

## PORT REPORT

*Prepared by  
Mr. Peter Smidt-Nielsen  
Port Sub-group*

It is my pleasure to have the opportunity to address key Vietnamese government officials and business leaders in this important forum. Today I represent the views of the Port & Shipping working group, which consists of very large shipping lines and port operators, who all have considerable interest in supporting the sustained economic growth across Vietnam. We believe that Vietnam's exports are possibly the single most important element of the country's overall economic development. As we all know, there are some relatively dark clouds in the immediate horizon for Vietnamese exports and ports, and a number of actions that can and must be taken to ensure continued and improved competitiveness within in the region, to the benefit of Vietnamese exporters and importers as well as shipping lines and port operators.

We would like to highlight the following areas of concerns/suggestions for your attention, all of which we believe could assist the further growth of Vietnamese exports if given timely and sufficient attention by relevant authorities:

### **1. A glut of container Terminal Capacity in the greater Ho Chi Minh City area**

In 2009, after years of serious capacity constraints where importers and exporters suffered from congestion in and around the various city ports, the new deep sea ports in Cai Mep – Thi Vai began to open up. Leading up to that many companies, mostly foreign invested, had been issued investment licences and started building their respective ports. Unfortunately, little coordination had been done between relevant authorities which led to a free for all situation where additional port licences were issued whilst little attention was paid to the vast amount of capacity being built and released into the market within a too short period of time.

The current and previous Port Master Plans called for the relocation of a number of older city ports to the Cai Mep – Thi Vai area; a process that had started with the building of many new state-of-art deep sea facilities yet the old ports in the greater city area are still left operating with no definitive plan in place to close down. This too has contributed to the significant over capacity.

With capacity now at twice the size of the market, and with more new terminals under construction it will take the industry between 8-12 years to recover and become profitable. Many terminal operators are thus at the brink of bankruptcy, and with the Vietnamese Government as main shareholders in many of the ventures the exposure to the National state budget is significant.

We therefore hope the relevant Vietnamese authorities will address the situation with appropriate measures and urgency. We would like to offer our active support and involvement should the Government so wish; in the meantime we have for the purpose of

this session put together a short list of suggestions which we believe will be effective, some of which would be quite in line with Government plans and policies:

Suggested measures to address the severe over-capacity situation:

- With immediate effect stop all new licencing of inner-city container port projects.
- Follow through on earlier and current Port Master Plans which call for the closing of select container port facilities along Saigon River (Saigon Port's Nha Rong and Khanh Hoi terminals, Tan Thuan Dong Port and Vegeport).
- Restrict the ongoing expansion of current inner-city port facilities.
- Delay the planned opening of the MoTr-owned Cai Mep ODA container port until the market has stabilized and additional capacity is required.

Longer term measures:

- Through effective regulation gradually reduce the operating capacity of inner-city port terminals including ports located along the lower part of Dong Nai river; this will also benefit the traffic situation in and around the greater HCMC area and help curb the ever growing pollution from trucks and other heavy vehicles.
- Over a reasonable phase-in period assign the best performing inner-city terminals to cater to domestic and short-sea regional trade lanes only whereas new and better equipped deep-sea terminals in Cai Mep – Thi Vai must be assigned to handle long haul international markets such as Transpacific, Europe, Middle East and Austral-Asia plus international transshipment cargo to/from other Vietnamese ports

We believe only resolute action from the authorities will have the required effect; should proper policies and regulation not be invoked we are afraid that the commercial and financial health of the container terminal industry in South Vietnam will suffer for many more years to come.

## **2. Transshipment of full and empty containers between Vietnamese ports by foreign shipping lines**

As of January 1st 2013 Vietnam will no longer give foreign shipping lines access to load their own full containers in one Vietnamese port and transship it to another vessel in another Vietnamese port. Also, as per our understanding, foreign shipping lines will as of the same date no longer be allowed to position empty containers between Vietnamese ports.

These measures have been taken to protect the local Vietnamese container shipping industry, but as we have previously pointed out in this forum and elsewhere, we are convinced that rather than adding revenue to Vietnamese ship owners, the new regulation will force most international shipping lines to move their transshipment operation to regional hubs outside Vietnam as will the positioning of empty containers. The reason for these by us expected consequences is irregular shipping schedules and uncompetitive pricing by the local Vietnamese shipping lines.

The consequence will thus be that Vietnamese ports will miss income they could have had, and costs for international shipping will increase, which in the end will be billed to the Vietnamese exporter and importer and increase their costs and make their products less competitive. This is obviously a very unattractive scenario for all parties and not in line with the reasoning for making these regulations and we respectfully urge the Ministry of Transport to review the decision.

### 3. Uncompetitive high port dues in Vietnamese ports

As we have also pointed out previously, we would again like to voice our concerns about the very high and uncompetitive level of port dues in Vietnamese ports. The current port dues tariff makes it prohibitively expensive for **large container vessels** to call Vietnamese ports in Cai Mep – Thi Vai due to the limited cargo volumes currently generated; therefore, and until the market is at a scale where the volumes are significantly higher, the Vietnamese authorities would, by reducing the port dues, assist making Vietnam more attractive to call with large sized mother vessels.

Similarly, by reducing the port dues for **smaller sized container vessels** (typically called feeder vessels) Vietnam would create an environment where both local Vietnamese but also regional transshipment would be more attractive to the operators of feeder vessels.

As per the comparisons previously provided to the MOT, Vietnam is overall significantly more costly for shippinglines to service. We firmly believe a full review and subsequent adjustment of the current port dues will assist harmonizing the costs with other comparable ASEAN countries and help Vietnam attract more shipping activity, and thus also promote a further reduction of the overall logistics cost applicable to local vietnamese exporters and importers , which is also something which foreign investors are typically considering very carefully when analyzing cost of setting up local manufacturing.

We hope you will consider our recommendations as part of assisting the shipping and ports industry in servicing Vietnam better and more competitively, which again would benefit the Vietnamese importer and exporter, and we would like to stress our hope for and willingness to have a close and constructive dialogue on the matters raised.