**VIETNAM SEAPORTS ASSOCIATION (VPA)**

**REPORT OF THE 8TH EXECUTING COMMITTEE**

AT THE ANNUAL MEETING 2018

**September 20, 2018 – Cam Ranh**

# GENERAL ASSESSMENT

Following the general assessment, in 2018 and onward, the reform policy and constructive governance measures for development of the Government will create new driving forces within the whole society in maintaining economic growth at expected rate of about 6.8% per annum amid global trade scenario where unexpected changes with widespread impacts would require time to possibly assess the new development trend for each trading field and in each region. Global trading and investment are projected to slow down in general with transition toward boosting growth rate for intra-Asia trade in particular in coming years. Vietnam is projected to have more favorable trading and investment opportunities from such trend after the transition period. Cargo volume going through Vietnam ports in 2018 would experience slower growth rate (under 8%) during the transition period and higher thereafter at more than 10% per annum.

Cargo throughput through VPA ports in 2017 was about 271 million tons (12% increase compared to 2016), in which, container volume was about 12.5 million TEU (9% increase). However, container volume in the first half of 2018 was 10% less compared to the volume of same period in 2017, when there was a sharp increase in value of export (phone, computer and accessories). Import volume through VPA ports was 108 million tons, import surplus reduced to 21 tons. Volume of domestic traffic was 57 million tons (9% less than the previous year) accounted for 21% of the total throughput.

Cargo volume going through the ports in 2017 was distributed to the ports in the North 27.16% (6.26% increase), in the Central area 10.63% (1.02% decrease); in the Mekong Delta Area 2.39% (0.44% decrease); and the ports in Group 5 nearly 60% of the total, in which, market share of the ports in HCMC and Dong Nai was 40% and CMTV area was 20%.

In CMTV deep water port area, container volume in 2017 increased by nearly 23% (higher than 10% of last year). However, in the first 6 months of 2018, growth rate was lower than the same period last year (possibly by restrictions, risks arising in trading with the USA and Europe?). In the meantime, container going through Cat Lai Port in HCMC, with smaller vessels being used for Intra-Asia trade, continued to increase by 11%.

**In general, most of the ports continued to face difficulties in business, competition by reducing price, lacked of accrued revenues for further development. Port tariff regulated by the Ministry of Finance before and currently by the Ministry of Transportation were set too low and by application-approval mechanism, subsidizing domestic shipping, prolonged dependence on controlled pricing by foreign shipping lines. Piece meal port development continued between port areas. Port development governance continued to be on settling issues, without having accounting party responsible for long term development efficiency. The big port groups happened to have invested in container terminal projects in Vietnam such as PSA, Hutchison, Dubai, SSA are resorting to handling general cargoes, clinging on to reduce losses by competition on price and the absence of responsible authority accountable for shortfalls in ensuring long term benefits for investors as committed** as mentioned above.

The ports have undergone the equitization process with changes in equity sharing, organization, management and operations toward higher efficiency under the competitive market mechanism. Many port enterprises have been listed successfully and attracted additional capital investment for higher development. The port enterprises with controlling stake by the State have also been forced to follow the trend of reform to compete and develop.

On May 13, 2018, the Hai phong International Container Terminal (HICT) at Lach Huyen invested by Saigon New Port together with some shipping line partners was inaugurated and put into operation. The deep water HICT port opened the prospect of developing the Hai Phong port group to new dimension, using large vessels to reduce freight for hundreds of million tons of cargo annually.

Between the two deep water ports CMTV and Lach Huyen, the CMTV port group has advantages on market potentials (occupying more than 70% of market share in container of the whole country). In addition to containerized cargo, bulk cargo and other type of cargoes using larger vessels going through CMTV area have also increased significantly and accounted for 60% of the total 54 million tons of cargo throughput of CMTV ports in 2017. In case of having streamlined connectivity and proper supporting services, the cargo flow to CMTV area could have been double the current volume.

In HCMC, due to poor connectivity, the Hiep Phuoc area failed to attract more vessels and cargo. Except Ben Nghe Port, most of the ports in this Southern area of HCMC and Hiep Phuoc area have seen dropping throughput. **HCMC is facing difficulties in planning strategy and resources to develop ports nearer to the seaside, to handle the Intra-Asia trade volume together with the deep water ports in CMTV area.**

In Hai Phong area, with the market volume quite large (more than 3 million TEU/year), ports in Dinh Vu area with channel draft around 10m continue to be used by shipping lines in tandem with Lach Huyen deep water terminal for Intra-Asia trade. In 2017, the ports in Dinh Vu area have seen increase in container volume, some sharply at more than 30-50%. Ports deeper inland continue to face difficulties due to limited channel draft even at rates below costs. **It is expected that with the deep water terminals at Lach Huyen operational, the volume going through the ports in Dinh Vu area will drop or not depending on the scope of competition between shipping lines and the efficiency of logistic services connecting Lach Huyen. For long distance shipping of containerized cargoes, concentration is likely to continue at CMTV area. Domestic shipping is expected to change toward having more import/export cargo of port group 1 with distanced markets (Europe, North America). The main port groups 1 and 5 of Vietnam are requiring a governance mechanism to ensure efficiency in transiting and developing port infrastructure into port gateways of the country, capable of competing internationally in the most efficient way.**

In the Mekong Delta area, there have been many programs and projects to develop the system of transport infrastructure including ports and logistics services comparable to the economic dimension of the area with the capacity to accommodate large vessels to Can Tho port area for direct international trade. However, until now, international trade of the Delta area including the transit cargo of Cambodia still has to be shipped via the ports group no. 5, HCMC and BRVT.

In the Central area although the market share in cargo volume going through the ports is still very limited (around 4.3%) but the connectivity advantages (short and deep water channel, the trunk North-South corridors, inter-provincial highways being improved) are creating driving force for faster development to new dimension to meet the demand and potentials of the area (East-West Economic Corridro, international transshipment ports Cam Ranh, Van Phong, sea tourism etc.).

One of the main issues of the ports of Vietnam remains to be addressed is to have an integral development of ports and hinterland infrastructure connections of channels, transport corridors and supporting logistics chains.

In parallel to the sea ports, the logistics services are gaining attention with effort from different sectors and levels and related organizations. Many enterprises have developed logistics services up to the national level but still relying on foreign global logistics services providers. There have been effort to have more linkage, cooperation, policy lobbying to facilitate the development of logistics services, to reduce costs, increase competitiveness. However, the transition is still slow and the capacity to manage the development of logistics services which required high expertise, broader scope, higher integration is stumbling on internal capacity and international competition. The main development orientation remains to have proper innovative mechanism for the market evolution toward gaining more competitiveness for national logistic services.

**The situation where foreign shipping lines applying non-transparent THC and other surcharges and exerting pressure on port handling charges continues to undermine the development of sea ports and competitiveness of foreign trade commodities of Vietnam. The mechanism and regulatory capacity needed for international shipping services in Vietnam market is not in line with the market demand and the administrative capability by region. In the meantime, the subsidized port services tariff not yet adjusted accordingly, small scale competition on price remain to be the key obstacle in attracting foreign investment in port infrastructure of Vietnam.**

The Customs have had strong improvement on formalities, taking advantage of the ITC to facilitate online declaration, inspection by sample, post clearance inspection, introducing the national single window portal for Customs administration. Improvements have promoted stronger development of foreign trade and in particular cargo throughput with the support from international organizations following trade development facilitation policy. **However, drastic changes are needed in inter-agency, inter-regional coordination and synchronization of ICT and data infrastructure as foundation for breakthrough development, wider coverage for higher overall efficiency.**

In general, there should be mechanism and break-through solutions to ensure integrity, inter sector and territorial cooperation in master planning and mobilization of investment capital for effective and sustainable port development, with a view to protect the interest of the investors, the sovereignty and also to meet the national sea port development strategic objectives.

In recent years the transport sector has exercised effort to overcome shortfalls, inconsistencies in the administration and development of transport in general and port in particular towards a more transparent and sound competitive market. The approach remains through seminars soliciting opinions, agreement for the proposed changes, adjustments to current centralized legislation system of the sector administration. The role and responsibility of the localities and other sectors in ensuring the integrity and efficiency of port development reform remains limited.

The Maritime Laws of Vietnam (as amended) have been ratified by the National Assembly in 2015 and become effective from 2017 have provisions to establish the Port management bodies. To date, ports are still waiting for by-laws for this breakthrough governance to effectively rectify existing outstanding shortfalls, to implement port reform system for more efficient development of port infrastructure with the role, resources and responsibilities to be contributed by all related stakeholders in the market area following the tested success of many countries.

Together with above, the Association also has some proposals to relevant authorities with specific opinions and recommendations.

# STATUS OF THE PORTS

## Port business and operations results

On the operations of the member ports, the statistics on cargo throughput of the ports during the period of 2011-2017 by areas including container traffic in the first half of 2017 are summarized in **Annex 1 & 2**.

The figures show the total cargo throughput of VPA member ports last year has increased by a much slower rate than the previous year and at about 3.2% in tonnage and 7.9% in container. Cargo volume going through the ports in the South mainly in port group no. 5 continued to grow at higher rate and accounted for about 60% in tonnage and 72% in container country wide. **Cat Lai port of Saigon New Port occupied more than 37% of total market share in container with more than 4,5 million TEU in 2017. However, the urban center location of Cat Lai presents obstacles for long term development and competition with other ports in CMTV.**

In the North, Hai Phong Port has maintained throughput in container volume in 2017 but total cargo volume had reduced by 9%. In Dinh Vu area, many ports in have had high container throughput such as PTSC Dinh Vu, Nam Hải Đình Vũ, Tân Cảng 128.

In the Central area, with deep draft entrance channels and separate location not prone to competition by reducing price, the main ports have seen high growth rate in 2017 such as Nghe Tinh, Cua Viet, Chan May, Da Nang; in particular, Quy Nhơn and Da Nang had highest growth in container volume. Cam Ranh Port has secured large and stable cargo sources with high operating efficiency and enjoy annual growth rate at more than 14%/year and possibly higher with additional investment.

In the deep water port of CMTV, total container throughput reached nearly 2.3 million TEU in 2017, an 23% increase compared to the previous year, with three terminals handling container namely CMIT, TCIT, TCTT in which TCIT occupied 54% market share and CMIT 40%. SSIT handled the first container vessel from June 2018.

In the Mekong Delta, cargo throughput in 2017 decreased about 5.4% compared to the previous year and accounts for only 6.5 million tons, mainly domestic and transit cargoes to be shipped via ports in HCMC area. An Giang Port had highest volume of container throughput in the Delta area, followed by Cần Thơ – Cái Cui Port, Trà Nóc – Cần Thơ Port. **The Dinh An channel project through Quan Chanh Bo canal is not yet feasible compared to the objectives due to narrow width, susceptible corrosive banks, one way traffic with the impossibility to take advantage of the tidal range going through more than 46km length of the canal. The objective of developing a main port for the Mekong Delta in Can Tho capable of receiving 10,000 DWT vessels for direct shipment bypassing the ports in HCMC remains an expectation.**

In 2017, only 50% of the ports have had higher throughput volume compared to the previous year. This was a difficult year for many ports. Ports having higher throughput include Doan Xa (28%), Nghe Tinh (40%), Lao-Viet (21%), Chan May (26%), PTSC Quang Ngai (54%), Dong Nai (26%), SP-PSA (21%), TCIT (19%), TCTT (74%), My Tho (63%), Vinh Long (43%). Cam Ranh Port (14%). Among 68 member ports, there are 5 ports having throughput of more than 10 million tons, 16 ports of 5-10 million tons, 26 ports of 1-5 million tons, on average one port handled more than 4.0 million tons/year, higher than the previous year (3.8 million tons).

In respect of port management and operations performance, based on the statistics provided by some member ports, in 2017, container handling productivity of some ports reached 2,000 TEU/meter of berth/year, lower than major international ports but higher than the average productivity worldwide. General cargo handling productivity of some ports reached 9,000 tons/meter/year. Productivity per head reached as high as 20,000 ton/person/year. Profit per head reached highest 343 million Dong/year. Highest outsourcing rate was 52%. Highest contribution to national budget was 890 billion/year/port.

# PERFORMANCE EVALUATION OF THE ASSOCIATION

## Major activities undertaken

In addition to the regular activities undertaken, based on the Resolution of the 8th Congress, the Executing Committee has provide guidance for the execution of some new tasks during 2017-2018, including:

* More participation in activities as requested by relevant authorities and member ports in settling issues in transport, port services.
* Organization of the Annual Meeting 2018 in Cam Ranh City;
* There has been encouraging results in the cooperation between some member ports in organizing, implementing the common activities of the Association.
* Members of the Standing Committee are tasked to organize and carry out specific port related activities, to meet the requirements of member ports.

More details on activities are presented in the Secretariat Report.

## Some main outstanding tasks

Main activities to be considered for improvement include:

* To improve the role of the Association in collaborating with relevant authorities and member ports in resolving common issues, difficulties, particularly in port master planning and development, pricing/competition, standards and best practices in port management and operations.
* To implement more provisions of the new Charter.
* To have specific programs, activities to support member ports specialized in bulk, break-bulk, oil and gas port operations.
* To promote human resources development for ports, to collect and distribute technical information, materials, best practices, to conduct joint marketing promotion activities at Association level.
* To involve more experts, cooperators in the activities of the Association.
* To cooperate with other associations in resolving common issues, particularly those of the maritime community etc.

Although certain results have been achieved; yet the scope and bulk of specific activities remain to be explored and carried out. The Association should be more active in implementing the provisions, objectives of the Charter, to meet the demand and specific requirements of all the members.

In general, the Vietnam Seaport Association has effectively conducted the plan of action with the guidance and participation of the Executing Committee and member ports and also with the support of different sectors, levels.

# ACTIVITIES OF THE ASSOCIATION IN 2018

* Carry out more activities as provided for in the new Charter; particularly in expanding membership; increasing the management capacity and efficiency of activities with more participation from the members of Standing and Executing Committees and member ports including outsourcing as needed;
* Solicit member ports to have opinions on orientation and master planning of port development, on port reform mechanism following the Maritime Laws. To cooperate with relevant agencies to improve the market conditions inducing more sustainable development; those are considered to be the main activities of the Association in the near future;
* Promote the relationship with members and other stakeholders in giving opinions, recommendations to the authorities to facilitate the operation and development of ports, in supporting member ports individually in resolving difficulties;
* Cooperate with the host port to successfully organize the Annual Meeting 2019;
* Maintain and develop foreign relations for active and effective business integration following the policy. To participate in ASEAN Ports Association (APA) activities. To establish other international relationship, particularly linkage with other ports in the region and beyond under the guidance of relevant authorities. In particular in 2019, in addition to attending the APA annual regular activities, VPA will be in turn to host the APA HRD Seminar in Vietnam and to send officials and athletes to the 13th APA Sports Meet hosted by Indonesia in JogJakarta; and already in October this year, to send a delegation to the Technical Meeting in preparation of this Sports Meet also in JogJakarta, Indonesia.
* Provide information on training, cooperate with respective institutions to support human resources development of member ports;
* Select and advise performance indicators on port management and operations; maintain international location code for Vietnam ports; study port tariff structure and data elements used in port activities to facilitate IT application in ports as well as exchanges of electronic information for the port community;
* Promote cooperation, exchange of information on line between the Association and the member ports, collaborate quickly using email;
* Invest in developing more contents and services for the VPA website, maintaining the publication of Shipping Times magazine;
* Consult experts working in the ports and from the outside to provide consulting services in port operations and management, including for dedicated liquid and bulk ports;
* Improve statistics and update information of the ports, the market, port investment, operations and development, forecasts, if possible, on a regular basis and in more details;
* Promote more awareness and responsibility of sea ports in ensuring port facility security, environment protection;
* Promote Corporate Social Responsibility between the ports and their communities, join effort in patriotic, poverty reduction programs; cooperate effectively with the sponsor(s), firstly Stinis, to achieve the common objectives.
* Cooperate with related associations, bodies inland and overseas to resolve common issues,
* Consider options to establish and provide income generating services for development in conformity with the Charter;
* Undertake and complete new tasks as needed.

Based on the above objectives and specific activities to be accomplished, the budget for 2019 shall be proposed in the Secretariat Report for discussion, including budget for the implementation of activities relating to the main subjects assigned to member of the Standing Committee in cooperation with member ports, as shown in Annex A.

The Executing Committee invites the Meeting to discuss the above contents including the tasks performed, the outstanding matters to be resolved and hence the program of activities of the association in the years to come and, in particular, the recommendations to the State and relevant authorities.

On this occasion, the Executing Committee and all members are happy to welcome representatives from the potential member ports attending the Meeting as observers:

* **South Van Phong Port, Ninh Thuy Industrial Park, Van Phong, Khanh Hoa**
* **Vinh Tân Port, Tuy Phong, Binh Thuan**

The Executing Committee wishes to have the support of the existing members in inviting more new members to promote the Vietnam Seaports Association’s role and wider representation of the port business community of the country.

# RECOMMENDATIONS TO THE STATE AND MARITIME ADMINISTRATION

Based on the orientation, policy and regulations pertaining to the ports of Vietnam and opinions from member ports, the Association has some selected recommendations presented in the Secretariat Report.

The Vietnam Seaports Association expresses its thanks and appreciation to related Government agencies for the guidance and support extended to facilitate the completion of our activities and responsibilities in the past and wishes to obtain such continuous attention and support in the future.

# CONCLUSION

With the above evaluation, proposed activities and recommendations for the coming year given by the Executing Committee, delegates are invited to discuss and make decision and to actively cooperate for successful implementation of the program of activities of the Association.

On behalf of the Executive Committee and the Annual Meeting, I heartfully thank the ------, who has preserved his precious time to attend and give the Keynotes Address at the Meeting. My thanks to the dignitaries from the Ministry of Transportation, the People’s Committee of Khanh Hoa province, Vietnam Maritime Administration, Vietnam National Shipping Lines and representatives from other agencies, associations, organizations, the mass media for the kind attention and support extended to the association for its activities and development. My sincere thanks to the member ports for the trust and support extended to the Executing Committee and the Secretariat in tackling common issues and tacks of the association in the past. The strength of the Association should be manifested in the capability to advice, to resolve important issues of the ports based on the solidarity and active participation of all member ports.

I sincerely thank the leaders of the People’s Committees of Khanh Hoa province, Cam Ranh City and relevant agencies for providing excellent conditions for the association to hold its Annual Meeting in the Province; my sincere thanks to the management of Cam Ranh Port and the Organizing Committee for the excellent preparation, facilitation and support in all aspects for the success of the APA Annual Meeting 2018.

My sincere thanks also to the Sponsors of the Annual Meeting this year, including the Main Sponsors:

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among whom, many companies have had traditionally close and long term relationship with the ports as well as provision of continuous and valuable support to the activities of the association in the past several years. My thanks to the Editors and staff of Shipping Times magazine for the effective effort in publishing the special issue in commemoration of the VPA Main Meeting 2018. My thanks to the reporters from the mass media for the coverage of the event.

Distinguished guests and delegates.

The Vietnam Seaports Association has had 24 years of effective activities with the kind attention and support by the relevant authorities of different levels and areas and the active participation of all member ports and other organizations and individuals. We have in fact created a firm foundation in many aspects for the successful execution of our tasks in the next term of office and next decade, a pivoting period of the industrialization and modernization with the maritime economy becoming one of the spearhead. The more important role and duties the association has, the more active the members should be for the effective contribution to the development of maritime sector in resolving common issues relating to the ports in the country and abroad.

With such evaluation and expectation, once again, I would like to thank all of you. My best wishes of very good health and success to our guests and to all delegates; success to the Main Meeting./

**Annex A**

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| **No** | **Sub Groups / Task Subjects of the Association** | **Person in charge** |
| 1 | Membership, foreign relations, mediaMechanism, policy, legalMaster planning, port development strategyPromotion, Marketing, Trade facilitation | Mr. Lê Công Minh |
| 2 | Finance, pricing, market, competitionPromotion of activities, services | Mr. Nguyễn Hùng Việt |
| 3 | General cargo port, bulk, petroleum terminal | Mr. Võ Hoàng Giang |
| 4 | Container terminal; ICD; Logistics servicesMaritime services (pilotage, tugboat ...) | Mr. Trần Khánh Hoàng |
| 5 | Training. Human resources development | Mr. Nguyễn Hữu Sia  |
| 6 | Environment, Safety, Health, DredgingPort security | Mr. Phan Thành Tiến |
| 7 | Port management, operation, ICT applicationStatistics, projections | Mr. Hồ Kim Lân |

**Annex 1**



**Annex 2**

