

VIETNAM SEAPORT ASSOCIATION (VPA)
REPORT OF THE 6TH TERM EXECUTING COMMITTEE
AT THE 7TH VPA MAIN MEETING 2010
September 09, 2010 – Hai Phong City

OUTLINE

Based on the orientation and plan of actions as approved by the 6th Main Meeting in Vung Tau on November 07, 2007, the 6th Term Executing Committee (“ExCo”) has provided guidance to implement the activities of the association during the last term of office at the time when the economy and the market had experienced the economic crisis of global dimension in 2008 and early 2009 with some evaluation as follows:

Following the general assessment, the growth of the economy of Vietnam in 2008 and early 2009 had slowed down by the global recession. From Quarter 3 of 2009, the growth of the economy had gradually recuperated but more time is needed to regain the high growth rate before the crisis. The GDP growth rates recorded for 2007, 2008 and 2009 are respectively 8.46%, 6.18% and 5.32%. The growth of cargo throughput at the VPA member ports in the past three years are 19%, 7% 10%, in which containerized cargo grew at 30%, 16% and 7% respectively. The changes in cargo throughput, excluding the surge in sand volumes exported in 2008 and 2009, are proportional to the changes in GDP growth rates, by which 1% of GDP growth rate corresponded to 8% increase in containerized volume. It is expected there from that the 6.5% of GDP growth rate anticipated for 2010 would correspond to 18% increase in container throughput volume in 2010 over 2009.

The import/export volume through VPA member ports in 2009 was about 170 million tons, in which container reached more than 5.4 million TEU 7% increase over the previous year and maintained the heavy pressure over the port systems and hinterland connections at the focal economic areas. At port group No. 5, with the presence of some deep water ports in Bà Rịa - Vũng Tàu, there had been shifting of shipping activities using large vessels out of HCMC area. In the Northern region, there had been similar pressure toward having deeper water ports for large vessels and this pressure has been even higher than that of the Southern region in recent years.

One of the main issues of Vietnam is the landside transport infrastructure and the hot spots are the container terminals as predicted. Many port projects have been implemented speedily by the investors while the hinterland connections as well as other utilities and supporting services are not adequate and ready, thus increasing the costs and risks to the investors.

In addition, the legal reform mechanism for the administration and development of the sea ports infrastructure system is still being drafted and finalized for implementation. This reform, if being integrated with the Public Private Partnership (PPP) and the area or region wide economic development strategy, new driving force and resources could be generated in achieving the sea-

born economic development strategy, following which maritime sector economy would become the spearhead from 2020.

Vietnam can be said to have the top potentials in shipping, with its advantageous geographic location, the seaport system of Vietnam, if being properly and quickly developed up to the international standards, could affect the container shipping pattern of the region in the next decade.

STATUS OF THE PORTS

Review of some major events

Vietnam still maintained substantial growth amidst the global economic recession and the regulatory role of the Government by macro administration measures was found decisive in getting the market oriented economy out of recession.

The policy on sea-born economic development strategy has brought about changes in vision and strategy as well as development plans of the whole sub-sector and enterprises individually. Provinces with advantageous natural conditions and market have chosen sea-born economy a development priority. Nevertheless, there are still many domains of interest to be integrated and balanced between central and local to ensure development efficiency.

Seaport development master plan up to 2020 with the vision for 2030 has been revised using infrastructure as the lever for economic development. However, the master planning and implementation by the Government has been slow and inadequate, not yet responding to the market demand and investment schedule of the businesses. In general, transport infrastructures are behind the demand and not yet really a leverage for economic development. In addition, the adjustment of the master plans and the attached supporting measures including the port charges failed to meet the demand of the market, especially the open market Vietnam is gearing to in the sea-born economic strategy.

Regulations on administration of sea ports and navigation channels. The policy of having the sea ports and navigation channels master plans under Government control and the leasing of sea ports invested by the Government and giving the investors the right to decide on the utilization of the sea port or navigation channel invested by themselves have obtained overall concurrence. Nevertheless, this policy should be legalized so as to generate driving force and resources to develop the sea port infrastructures quickly and in the right direction, in combination with the Public Private Partnership (PPP) and the region wide development strategy. A port reform program following the landlord system for Vietnam can refer to some models and guidance of the World Bank. On the port state control following Decree 71 in particular, if need to be amended, should be focusing on increasing the flexibility of the Vietnam ports to compete internationally through simplification of formalities and timely adjustment of port charges and fees applicable to ships and cargoes going through the ports. The combination of a big development reform program with the administrative regulations mentioned above as proposed in the draft amendment of Decree 71 shall have an impeding effect, causing complication more than boosting development.

Deep water ports for the Northern region. The channel to the ports in Hai Phong area after many years of inadequate maintenance has shallowed down adversely affecting the operations of the port in this area, increased the transshipment costs to cargo and ship owners, and limited the investment return of the port projects. The channel designed for Dinh Vu ports was for 20,000 DWT vessels, but actually has the depth for only 20,000 DWT. The demand for deep water ports for the Northern region similarly to the Cai Mep port for the Southern region is very urgent to meet the surging demand of cargo volume, not mentioning the competitive aspects with the ports of adjacent foreign countries.

Văn Phong transshipment port. This 3,6 billion of USD project has been implemented by Vinalines with the first phase development at the end of October 2009 by 2 berths for large container vessels at the estimated cost of more than 200 million USD. It is still early now to evaluate the prospect of this project in attracting transshipped container when the market potential is not yet clear.

Transition of container shipping from feeder to large vessels is happening in port group no. 5. Although the economic development in 2008 and 2009 has slowed down, the pressure of cargo throughput, particularly containerized cargo has been high, in particular at the port groups in the South and the North. *For the first time in Vietnam, large container vessels of international lines have been using the deep water ports in Cai Mep area for direct shipment to the USA* replacing the feeder vessels scheduled for transshipment in Singapore or other large ports. This transition trend is happening faster day by day with the center point at Bà Rịa - Vũng Tàu. The demand of using large vessels (more than 350M long, more than 100,000 DWT) to reduce the shipping costs within the allowable channel conditions of the Thi Vai river shows that the theoretical restrictions of the master plans has been and continues to be the obstacles for the port and maritime development in the Southern focal economic area. Beside that, the competition by rebating the service prices in the area had the effect of speeding up this transition and to help releasing the load at the ports in HCMC but increasing the pressure on the road and river connections between HCMC and Bà Rịa - Vũng Tàu.

ODA project and deep water port infrastructure at Thi Vai, Cai Mep. ODA project to build two terminals at Thi Vai and Cai Mep has been implemented and expected completion by 2012. The commitment and actual monitoring of the MOT leaders had the effect to speeding up the implementation schedule of the road, bridge and channel connecting to the port projects in this area had created trust in investors in deep water project here. However, there are other conditions and supporting services (electricity, water supply, types of services, Customs formalities, port dues and charges...) for the operations of the deep water ports in this area to achieve international competitive edge.

Relocation of ports in HCMC. In parallel to the master plan development of ports in Group 5, the relocation plan of the ports in the inner center of HCMC mainly Saigon New Port and Saigon Port following the resolution of the Polit Bureau on master planning of HCMC development up to 2020 has been carried out. The two ports have completed large scale development for the relocation. Although financial mechanism to support the relocation has been decreed, the relocation schedule of Saigon Port is not yet clear pending the city master plan and the concrete preparation and actions to follow for obtaining the funding source generated from

the land to support the relocation. Transport connection to new ports in Hiep Phuoc area is still urgently needed.

Foreign investment in container ports. Until now, most of the world leading shipping and port operators have been present in Vietnam with many container port investment and operation projects. In the Southern focal economic area, there are more than 8 large container terminals with foreign investment expected to be operational by 2010-2011. Among the total container port throughput capacity of 16 million TEU of Vietnam by 2011, the equity share of foreign investment accounts for about 45% whilst the operation management right exceeds 56% of total container port capacity of Vietnam, concentrating in the Southern focal economic area. Harmonization between the public and investors' private interests is needed, including investment of the ports competing with Vietnam in the region.

Can Tho Port and Dinh An Channel. The Mekong Delta with its governing contribution to the economy in agriculture has been and is being invested by the Government in key ports with proper scale for the area in which Can Tho and Cai Cui ports are considered as port center. Dinh An channel rehabilitation with Quan Chanh Bo bypass channel for ships of 10,000 DWT at estimated cost of USD198 million had been started from the end of 2009 with hope to create a turning point in attracting foreign ships to call the port. However, the redistribution of cargo flow between the ports in HCMC area and Can Tho port, if any, would be limited to ships of medium sizes and depend on the development of the maritime commercial services market in general in the delta.

Seaports and safety, security, environment. Following the common requirement and trend to ensure sustainability and promote branding worldwide, many large ports in Vietnam, particularly the joint venture ones, are paying more attention and investment in security assurance following the ISPS Code. This is also the policy and trend in Vietnam yet the member ports should pay more attention and have concrete measures to add more value to their brand names to be able to attract international safe and environmental friendly "green" ships in the future.

Port operations business performance

On the operational activities of member ports, the cargo throughput statistics of the ports in 2007-2009 separated by areas are summarized in **Annex A**.

The figures show total throughput of 53 member ports in 2009 was nearly 172 million tons (including sand export), 20% increase over 2008 (7,3% increase in 2008), in which containerized cargo grew only 7% (15% in 2008) and reached nearly 5.4 million TEU. The ports in HCMC area occupied more than 64% of container throughput country wide. Container volume to the Northern area increased while to the Central and Mekong Delta areas decreased.

The ports in the Northern area had maintained growth of container of +28% in two consecutive years, in which volume through Dinh vu port grew 54% Doan Xa port 45%, Transvina 14%, Hải Phòng 1% in 2009. In particular volume through Cai Lan port increased six fold after the restoration of shore cranes and attracted back the volume previously diverted to Hai Phong port.

In the central area ports, cargo throughput in general did not increase as the previous year but container volume decreased by 8% (+19% increase in the previous year).

In the Southern focal economic area and mainly in HCMC area, total cargo throughput reached almost 73 million tons, increased by 25% (+13% in previous year) in which containerized cargo was 3,5 million TEU, increased by only 2% (11% in previous year). Saigon New Port in particular had handled 2.5 million TEU.

In the Mekong Delta, cargo volume in 2009 surged up to nearly 198% (226% in previous year) and reached more than 21 million tons through Can Tho and other new ports such as Tra Noc, Cai Cui mainly by sand export, meanwhile container volume had decreased significantly. My Tho Port still had the highest container throughput in the delta.

On the trade balance through VPA ports in 2009, export grew by 22% (excluding crude oil and sand export). There was export surplus of nearly 10 million tons excluding sand. Domestic cargo accounted for about 28%. Similarly to 2008, in 2009, the trade balance of Vietnam had export surplus in volume but import surplus in value due to higher value of import commodities as compared to export commodities.

In a nut shell, in 2009, among 53 member ports, 4 ports handled more than 10 million tons, 2 ports 5-10 million tons, 17 ports 1-5 million tons. Average volume of 53 ports was 3,2 million tons/port/year, an average increase of 400,000 tons through each port.

REVIEW OF ACTIVITIES

Main activities performed

Based on the resolution of the 5th Main Meeting, the 6th Term Executing Committee has overseen the activities of the association during the 2007-2010 period, including:

- Association matters relating to membership with an increase from 44 to 53 ports and increase in annual budget of more than double the total membership fee amount.
- Consultative feedback to the State and the agencies on important issues of the ports
- Some accepted measures to stabilize port tariffs
- Dissemination of sector related information
- Continuation and development of foreign relations including active participation in ASEAN Ports Association (APA) activities.
- Further development of the website with more information for the maritime community inland and overseas
- Successful circulation of the Shipping Times magazine
- Participation in patriotic social welfare and charity activities.

Specific activities and proposed action plan shall be presented in the Secretariat Report.

Some outstanding matters

The main limitation and outstanding matters of the association include:

- The role of the association in resolving common issues and difficulties in protecting the interest as well as supporting the member ports was still limited, in particular, on market stabilization issues, standardization of port services, participation and provision of opinions regarding port master planning and implementation support.
- The Executing Committee should have met more often and assigned members to deal with specific issues faced by the association. The sub committees should be more active in performing the assigned tasks.
- The participation of the member ports in cooperation programs and activities with the ports in ASEAN region was limited. Following the current requirements and trends, the association should promote further cooperative relationship with ASEAN and international ports for human resources development and more active economic integration.
- Human resources development for the ports could have been done better, similarly for dissemination of information on technology and marketing, foreign relations, advertisement for the association as well as for members.
- Mobilization of more experts, contributors for implementing the program of activities of the association.
- Coordination with other related associations in resolving issues of common interest, in particular issues faced by the maritime community.

Although there have been some achievements, the association should have been more active and concrete in meeting the objectives prescribed in the Charter, meeting the expectation and essential demand of all members.

In general, the Vietnam Seaports Association has had effective activities in the past 16 years and played an active role with the contribution of the Executing Committee and all member ports together with the support of the authorities of different levels and sectors.

ORIENTATION, ACTIVITIES FOR THE NEXT TERM

Firstly, the association is to continue to perform better the activities in the past and find effective measures to make good to the limitation, outstanding issues mentioned. To have plan and measures to accomplish better the following activities:

- Members, membership fees;
- Consultative feedback to the State and the agencies on important issues of the ports;
- Measures to stabilize port tariffs;
- Combination of funding sources available and from outside for human resources development by training courses, seminars, study visits for the ports;

- Dissemination of information, promotion of cooperation, exchange, online information through the website and VPA magazine, collection of technical materials;
- Collection and dissemination of information and mobilization of outside experts to conduct studies needed and formulation of standards on port operations and management towards international standards;
- Continuation and development of foreign relations. Active participation in ASEAN Ports Association (APA) activities, International Association of Ports and Harbors (IAPH);
- Provision of marketing information, business promotion activities for the ports;
- Cooperation with related associations, bodies inland and overseas to resolve common issues, including requirements on standardization, IT application, computer networks for port and maritime community development;
- Collection of statistics, evaluation of the port operations and development more often and in more details.

Specific activities and proposed budget for 2011 shall be presented in the Secretariat Report.

During the discussion, the Executing Committee suggests delegates to comment on the above contents including the tasks performed, the outstanding matters pointed out to provide basic requirements for the activities of the association in the years to come and in particular to have recommendations to the State and functional agencies.

In addition, one important item of the Main Meeting agenda is to discuss ways to promote cooperation between member ports in resolving issues of common interest, to accomplish the tasks giving to the association in dealing with challenges the ports of Vietnam are facing to quickly regain growth after the economic crisis, to develop and integrate successfully, promoting port business as the spearhead of the maritime economy of Vietnam.

On this occasion, the Executing Committee and all members are happy to welcome new members adhering to the association last year, namely:

- SP-PSA International Port
- Vung Ro Port
- Interflour Port
- Port of Can Tho Water Transport Joint Stock Company

New members are expected to participate actively and contribute to achieving the association objectives in the interest of all members and common interest of the country. The Executing Committee also wishes to have the joint effort of the members in getting more new members in the coming years to promote the Vietnam Seaports Association's role and to have wider representation of the port business community in Vietnam.

RECOMMENDATIONS TO THE STATE AND MARITIME AGENCIES

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

The Vietnam Seaports Association thanks the functional state agencies for the guidance and support to facilitate the operation of the association in achieving its tasks in the past and wishes to obtain such continuous attention and support, facilitation rendered to the association enabling it to function well and to achieve its objectives in respect of the maritime sub-sector and providing effective services in the interest of the member ports in particular during the new era of reform, development and integration amidst difficulties and challenges in the years to come.

SELF EVALUATION OF THE 6TH TERM EXECUTING COMMITTEE

The 6th term Executing Committee (“ExCo”) of the Vietnam Seaports Association was elected by the 6th Main Meeting in 2007 comprises 15 members with the Chairman and three Vice Chairmen representing the three areas and one Secretary General. The Secretariat has 5 members from Hai Phong Port, Sai Gon Port, Sai Gon New Port and Ben Nghe Port. The association does not have Controllers. All accounts, books, records as well as collection and payment procedures have been undertaken by the financial and accounting system of Saigon Port.

During the last term, based on the Charter and annual resolutions of the Annual Meetings of the association including the annual programs of activities and budgets. The ExCo has carried out the annual programs of activities through the Secretariat and the participation and support of the member ports with some achievements and outstanding matters as mentioned above and with more details in the Secretariat Report.

Overall evaluation is that the 6th term ExCo has performed with high responsibility, solidarity and creativity and has created significant development of the association in the last term of office while adhering to the Charter and general provisions, has complied in full with all directives, regulations of the State and the sector; obtained participation of many new members including joint venture ports with foreign partners; committed deeper integration with world economy; provided opinions, consultative ideas, counter proposals; protected the common interest; and in general performed well its functions and duties towards the members and the State and the sector; and has obtained full attention and support by the central and local functional agencies.

CONCLUSION

Above are some assessment of the situation and some recommendations, specific activities for the coming given by the ExCo. Delegates are invited to discuss, give amendment, reach consensus and participate actively in order to promote further the role of the association, particularly the advisory role to the State and maritime sector; and at the same time to serve more effectively specific demand of the member ports in the future, create major changes for the association to be well prepared for reform, to enter into the era of world economic integration and competition, carrying out successfully the maritime economy strategy.

On behalf of the ExCo and the Main Meeting, I heartfully thank the Deputy Prime Minister HE Hoang Trung Hai who, despite his busy schedule, has come to join us and give his keynotes address for the Main Meeting, my sincere thanks to the leaders of the Party Central Committee’s

Foreign Relations department, the Government Office, Ministry of Home Affairs, Ministry of Transportation, Vietnam Maritime Administration, Vietnam National Shipping Lines and functional agencies of the sector and province, our fellow associations, other 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 ExCo and the Secretariat in tackling common matters and works 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 foundation of solidarity and active participation of all member ports.

I sincerely thank the executives of the People's Committee of Do Son township, Hai Phong city for providing excellent conditions for the association to hold its Main Meeting at the high potentials seaside city and the presence and speeches; my sincere thanks to the management of Hai Phong and the Organizing Committee for the excellent preparation, facilitation and support in all aspects for the 7th APA Main Meeting 2010.

My sincere thanks also to the Sponsors of the Main Meeting this year, including the Main Sponsors **Kocks & Ardel of Kranunion, Liebherr Werk Nanzing and other Sponsors Stinis Singapore, Unico Handels / Gottwald Port Technology, Realtime Business Solutions, Eagle Pacific - Konecranes, Trường Phát JVC – Hyster, Saigon New Port Corporation, Phu Hai Maritime Joint Stock Company, Port of Halifax, Canada, Zebra Enterprise Solutions, Vinashin International Shipping Company** 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 concentrated effort in publishing the special issue in commemoration of the 7th VPA Main Meeting. 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 16 years of effective operation with the kind attention and support by the relevant authorities of different levels and areas and the active participation of all member ports, of many other organizations and persons. 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 history of industrialization and modernization with the maritime economy becoming one of the spearhead. The more important role and duties the association has, the more the members have to be active and pioneered for effectively contribution to the development of maritime sector and to participate in resolving common issues in the country and abroad relating to the ports.

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./