

VIETNAM SEAPORTS ASSOCIATION

Secretary report

at the Annual Meeting 2009

10/09/2009 – Phan Thiet City

Based on the decision of the recent VPA Executing Committee meeting on June 25, 2009 at Saigon Port, the secretary report this time is to be condensed to give more time for the intervention of the guests and delegates. The detailed report was included in the meeting document. In addition to the recommendations of the association to relevant authorities to resolve obstacles and difficulties of the ports which should be stated at this meeting, some contents such as membership, fee, budget and objectives shall be briefed.

1. Membership: Currently, the Association has 49 members with total annual throughput of 144 million tonnes in 2008, 7.3% increase over 2007. For the time being, most of major ports of Vietnam are VPA members. However, there are also some ports including JV container terminals being developed which are still potential members.

At this Meeting, it is our great pleasure to welcome the representatives of some potential member ports such as:

- SP-PSA International Port
- PTSC Supply Base
- Vinashin Dinh Vu Port
- Saigon Premier Container Terminal (SPCT)
- Saigon International Terminals Vietnam (SITV)
- Cai Mep International Container Terminal (CMIT)
- SP - SSA International Container Services JVC (SSIT)

In which some ports have already been in operation and some will be ready by next year or by 2011 with total container throughput capacity of more than 6 million TEU/year - higher than the current total container throughput nationwide and in particular deep water ports capable of receiving container vessels with large carrying capacity of more than 8,000 TEU.

The participation of these new ports as members of the association would create significant change in the total capacity of the ports within the association and the high potential in cooperation to tackle and resolve issues of common interest of the ports in Vietnam with contents and scope of international dimension.

2. Membership fee: to date 49 member ports have paid membership fee for 2009 based on membership schedule approved by the 2nd. VPA Main Meeting.

Financial report as of 31 July 2008 based on the financial statements from Saigon Port Financial Department is enclosed as Annex 1.

3. Budget for 2009-2010 for the activities of the association based on the orientation and requirements in the report of the Standing Committee is enclosed as Annex 2 for the meeting to review and comment.

4. Targets and Objectives

Based on the program and content of activities approved in the last meeting and plan with major tasks to be fulfilled mentioned in the report of the Standing Committee, major tasks to be executed as expected by the Secretariat are as follows:

1. Routine and scheduled tasks to be continued:
2. New tasks to be implemented, including:
 - Employ outside experts and from member ports to study some subjects related to market, pricing, management mechanism, current situation and measures to build up competing capability, integration of Vietnam ports using VPA budget.

- Support member ports on information, cooperation opportunities, business development, economic integration, human resources development up to new demand
- Prepare and cooperate for organizing the meetings next year in particular the Annual Meeting 2009, meeting of the Standing Committee, working groups as required
- Support the member ports on standardization including the port code and commodity code, application of IT in management and operations of the ports, more frequent exchange of information using e-mail, web forum ...
- Organize the collection and report of statistics on cargo volume, container throughput more updated every 6 months instead of one year, for analysis and reporting, planning purposes.
- Organize the business promotion, marketing activities for Vietnam ports hosted by VPA in Vietnam on a self sufficiency basis.
- Apply for permit, organize, develop the Maritime Commerce (Shipping Times) magazine including the VPA official electronic paper
- Execute other tasks as required

5. Recommendations. Based on the status of port operations and development in the past with many shortfalls in port infrastructure development in Vietnam amid growing cargo volume even during the period of economic crisis; and based on the opinions from the member ports, the association has some recommendations to the State and relevant authorities to facilitate the fast and sustainable development of the ports in particular and the maritime sub-sector in general so that by 2020 the Vietnam Maritime sub-sector shall become the spearhead of the maritime economic development strategy of the Party and the Government. The recommendations are as follows:

1. The development and operations of the port infrastructure should be considered as spearhead in developing the sea borne economic services development and from there to have concrete mechanism and policy to compete with the region and beyond on the operations of national focal ports, international transshipment ports in combination with other integrated mechanism and policies including policies on open ports or open economic zones and industrial parks in the hinterland, master plans for support services in commerce, finance, logistics v.v. Regarding the open port mechanism, which has been in pilot stage for the last 3 years already, it should be finalized and implemented.

2. Complete the port master plan to meet the demand of cargo growth, in particular containerized cargoes up to 2020 for the focal economic areas of the three regions with large and concentrated ports capable of receiving large vessels available on the market, limiting the development of small and scattered ports. Ensure the integration of port master plan with master plans for road transport, access channel to the ports for receiving large vessels available on the market. For the immediate future, it is recommended to have

measures to warrant the timely execution of upgrading, maintaining the road and access channel to the ports for projects being invested or in actually in operation, specifically:

a) Access roads: Road connecting Highway 5 with Dinh Vu port area in Hai Phong, Inter-provincial Road 25B to Cat Lai Port in HCMC, access road to ports in Hiep Phuoc Industrial Zone, access road to Ben Nghe new port in Phu Huu ward, District 9, HCMC; Inter-port road 965 at Cai Mep, National Road 51 expansion, Bien Hoa - Vung Tau express way and rail link;

b) Access channels to Can Tho Port, Hai Phong port, the ports in the central area including Cửa Lò, Quảng Bình, Thuận An, Da Nang access channel to Cát Lái area, Hiệp Phước ports. For the channel to Thị Vải, Cái Mép area to ensure the implementation schedule and have the master plan revised to allow ships of more than 100.000 DWT to use the ports in the area as currently demanded;

c) Turning basins in the same port area need to be allocated or upgraded with removal of obstructing buoys and additional dredging as needed to facilitate and enhance safety for the ship maneuvering in entering, leaving the ports to/from different locations; (HCMC, Cái Mép Thị Vải areas);

d) In areas with high vessel traffic, cargo volume but with limitation on night time navigation on the channel, measures to be taken to have additional safety by navigational aids, lighting, dredging... to lessen/remove restrictions for quicker ship movement and turn around time. (HCMC area).

3) Increase the State administration role in harmonizing the port investment and operations and maritime activities in all areas of the country, in which there are issues to be tackled such as the right to operate the national focal ports by foreign operators and influence of the foreign shipping lines on the market, pricing by way of increasing the right to harmonize, administrate the market by the State through the associations, communities of enterprises in Vietnam.

4) Improve the Customs formalities towards facilitation of declaration, cargo check, container screening to ensure terminal security in a more channeling manner between receipt/delivery points in the same port area. Consider the acceptance to cargo destined for a port to be cleared at another port or location to flexibly release the load, congestion at a particular area currently in shortage of infrastructure facilities. Formalities for transshipment containers are needed with possible cooperation between Customs and terminal operator in respect of standardization, data processing, communication on the computer network to eventually create a community information system for transport operators and maritime stakeholders in general..

5) Finalize and quickly implement on a pilot basis sea port infrastructure management mechanism toward having a port authority for each focal economic area in order to resolve

the current shortfalls to effectively develop the national focal ports following the master plan.

6) Set up a road map and implementation measures to stabilize and then unify the port tariffs for both international and domestic transports. Limiting the intermediaries manipulating the market and negative practices in maritime services and cargo transport through the ports in general.

7) Review and complete the regulations on port security by way of circulars providing guidance to access control, supervision of personnel and transport means entering/leaving the ports with the supporting cooperation between relevant authorities and the terminal operators to ensure security, order at sea port entry points at the same time to facilitate the business activities of the ports following the international practices and conventions.

8) On policy measures, in particular on finance, consider the application of provisions to facilitate the development of the ports in which it is recommended to maintain the VAT rate of 0% for a longer period of time, releasing the requirements on contracting and payment made through the banks which is hard to implement on services rendered to small ships with short dwell time in the port; to permit the booking of losses from exchange rates in payment of foreign loans as legible costs in calculating the corporate income tax; to have financial mechanism supporting the ports subjected to relocation attached to the land use right on existing land area to develop the maritime commercial services facilities for the locality. With regard to the ports having the potential competitiveness with the region in attracting the cargo to the ports via the East-West Economic Corridor, Southern Economic Corridor, to consider other supporting measures such as simplification of border crossing formalities, reducing port charges to reduce transport costs to be more competitive against foreign ports.

Ladies and gentlemen

Above is the summary report of major tasks and proposals made by the Secretariat and the recommendations VPA. We suggest the Standing Committee and the Meeting to review, evaluate, give specific comments for the works of our association to be carried out after this. The Secretariat also proposes the member ports to participate more actively in the activities of the association as well as to support the Secretariat in fulfilling the works with increasing volume in coming months to meet the general requirements and those of each particular member port.

On this occasion, the Secretariat sincerely thanks the organizations, entities and individuals within and outside the association for the trust and active support extended in helping the

Secretariat to fulfill its duties in the past. We hope that the Secretariat shall continue to receive the kind attention and precious support for more effective cooperation in the future.

Thank you and best wishes of very good health to all distinguished guests and delegates, great success to the Meeting.