**VIETNAM SEAPORTS ASSOCIATION (VPA)**

**REPORT OF THE 8TH EXECUTING COMMITTEE**

AT THE ANNUAL MEETING 2019

**October 10, 2019 – Vung Tau**

# GENERAL ASSESSMENT

Following the general assessment, in 2019 and onward, the reform policy and creative governance for faster development of the Government have created new momentum within the whole society in maintaining economic growth rate comparable to 6.8% of 2018. Under the increasing and long lasting unconventional US-China trade row for stronger global influence, the strategy and growth rate of many economic sectors and in many areas shall be unpredictably affected. In general, world trade growth rate is projected to slow down with higher risks. For Vietnam, cargo flow is expected to grow faster in Intra-Asia trade (nearly 80% of Vietnam Import/Export value) and in East-West shipping routes in the near future.

In addition to its special geo-political position and the reform policy for faster and more sustainable development, Vietnam has more opportunities for attracting investment, trade and economic development under the large scale trade agreements such as CPTPP and EVFTA. Cargo volume going through Vietnam ports in 2019 is projected to continue with last year pace (about 8%) during the transition period and faster afterward subject to effective governance, capacity building and security, stability in the area could be maintained.

Cargo throughput through VPA ports in 2018 was about 293 million tons (7.3% increase compared to 2017), in which, container volume was about 13 million TEU (8% increase). However, container volume in the first half of 2019 increased 14% more compared to 2018,. In 2018, Import volume through VPA ports was 121 million tons, import surplus reduced to 14 tons, 7 million tons less than 2017. The trade deficit in volume but surplus in value indicated that VN is exporting more higher value commodities, in particular electronic goods. Volume of domestic shipping was 66 million tons (9% more than the previous year) accounted for 23% of the total throughput.

Cargo volume going through the ports in 2018 was distributed to the ports in the North 25.2% (down nearly 2%de), in the Central area 11.88% (1.25% increase); in the Mekong Delta Area 2.12% (0.27% 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 39% and CMTV area was 22% respectively.

In CMTV deep water port area, container volume in 2018 increased by nearly 21%. In the first half of 2019, growth rate was 26% higher than the same period last year. 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%. Thus, there have been stronger movement of container volume toward deeper water ports in CMTV. CMTV deep water ports have great development potentials in the Southern focal economic area, once connected with Long Thanh airport, to form a cluster of ports, shipping, aviation center of international dimension.

In general, although cargo volume keep on growing, most of the ports continued to face difficulties in business, competition by reducing price, lacked of accrued revenues for further development. Difficulties are more severe with ports handling only domestic cargo. Container handling tariff regulated by the Ministry of Transportation were set too low, 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.

The major activities in 2018 was the successful development and operations of the deep water ports in port groups no. 1 and 5. In 2018, the Hai phong International Container Terminal (HICT) at Lach Huyen was opened and since then has attracted large container vessels. The first terminal and expected new ones opened the prospect of developing Hai Phong port area facilities to new dimension to reduce shipping costs for about 1/3 of trade volume of the country through port group 1 each year..

In particular, the CMTV deep water ports have more advantages in market potentials (occupying more than 70% of market share in container of the whole country). In addition to containerized cargo, other types of cargo such as steel, agriculture products using larger vessels going through CMTV area have also increased significantly and accounted for 30% of the total 64 million tons of cargo throughput of CMTV ports in 2018, an increase of more than 10 million tons, in which 500,000 TEUs, compared to 2017. Had better connectivity and proper supporting services been in place, the cargo flow to CMTV area could have been much faster, including intra-Asia trade cargo using feeder vessels, in the situation where HCMC keeps on deferring the development of Hiep Phuoc port area to release the overloaded Cat Lai Port.

In HCMC, due to poor connectivity, the Hiep Phuoc area failed to attract more vessels and cargo. Most ports in 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, and being carried into the recurrent access road expansion demand to co-exist with the large volume of container trucking to/from Cat Lai Port moving through the center area of the city now and in the future with increasing traffic, social and environmental problems. The Soai Rap channel, including channel dredging and management, Hiep Phuoc ports and hinterland connections, if being considered as key master project with high priority for development following the master plan, would fundamentally help releasing the current city problems in import/export, releasing the growing shortfalls in socio-economic development, city traffic in the future.

In Hai Phong area, in 2018, the ports in Dinh Vu area could no longer maintain fast growth rate in the past. Ports deeper inland continue to face difficulties due to limited channel draft even at rates below costs. Container volume going through the ports in Dinh Vu area is expected to move to Lach Huyen deep water ports faster than from HCMC to CMTV. North - South domestic shipping in container is projected to increase with the throughput volume of Cai Mep and Lach Huyen deep water ports.

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. 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 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 such as East-West Economic Corridor, availability of land areas with relatively low costs for investment in industrial property, maritime services, distribution centers region wide using deep water ports such as Cam Ranh, Van Phong; potentials for development a variety of international attraction sea-based tourism facilities; 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.

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. However, drastic changes are needed in further reduction of and transparency in formalities and costs, 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 2018 are summarized in **Annex 1 & 2**.

The figures show the total cargo throughput of VPA member ports last year has increased by a much faster rate than the previous year and at about 6.6% in tonnage and 8.3% 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 60.5% in tonnage and 73.6% 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 2018. 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 including container volume in 2018. In Dinh Vu area, many ports could not achieve high container growth rate as 2017 and some saw reduction in container volume in 2018..

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 2018 such as Nghe Tinh, Cua Viet, Chan May, Quy Nhon and Da Nang. Container volume through Da Nang increased by 6%, though Quy Nhon Port decreased by 2.7%. Cam Ranh Port has secured large and stable cargo sources with high operating efficiency and enjoy annual growth rate at more than 51.2%/year and possibly higher with additional investment.

In the deep water port of CMTV, total container throughput reached nearly 2.44 million TEU in 2018, an 22% increase compared to the previous year, with three terminals handling container namely CMIT, TCIT, TCTT in which TCIT occupied 54% market share and CMIT 27%. SSIT handled the first container vessel from June 2018 and handled more than 51,000 TEU last year.

In the Mekong Delta, cargo throughput in 2018 continued to decrease about 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. Can Tho Port had highest throughput at 1.7 million tons, followed by An Giang Port at 28,000 TEU, Trà Nóc – Cần Thơ, Cần Thơ – Cái Cui Port.

In 2018, more than 56% of the ports have had higher throughput volume compared to the previous year. This was still a difficult year for many ports. Ports having higher throughput from North to South include Quảng Ninh (18.5%), Cửa Cấm (26%), Transvina (16%), Quảng Bình (53%), Cửa Việt (178%), Đà Nẵng (65%), Kỳ Hà - Chu Lai (78%), Quy Nhơn (16%), Thị Nại (10%), Cam Ranh (51%). Đồng Nai (13%), Bình Dương (33%), Bến Nghé (11%), SITV (38%), Phú Mỹ (15%). SP-PSA (33%), TCIT (23%), TCTT (21%), SSIT (14%), Đông Xuyên (19%), Bình Minh (11%), Vinalines Hậu Giang (238%).Among 74 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 2018-2019, including:

* The Standing Committee have had many meeting sessions to make decision on many issues, tasks pending under its mandate, and has approved the participation of many new members.
* More participation together with member ports in activities as requested by relevant authorities in giving opinions, recommendations on proposed legislation, settling issues relating to transport and port services.
* Participation in meetings, seminars as convened by relevant authorities; joining in study conducted by the sector on port envirionment protection.
* Cooperation with Saigon Port and Saigon New Port in getting funding, selecting athletes, organizing the VPA sports contingent to successfully participate in the 13th APA Sports Meet in Indonesia on September 16-21, 2019, and obtained the overall 3rd ranking amongst 8 contingents from APA member countries with a total participation of nearly 1,000 athletes.
* Cooperation with Saigon Port in Organizing the Annual Meeting 2019 in Vung Tau City;
* There has been encouraging results in the cooperation between some member ports in organizing, implementing the common activities of the Association.

More details on activities are presented in the Secretariat Report.

## Some main outstanding tasks

Main activities to be considered for further 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 2019

* 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 IX Term VPA Main Meeting in 2020;
* 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 2020, in addition to attending the APA annual regular activities, VPA will be in turn to host the APA HRD Seminar in the second quarter, the 41st. APA Working Committee Meeting in the middle of 2020 in Vietnam; and in particular, to appoint representatives for assuming the positions of APA Vice Chairman, APA Working Committee Chairman, APA Honorable Auditor for the 2 year term of 2020-2021. For the following term 2022-2023, VPA shall in turn to appoint APA Chairman and APA Secretary General.
* 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 2020 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 and hand over the membership certicates to new VPA members joining VPA in 2019, namely:

* Gemadept Dung Quốc Port
* Phước Long ICD Port
* Hai Phong International Container Terminal (HICT)
* Nam Đình Vũ Port
* New Port - Cai Mep Thi Vai (TCTT)

And to welcome representatives from the potential member port(s) attending the Meeting as observers:

* 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. Within the time available, I would like to present for relevant authorities to consider and settle some key difficulties, obstacles experienced by the ports most urgently:

* *Guidelines of relevant State agencies on the implementation of the Decrees 147/2018/NĐ-CP and NĐ 37/2019/NĐ-CP on conditions for the operations of the JV port enterprises providing container services with foreign participation over 50% of the enterprise equity to operate after July 1, 2020.*
* *Adjustments of port container services tariffs based on the scope of investment and development potential of each port group, quickly reducing subsidy for domestic and international shipping, increasing to the level of regional average tariff rates. Current tariff rates are too low adversely affecting the development for better competitiveness of the whole Vietnam port system. Proper tariff rates are also the key element required to attract investment in port infrastructure in Vietnam.*
* *Investment in channels, transport connections with the hinterland of the ports in line with the master design and development potentials of each port group, providing better conditions for each group to attract investment in transport connection projects with more favorable mechanism under the condition where national budget fails to meet the demand. Moving toward proper framework of mechanism, policy, organization for having an entity responsible in long term for overall efficiency in the development of sea port infrastructure, including transport connectivity and supporting logistic services for ports for each focal economic area.*
* *Having solution to quickly remedy the difficulties, shortfalls in trading for the permission to having the site for disposal of mud in channel rehabilitation dredging works and annual maintenance dredging alongside the ports countrywide. The master plan for disposal sites for each port area should be under the mandate of the relevant authority to enable the ports to maintain the existing operation capacity, to meet the demand in economic development of the country in the near future.*

More specific justifications of the above petition as well as other ones have been reported to relevant authorities and shall be additionally reported by member ports.

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 would like to express my sincere thanks to the […], who has preserved his precious time to attend and give the Keynotes Address at the Meeting. My thanks to the dignitaries and officials from local departments/agencies, 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 Ba Ria Vung Tau province, Vung Tau 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 Saigon Port and the Organizing Committee for the excellent preparation, facilitation and support in all aspects for the success of the APA Annual Meeting 2019 in Vung Tau.

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 special thanks and appreciation to the management of Stinis Singapore Pte. Ltd. for the generous contribution to support the corporate social responsibility objectives of Vietnam ports under the VPA-Stinis charity fund 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 2019. 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 25 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. In the years to come, with the important role and increasing responsibilities Vietnam ports are to play in the new era, and with the IX Main Meeting to be held next year to elect a new Executive Committee for the period of 2021-2025 to lead the development of the association to higher level for effective contribution to the economic development in general and the development of Vietnam ports in particular; all members of the association are expected to contribute most effectively their part in the development of maritime sector and 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 | Chairman |
| 2 | Finance, pricing, market, competitionPromotion of activities, services | Vice Chairman, HP |
| 3 | General cargo port, bulk, petroleum terminal | Vice Chairman, SG |
| 4 | Container terminal; ICD; Logistics servicesMaritime services (pilotage, tugboat ...) | Vice Chairman, TC |
| 5 | Training. Human resources development | Vice Chairman, DN |
| 6 | Environment, Safety, Health, DredgingPort security | Vice Chairman, CT |
| 7 | Port management, operation, ICT applicationStatistics, projections | Secretary General |

**Annex 1**



**Annex 2**

