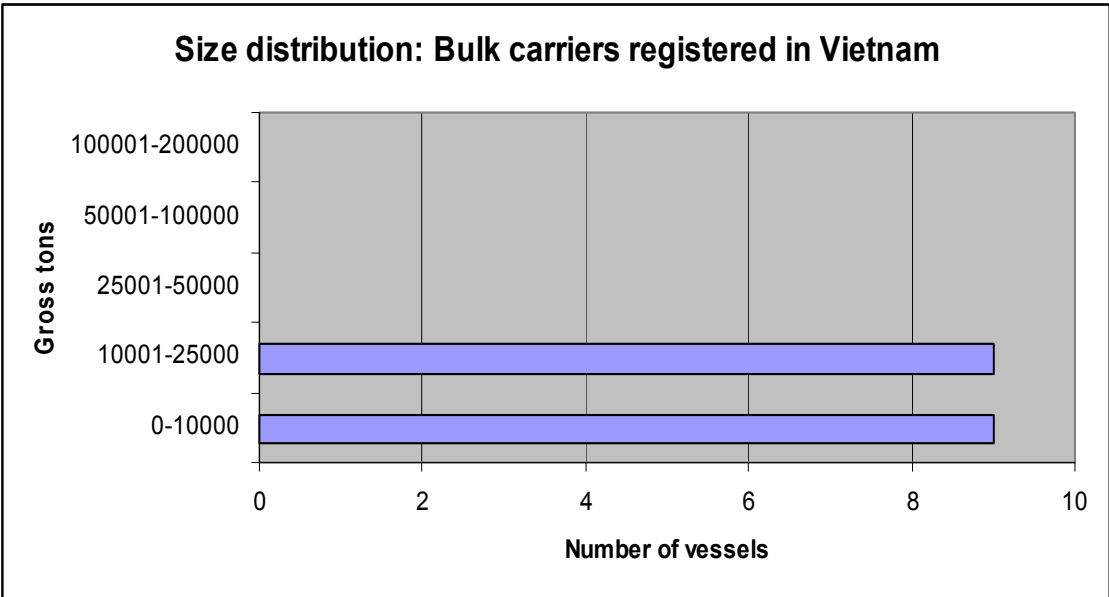
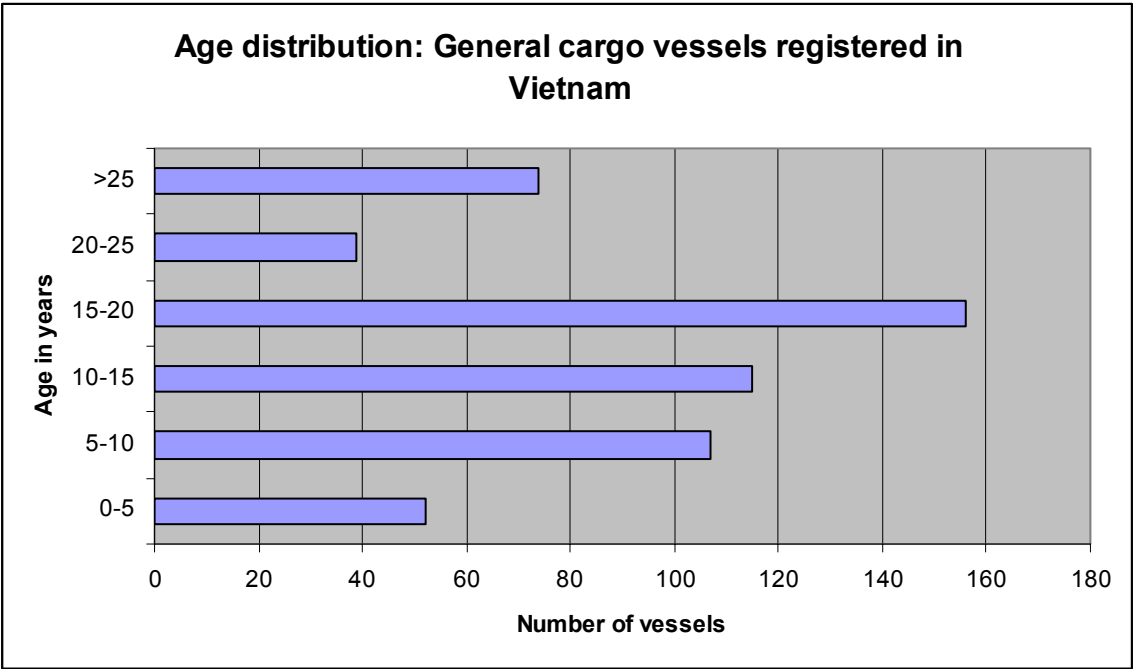
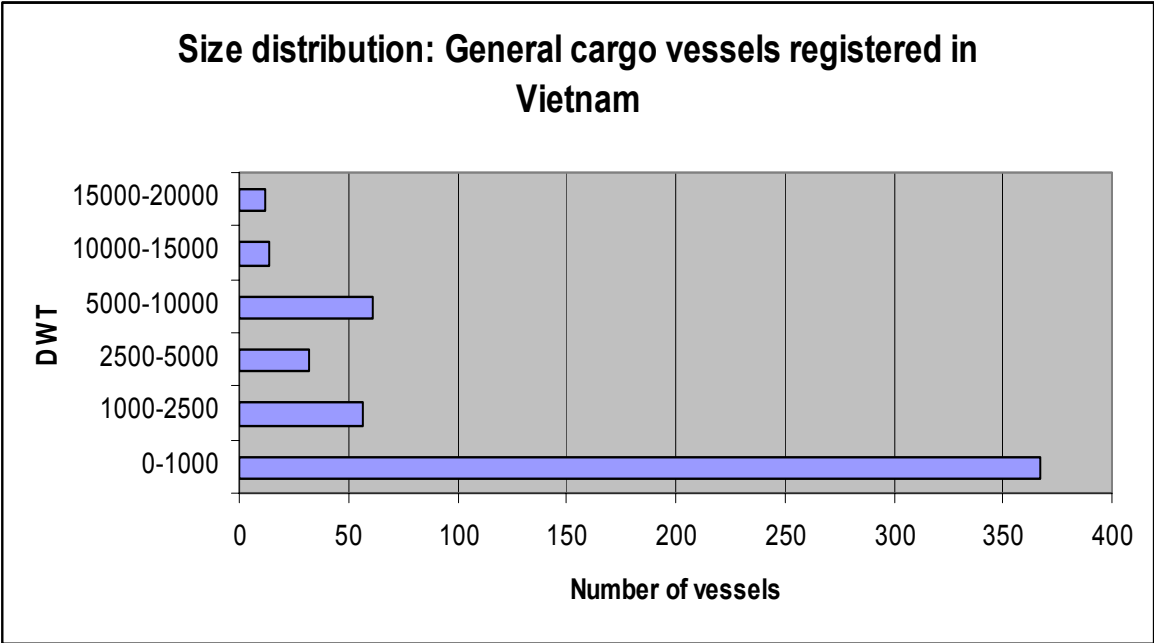


Figure 6: General Cargo Vessels: Size Distribution



IV. PORTS

A. OVERVIEW OF PORT ADMINISTRATION AND DETAILS OF INTRA-ASEAN PORTS

1. Organisational Structure of Port Administration

It is a huge task to integrate the system of shipping, port operations, land transport etc. into a seamless service that will complement the Government's initiatives in multi modal development. The main ports are member companies of Vinalines, but there are ports outside its control. Vinamarine is responsible for the sector's overall master plan, but Vinalines develops and operates the ports. Other port operators are involved. An experiment at Cai Lan, where government built the port and leased it out to a private terminal operator, is the only example of privatised port so far. The ports system (96 ports in total) comprises: national government ports; local government ports (including some big ones, e.g. at HCMC); special ports (e.g. for industries like oil); private ports (mostly small); and JV ports, including the big one between VN and Singapore Port Authority (Vung Tau).

Work to existing ports is bringing some improvement, particularly for port access. For instance, Hai Phong port has recently improved its road access and container capacity.

Apart from containerised trades and break-bulk (e.g., rice) Intra ASEAN trade is also handled through Vung Tau (three services on the Mekong to Phnom Penh port in Cambodia) and will be in due course at Vung Ah, linked to Highway 12 from Laos, where berth facilities operate as if the port were owned by Laos.

2. Vinalines Ports

Vinalines runs 5 main ports – Hai Phong, Quang Ninh, Cai Lan, Da Nang and Saigon. Port upgrading has benefited from considerable JBIC (official Japanese donor) assistance, including US\$40M upgrade of Hai Phong (Stage 1) to accommodate 10,000 DWT; Stage 2 will include dredging to accommodate larger vessels. Other port developments include the new Dinh Vu port; Cai Lan port north of Haiphong (also JBIC).

The US\$120M Stage 1 at Cai Lan is already completed, with 3 berths only for clean general and container cargoes (no oil or bulk cargoes in Halong Bay heritage area). Stage 2 involves 4 more berths for longer term capacity. Cai Lan will accommodate 30,000-40,000 DWT vessels with 9 m depth maintained by dredging. Route 18 to Hanoi (200 km) has already been upgraded.

Saigon port is also being upgraded and enlarged under a US\$40M ADB-funded project; planning is for throughput >10M tonnes p.a.

These port plans are all part of a government Port Strategy Plan to 2010, carried out and funded by JICA. This has been the basis for Prime Minister Decision No 1419 on Fleet and Ports. There is little commercial opportunity for variations from these plans. Vinalines must produce its own port plans based on the national ports plan.

Vinalines and VSA felt that port efficiency needs improvement. The ports need to: increase capacity; improve equipment; train workers to improve productivity. Vinalines' ports can invest their retained earnings in equipment, but they must notify Vinalines of their plans. Above a certain value, approval from MOT is also needed.

3. Private Participation in Port Ownership and Operation

Equitisation of port operations (not of port authorities - see above) is still going on. There was an attempt at leasing out port infrastructure, but so far this has only been done at Cai Lan port and there is a 100% foreign-owned container terminal in HCMC. Elsewhere, state-owned port company subsidiaries have tended to be the lessees. MOT

wanted to introduce competitive bidding for equitised port services, but this was not approved by the Government; only SOEs can take over these functions. However, the Government is seeking ways to achieve a higher foreign stake in accordance with WTO guidelines.

The Port of Saigon joined Vinalines only relatively recently. But Vinalines itself is expected to change. The Government policy is to encourage private-sector participation. VSA members include JV and private port operators. But one drawback is that there are few local groups able to mobilise the finance and resources to invest in port infrastructure. Many ADB and ODA projects anticipate private participation but these have been slow to emerge.

Port developments are all self-financing. The ports have many options available: ODA, commercial banks, counterpart funds, own budget, local banks etc. In all cases, including ADB, the port has to bear the costs of repayments and interest.

The landlord port system common in Australia is being tested. Some facilities have been leased to private operators (e.g. VICT, Cai Lan), as distinct from equitisation, which model might be viewed as part of a transitional process. Many port-related services have been equitised. Criteria are many: likely profitability, capital requirements etc. The process will undoubtedly continue as it has been seen as successful. It is seen as having resulted in more competition between ports, and even between units within ports.

This is a key issue for the VPA members. They see the a need for some control, to reduce risk, raise quality, make the market more transparent, reduce the number of intermediaries, limit the mushrooming numbers of agencies and brokers, and make investors more secure. The negative effects of the free-for-all approach are evident in port handling: competition is not based on quality or productivity, but only on price, and often operators will price at below cost³.

4. Cargo Handling Privatisation

Port administrations have some freedom to involve private stevedoring; they are accountable primarily for the port's overall financial and operational performance. However, if the basis of the privatisation model is to be a joint venture, it must have the approval of MOF and must meet foreign investment approval regulations.

5. Port Pricing

The VPA indicated that the Government no longer controls port tariffs, but that it (the VPA) encourages collaboration among ports just to help stabilize the market. It recognizes the need to consider variations between ports and regions (e.g. in the level of investment etc) and therefore the need for differing percentages of an agreed basic tariff structure. VPA also has to take account of anti-monopoly regulations. It reports to MOF on financial management issues.

There are essentially two components:

- fees for administrative services provided by the state (though Vinamarine and its port authorities) are set by the Government;
- fees for the commercial services of the ports, or its subsidiaries (eg stevedoring), are set with some degree of flexibility between a ceiling and floor specified by MOT, but rates have to be approved by the Government.

³ A comment here was echoed elsewhere, that the Vietnamese industry is characterised by customers' tendency to focus on cost not quality. It was said, for instance, that they will incur \$5 cost elsewhere in claims, double n-handling etc., to save \$1 on transport services.

6. Port Performance

Port operating efficiency is average: For instance, typical performance will be 15-20 moves per hour per gang with only one shift, the gang usually working straight through until the ship is unloaded. Ship turnaround time is more critical.

As an illustration, Jardines use Saigon port; although others are transferring to the new port near Vung Tao and VICT, where productivity is 20 moves/hr using a gantry crane. In Saigon port, they use a combination of ship's crane and mobile crane. Storage is no problem for Jardines as they are a favoured customer at Saigon Port, but access is as a result of truck curfews. Generally, 40 ft containers are not allowed to move on city roads in the daytime, only 2100-0600, and 20 ft containers cannot move from 0600 to 0800 and 1700 to 1800.

7. Handling Performance

Opinions on port productivity and efficiency vary. The VPA takes the view that there is a long way to go on both the facilities themselves and in management and operational skills. Ship operators are generally critical. However, one organisation representing cargo interests (VINATRANS) commented that "...foreigners see many inefficiencies, but Vietnamese see an amazing rate of progress." They agree, however, that the problems are not so much due to equipment, but rather to management and working practices.

8. ASEAN network ports

ASEAN network ports in Vietnam are identified as Saigon (HCMC), Hai Phong, Danang and Cai Lan⁴:

Table 2: Vietnam SAEAN Network Ports – Cargo Capability

Port	Owner	Cargo functions ⁽¹⁾					Trade		Remarks
		C	D B	L B	G C	P	Total vol t (yr)	Total teu(yr)	
Saigon	Gov*	*	*	*	*		10 m t est (2000)	1.17m teu (2002)	Containers, cement, chemicals, fertilisers, food stuffs, oil, rice, steel, timber. *Many container terminals (6) in various ownership.
Hai Phong	Gov	*	*	*	*		7.5m t (2000)	335,000 teu (2002)	Containers, cement, chemicals, fertilisers, food stuffs, oil, rice, steel, timber.
Danang	Gov	*	*	*	*		4 m t + est (2003)		Containers, cement, chemicals, fertilisers, oil, rice, steel
Cai Lan	Gov ⁽²⁾	*			*			w.i.p. (see notes)	Clean cargoes only – container and break-bulk. Major development in progress – stage 1 complete.

Notes: 1. Cargo types – C=container; DB = dry bulk; LB=liquid bulk; GC = general or break-bulk cargo; P=passengers
2. Government owned but leased to private operator.

⁴ ALMEC 2002. ASEAN Maritime Transport Development Study. ASEAN: Jakarta.

Base cargo handling characteristics for these ports are shown in the table below, and the following table summarises marine characteristics such as channel details, depths alongside etc.

Table 3: Vietnam ASEAN Network Ports – Physical Characteristics

Port	Access	Channel			Berths		Tugs
		Depth m	Width m	Length nm	Total length m	Depth m	Number & hp
Saigon	Road, rail and IWT	9.5	-	45	Est 6,000 ⁽¹⁾	6.6-9.5	22 from 100 to 2400hp
Hai Phong	Road, rail and IWT	8			Est 1,700	8	4 500hp to 3200hp
Danang	Road, IWT	7	(Han	River)	1,647	11-12	6 305-1750hp
Cai Lan	Road, IWT	9			Est 750 ⁽²⁾	9	

Notes: (1) Est berth length includes Vung Tau (2) Stage 1 only. First three berths completed

9. Port Development Plans

The Government has prepared a master plan for port development to 2010 which includes a proposal for a major international hub. (See notes on Major Port Developments below)

The Vietnam Seaports Association (VPA) had very specific views on the capacity and capability of the ports currently. Its view is that port facilities generally are not well developed and capacity falls short of long-term needs. However, they concede that there is a port development plan, including planned development of new deep-water ports in the central and southern regions.

Two major new port projects are planned, plus major improvements to many existing facilities. The two most ambitious from a global perspective are Van Phong and the relocation of HCMC port to Cai Mep and Thi Vai rivers:

New Port at Van Phong

In Khanh Hoa province, this major port development is based on PM's Decision 301/QD/22/4/2002. This will be a multi-sector economic hub, with 15 km of berth, 20 m water depth, capable of taking vessels of 30,000-80,000 DWT. A major thrust of this development is reported to be to develop a major international container transshipment hub, picking up major international liner routes. Plans of the port show its proximity to the north south mainline routes between South East and North & East Asia.

The development is linked to 150,000 ha of industrial estates for industry, fisheries etc, with the port and tourism as the leading sectors. There is a major oil refinery and an airport adjacent. Feeders will distribute elsewhere in Vietnam and the region.

Cai Mep/Thi Vai

Ho Chi Minh City's ports, with the exception of the new Vietnam International Container Terminal, are aging and expansion is constrained by land availability and river depth. The Saigon, Dong Nai and Long Tau rivers are too shallow to provide

deep sea capacity, and the Cai Mep and Thi Vai Rivers in Ba Ria-Vung Tau have been targeted as the site for a series of nine port clusters to allow for trade expansion forecast for the Southern Key Economic Zone.

Between HCMC and Vung Tau, this development allows for the relocation of congested HCMC river berths. Two container berths are planned initially, capable of taking vessels to 50,000 DWT, and two general cargo berths, with an adjacent industrial zone. Construction is apparently due to start in 2006, with costs estimated to be US\$200 for construction of the ports alone. The project has been driven by the HCMC Peoples' Committee and the Department of Public Works of HCMC. Funding is to be provided by government with Japanese development assistance.

Table 4: Vietnam: Planned HCMC Port Developments

Project	Value VND	Value USD	Scheduled
New Port – CY/wharf at Cai Lai	543B	33M	2004
Saigon Port – construction Cai Mep & Thi Vai deepwater ports		200M	Commence 2004-2005
Ben Nghe - upgrade		0.5M	
Tan Thuan Dong – relocation to outskirts HCMC		?	

To balance costs of relocation, the obvious real estate value of the site of Saigon Port must be an influence. It is understood that the Port of Saigon plans to develop a passenger terminal and commercial, residential and other facilities compatible with local government plans, and the local government is apparently keen to see the port relocate.

Improvements: Port of Hai Phong

There have been major improvements to access and container capability. More substantial work planned includes:

Table 5 Vietnam: Planned Hai Phong Developments

Project	Value VND	Value USD	Scheduled
Ph II: Two cont berths; access channel		126M	2004-2008
Dinh Vu Port	200B	12M	2005-2007
Ben Got-Lach Huyen lighterage area	25B	1.5M	2004-2005

There are many developments planned for major and secondary ports, particularly in the northern and southern regions. The following give some idea of the scope of the development work planned. Note that these are not necessarily exhaustive. Some information was sketchy, and plans may be in various stages of realism. However, it gives an overview of the level of activity under consideration and, in particular, contrasts with less ambitious plans in other ASEAN countries.

Table 6 Vietnam: Major Port Projects Planned

Area	Port	Project	Value USD	Scheduled
North	Hai Phong	See above	140M	2004-2008
	Quang Ninh	Dredge channel; wharf upgrade; 3 new berths	151M	Commence 2004-2005
Central	Vung An	New wharf (feasibility being studied)		2003-2008
	Da Nang	Upgrade terminal	50M	2004-2005
	Qui Nhon	New wharf, access dredging, infrastructure and equipment	10M	2004
	Ba Ngoi	New jetty	2.5M	2010
	Than Hoa	New wharf	17M	2004-2008
	Van Phong	Greenfield development of major port	200M+	?
South	Phu My	Extend wharf, infrastructure, crane.	10M	
	HCMC	See above	250M+	2004-2008

V. MAIN INTRA-ASEAN SHIPPING ROUTES AND THEIR CHARACTERISTICS

A. SHIP OPERATIONS

From an operational perspective, it was reported that finance for ship purchase is not a problem. They have to submit a feasibility study for approval but aside from that, government does not interfere in the process. They are encouraged to use local ship builders (VINASHIN) who have the capability to build vessels to 1500-2000 teu capacity.

A major jv ship operator, Gematrans, indicated that 30 to 40% of their vessels are Vietnamese flag. Some are break-bulk, some on time charter. Crews are 100% Vietnamese. They are not sure if there is an overall shortage or surplus of seafarers but since their vessels are mostly on shuttle services, getting home frequently, they therefore have no difficulty finding crew.

Bunkers are always purchased in Singapore where prices are low.

B. CONTAINER

Containers are undoubtedly cheaper than break-bulk to/from Singapore, Malaysia, Thailand. Rates are somewhat similar all over SE Asia, but more to Jakarta. +/- \$120-150 to Malaysia, Thailand, \$220 to Jakarta, \$400 to Hong Kong, \$400-500 to china, \$600 to Japan, \$1,500-1,700 to Europe. Rising costs are pushing rates up, but increasing competition is keeping them down. Rates also depend on availability of containers, which is seasonal: availability is a little tight in the October-December high season. But generally there's plenty of container and reefer space available; there are no real systemic constraints.

1. Services

Typically, the services offered are essentially feeder. Jardines, for instance, offer

- 1st string: 2 sailings per week HCMC to Thailand, Singapore, Malaysia, Indonesia, HCMC
- 2nd string: dedicated HCMC to Thailand and back to HCMC
- 3rd string: HCMC to Hong Kong, Korea (Busan), Shanghai, Hong Kong, HCMC

Gemartrans offers weekly services to Singapore, Port Klang, Manila, Bangkok and Hong Kong.

2. Size of Vessel Typically Used

Vessels are mostly small. As an example, Gemartrans, a Vinalines/CMA-CGM joint venture, has fourteen vessels, ranging from 400 to 800 TEU, and mostly over 10 years old. Jardines offer vessels mostly around 1,000TEU capacity, with 100 reefer plugs.

3. Who Controls Shipping

Most services are offered by or in conjunction with overseas shipping companies. Vietnam suffers, as do most of the ASEAN countries, from lack of control stemming from buying CIF and selling FOB. Much of the control by both shipping and cargo interests therefore lies outside Vietnam.

4. Indicative Freight Rates

The following rates were provided by a major shipping company:

Table 7: Vietnam: Ocean Freight Rates

Export: From HCMC to	US\$ per 20'	US\$ per 40'
Base rate to Singapore	140	280
Malaysia: PK/PTP	220	360
Malaysia: Penang	260	
Jakarta	240-280	
Bangkok	80	160
Hong Kong/Singapore	550-600	
Phnom Penh (via Mekong)	250	
Import to HCMC from	US\$ per 20'	US\$ per 40'
Bangkok	350	550

The above rates are CY-CY - no THCs. Port charges were indicated at US\$57/20'; US\$85/40', a pan-Vietnam tariff rate. Terminals operate 24hrs, 7 days.

Interestingly, Gematrans made the comment that THCs are less critical now for shipping lines: they have already achieved rate restoration, and have bunker and currency adjustment charges⁵.

C. THE MEKONG CONNECTION

The services operating from HCMC (Vung Tau) to Phnom Penh via the Mekong River are of interest from an ASEAN trade perspective. (See also Cambodia Country Report).

The three companies involved are Gematrans (Vinalines/CMA-CGM j.v.), Sovereign Shipping (managed in Phnom Penh but Hong Kong connections) and China Shipping.

The vessels deployed are small, shallow draft open hatch vessels (essentially powered barges), with TEU capacity ranging from 54 TEU (Gematrans) to approximately 150TEU. They make the trip from Vung Tau to Phnom Penh in two to three days, although weather conditions and depths can affect this. The vessels are not geared, using mobile cranes or crane barges to work containers. Operating draft appears to be 2.5 to 3m.

Each operator is offering two to three services per week and liftings are now reported to be increasing, although at least one operator (Sovereign) indicates substantial set-up losses over two years. Overseas lines (e.g., CMA-CGM, Zim in conjunction with Sovereign) are clearly supporting this link, which appears to be competing now with the longer transit to Sihanoukville via Singapore.

The rates between Phnom Penh and HCMC are apparently set competitively, but we were advised that the three lines 'try not to undercut' each other⁶.

D. ROLE OF CONTAINER V GENERAL CARGO SERVICES

The VPA (ports association) comments that Container traffic has been the main focus of growth, but there is demand also for break-bulk. Provision of break-bulk facilities is part of the Government's policy under the 2010 port development plan. Most major ports, for example,

⁵ Given the Vinalines holding, perhaps this is in tacit support of the government ban on THCs?

⁶ We were told in Phnom Penh that the three companies have their own contracted cargo, either with importers/exporters or captive feeder business with MLOs – e.g., Gematrans link with Zim.

provide facilities for the growing trade in fertilizers and grains. The volume of break-bulk and bulk traffic is still very significant.

For intra-ASEAN services, Vinalines also sees some opportunities in niche, non-container markets between non-hub ports.

E. COMMENTARY ON INTRA-ASEAN SHIPPING IN VIETNAM

1. MOT's Concerns

The following were considered to be critical issues in Vietnam. Some are relate to issues for ASEAN as a whole:

- Fleet modernisation and enhanced shipbuilding/repair capability
- Develop & upgrade infrastructure - ports, ICTs, international transport hub
- Strengthen logistics services and simplify customs formalities
- Strengthen the role of related associations (freight-forwarders, shipowners, shippers, ports etc)
- Fulfil relevant IMO conventions
- Enhance regional cooperation - e.g. an ASEAN-wide association of ships classification societies
- Encourage more foreign firms to enter into JVs
- Human resources development - training, sharing best practices
- Information technology in shipping; streamlined documentation -- though it should be noted that there have been significant improvements, e.g. port clearance cut down from 14 hrs to one hours, one-stop-shop.

2. The Concerns of Vinalines/VSA

VSA's main concerns were about meeting ISPS requirements and the STCW protocols/regulations on crew training. It's often difficult for small (1-2 ships) local companies to meet international standards. Vinalines are accepted on the IMO White List, but it is not easy for their member companies to maintain the requirements. Maybe the study could consider a system of subsidies to help ASEAN countries to meet international IMO requirements?

For training, there are two maritime academies (or maritime universities) and two maritime schools under the control of MOT. Vinalines is also establishing a JV training college in Hai Phong with STC (Holland).