

PORT & SHIPPING SUB GROUP REPORT

*Presented by
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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 concern/suggestions for your attention, all of which we believe could assist the further growth of Vietnamese exports:

1. Dredging in Hai Phong and in Thi Vai - Cai Mep

a. The Hai Phong channel needs regular maintenance dredging to allow vessels to enter as per the draft specified under the master plan - otherwise Vietnamese importers and exporters will also suffer if they can not get their cargo transported. The current draft is only at 6,3 meters, which means that many vessels can only carry a very limited part of their actual capacity, which obviously is costly to the shipping lines and in the end to the Vietnamese exporters and importers. We are pleased to note in our recent meeting that dredging has been commenced 7th May and that it will be finalized by the end of July when 7,2 meters draft has been reached. We would like to stress once again that it is crucial that timely maintenance dredging is constantly being carried out, so that the 7,2 meters can be consistently maintained.

b. At present the Thi Vai - Cai Mep channel can cater for 14 meters draft, which is considerably deeper than other Vietnamese ports. It is however important for future inclusion of Vietnam (ie Cai Mep) by the biggest vessels that dredging goes to 16 meters to allow all strings of vessels with this size to use Vietnamese ports, rather than omitting them and only serve Vietnam via feeder.

We understand this is being looked at presently, and would like to encourage such the studies to be finalized sooner rather than later and that a positive decision will be made.

2. Transport of international transshipment containers and empty containers among Vietnamese ports

Today it is very difficult for international shipping lines to get the permission to load an export container in one Vietnamese port and transship it to another vessel in another Vietnamese port. Since many of the international carriers prefer an international rather than a Vietnamese feeder operator because of much higher prices, insufficiently reliable services and not calling the same ports where the mother vessels calls, the result is that Vietnam loses an income opportunity, as the international carriers, rather than use the local lines, then prefer to transship the Vietnamese cargo outside Vietnam, ie in one of the South East Asian hub ports in Singapore, Malaysia or Hong Kong / South China.

Ultimately it is about providing sufficient infrastructure i.e. a sufficiently capable domestic network of feeder services that link up the major Vietnamese ports facilitating a fast and efficient movement of international transshipment cargo at competitive prices. Whether this is catered to by local Vietnamese carriers, or foreign is less important at this stage. Fact is that it doesn't exist today as a viable, competitive choice for the deep sea carriers.

Also, positioning empty containers between Vietnamese ports is a requirement for many shipping lines due to the imbalance of import/export in different locations in Vietnam. Similarly, very high cost of positioning empty containers on the domestic feeders versus the cost of combining the empty positioning with foreign transportation on the shipping line's own feeders will reduce the competitiveness and result in a higher freight for servicing export cargoes of some ports in Vietnam.

We are concerned that Vietnam is therefore currently missing a revenue opportunity for transshipment for foreign vessels, mainly in Thi Vai - Cai Mep, and we would like to have a dialogue on this matter as this is in nobody's interest, except of course the other hub ports outside Vietnam.

3. Port charges for vessels below 50,000 DWT calling Thi Vai – Cai Mep and other Vietnamese ports

In line with above, Thi Vai - Cai Mep could become an ideal hub for transshipment, but in addition to the above described situation, Thi Vai - Cai Mep is very uncompetitive in terms of port charges (pilotage, berth dues, navigation & tonnage dues) for vessels below 50,000 DWT compared to other hub ports in the region. This again means that for cargo originating in or destined to South East Asian ports without a direct call, transshipment of this cargo will continue to take place outside Vietnam, despite Thi Vai - Cai Mep having the capacity and the ideal geographical location to attract such transshipment business.

We therefore suggest a serious review of the competitiveness of the port charges in Vietnamese ports with the aim of attracting transshipment business from other South East Asian ports.

4. Official Permission for big vessels (>80,000 DWT) calling Thi Vai - Cai Mep

Thi Vai - Cai Mep has had big vessels calling the terminals for more than 2 years, but these calls are still on a trial basis, despite all the lines having vessels calling every single week. This means shipping lines have to spend time and repeated efforts every week to apply for the permission with the local authorities, and more importantly, incur additional costs in terms of accompanying speed boats to clear the channel for night navigation.

We understand that Vinamarine and the Ministry of Transport are presently reviewing this situation, and we would like to ask for a fast and positive decision on this matter, as after more than 2 years of trial operation there must be sufficient evidence that big vessels can indeed call Thi Vai - Cai Mep safely and therefore official permission can be given.

5. Transparency/openness/dialogue about various port projects

We think there is great value in having an open dialogue between the Port/Maritime authorities and the Port & Shipping group, as we have the same interests at heart, which basically means to ensure Vietnam's attractiveness to businesses and investors, which will generate more export and import cargo and thus more ships and shipping lines to serve Vietnam efficiently. This also means that the earlier and in more details we know about port related infrastructure plans, the better we can manage and direct our own strategies to cater for these projects. A very practical and simple suggestion would be for MOT to have a dedicated e-mail account which ports and shipping lines can use for dialogue and queries to MOT regarding various projects and policies.

In this connection and with regard to recent media coverage on Cai Mep - Thi Vai ports investment, raising conflicting opinions about the viability of the deep port project development in this area, the FDI enterprises in that sector and the financing banks have deep concerns and would like to have the Government's clarification and point of view on the future realization of Ports Group no. 5 according to the Master Plan.

The Port & Shipping group was very encouraged by our recent meeting with His Excellency Vice Minister Nguyen Van Cong and his team, where we had good and open exchange of many of the above items. We were also pleased to learn that the Ministry would take a more active stance and holistic view on infrastructure projects in the future, including access roads to ports to meet the port's operational requirements. We hope that we can continue and intensify this dialogue going forward to our mutual benefit.

These were the main concerns and suggestions of our group. We are very willing and able to play a role in the continued Vietnamese growth story and look forward to your replies to the above and to a close future co-operation.