

# The Inadequacies of the Seaport Service System in Vietnam and Radical Solutions

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**Abstract**— The development of Vietnamese shipping fleet is quite fragmented, the fleet capacity is low, and the management capacity is poor, so many shipping companies operate inefficiently ... limiting the ability to connect shipping. Moreover, the slow movement of goods between Vietnamese seaports has led to the situation that port enterprises have to rotate the positions of containers in yards or between different ports and ICDs. This increases the cost and reduces the efficiency of port operation, greatly affecting the import and export activities throughout the country. One of the major difficulties of the port area is that the infrastructure connected to the cargo concentration area is still weak. In particular, localities still lack of specialized delivery and service centers. Inadequacies in exploiting and managing the seaport system in Vietnam make import-export enterprises spend a lot of time and costs in exporting goods, reducing the competitiveness of Vietnamese goods. The paper presents inadequacies and weaknesses of the seaport system in Vietnam; on that basis, propose some radical solutions to improve the quality of services at seaports in Vietnam.

**Keywords**— Seaport service systems, shipping fleet, Vietnam, import, export.

## I. INTRODUCTION

According to a report from the Vietnam Maritime Administration, as of May 31, 2018, the number of slow-moving goods likely to remain in Vietnam's seaports was 27,944 containers. In particular, Hai Phong seaport area has 6,753 containers, port area in Ho Chi Minh City. HCM has 14,658 containers, BR-VT area 6,533 containers[1].

One of the reasons for the slow rotation is the trade policy of the world economic powers, which have many changes with many complicated and unpredictable developments. For example, China announced to stop importing 24 recyclable scrap items from January 1, 2018. Therefore, a large number of these items from developed countries will not be imported to China but will find its way into other Asian countries, including Vietnam[2].

Only in Cat Lai port - TP. Ho Chi Minh City, on May 18, 2018, there were over 8,000 TEUs (accounting for about 10% of the total yard capacity) of imported goods left over 40 days, of which about 70% were plastic / paper scraps that customs authorities lock request, not delivered[3]. The remaining inventory containers are mainly chemicals, machinery, fertilizers, tinted float glass, children's toys ... According to information from shipping lines, this amount of plastic / paper scrap is being imported. large amount to Vietnam, no sign of stopping[4].

Thus, the slow movement of goods at Cat Lai port in particular and Vietnamese seaports in general will lead to the situation that port enterprises have to rotate the positions of containers in yards or between different ports and ICDs. This

increases costs and reduces port operation efficiency; at the same time, affecting other import and export goods of Vietnam[5].

According to the Vietnam Maritime Administration, in 2015 the total transport volume carried out by the Vietnamese fleet reached about 118.7 million tons, up 9.5% compared to 2014 - the largest increase in recent years. However, Vietnam's fleet only accounts for 27.8% of total cargo throughput, over 70% of the remaining market share belongs to foreign shipping lines[6].

Besides, despite having favorable geographical location and a coastline of more than 3,260km, creating great opportunities for the development of shipping fleets, in 2015 Vietnam ranked 28th in the world in terms of the national ship connectivity index. with 45 points, much lower than other countries in Asia such as China, Hong Kong, Singapore, South Korea, Malaysia, and Japan[7].

The reason is that due to the low volume of Vietnam's imports and exports, the lack of concentration of the seaport system, the lack of deep-water ports and the backward port infrastructure, the mother ships of the large shipping companies do not give priority to docking. Moreover, the development of Vietnamese shipping fleet is quite fragmented, the fleet capacity is low, and the management capacity is poor, so many ship operators are not operating effectively ... limiting the ability to connect shipping. Specifically, the inadequacies of the Vietnamese fleet include: About transport output, transport routes, fleet structure, own fleet, type of ship[8].

According to the Vietnam Maritime Administration, the fleet of Vietnamese nationality ships up to hundreds of thousands, but the fleet structure is not reasonable. General bulk carriers account for a large proportion, while specialized and container ships account for a very small percentage, leading to an oversupply of bulk, bulk and small-tonnage vessels, but a shortage of specialized vessels, large tonnage ships running international routes[9].

According to the forecast of the Maritime Administration - Ministry of Transport, in 2015, the volume of goods through seaports nationwide will reach about 405 million tons, by 2020 is 606 million tons and will reach 1,100 million tons by 2030. Currently, the country has 31 seaports, 259 ports, 402 wharves with a total length of 59.4 km along with 44 national routes[10].

## II. SOME EXIST AND ARE INADEQUATE IN THE HANDLING OF GOODS

In accordance with the provisions of the Maritime Code 2015, the Government issued Decree No. 169/2016 / ND-CP

dated December 26, 2016 on handling of goods kept by carriers at Vietnamese seaports stipulating the handling of goods left in stock at seaports according to the customs law[11].

In order for the relevant agencies and functional agencies to continue urgently carrying out the handling of outstanding goods lots at seaports and border gates strictly according to the provisions of Decree No. 29/2014 / ND-CP. dated 10.4.2014 of the Government stipulating the authority and procedures for establishing the State's ownership of properties and the management and handling of properties with the State's ownership established; In recent years, the City Customs Department. HCM directs Sub-departments to regularly review, statistic, screen, perform classification for cargo containers showing signs of doubt, carry out container locking, put them into a separate area for monitoring and strict supervision tight. If the goods owner carries out the procedures for receiving goods, carries out detailed inspection and strictly handles violations[12]; In case goods owners do not carry out procedures, after 90 days overdue, they shall handle them according to the provisions of Circular No. 203/2014 / TT-BTC guiding the handling of goods left in the geographical areas of customs operation; Circular No. 05/2014 / TT-BCT dated January 27, 2014 of the Ministry of Industry and Trade stipulating activities of temporary import for re-export, re-import and border-gate transfer of goods and other relevant law provisions in order to promptly settle them and avoid wasting valuable goods, handling and destroying shipments affecting the environment[13].

However, in the process of dealing with unsold goods, the issue of state ownership of unsold goods, the auction order has not specified the rights and obligations of the parties and many issues. Other relevant topics as prescribed in Clause 3, Article 19 of Circular No. 203/2014 / TT-BTC stipulating the case where no funding source is available to make payment to the Council for advance payment of funds from custody accounts, the budget estimate Frequent books of the Customs Department or enterprises managing inventory of goods in order to make payment from the budget source are one of the causes causing difficulties in slowing down the process of liquidation of goods left in stock[14].

In addition, there are no specific regulations for goods that are slow to circulate. Saigon Newport Corporation has issued Document No. 930 / TCT-KHKH dated May 18, 2018, regarding the handling of imported scrap plastic containers at Tan Cang Cat Lai port and Tan Phuoc Tan Cang port, in which "From 01.6 .2018, Saigon New Port will only unload cargo from the ship after the customer presents sufficient import permits of the consignment issued by the competent authority and the written commitment of the specific time of receipt of goods[15]. In case there are not enough documents as required, you and the carrier should coordinate to transfer the port of discharge for these shipments to other ports before the ship arrives at the port, to avoid causing passive when releasing the ship. time and costs for stakeholders "and" from 10.6.2018 to 30.30.2018, Tan Cang Sai Gon stopped accepting all plastic scrap imports directly at these two ports. Scrap paper items will continue to comply with the contents in Section 2.1 ”.

### III. INADEQUACIES OF VIETNAM SEA FLEET

#### A. Transport output

According to data from the Transport Restructuring Scheme, the current market share of freight transport by sea is only 17.6% (while road transport remains high at 75.3% of total transport volume)[16]. This proportion is not commensurate with the potential and strengths of a country with great advantages in developing shipping as Vietnam.

#### B. Transport route

The Vietnamese fleet is only operating on domestic transport routes with a market share of over 90%.

On international routes, the fleet mainly runs short routes around Southeast Asia and Northeast Asia and only accounts for about 12% of the market share on these routes. Despite having a large market share, inland sea transport is still facing difficulties in low freight rates, scarce supplies and imbalance between the two North-South transport routes (the direction from the North to the South is only about 60% compared to the direction from South to North)[17].

#### C. Fleet structure

According to statistics of the Vietnam Maritime Administration, by 2015 Vietnam's fleet of cargo ships had 1,849 ships (not including 38 ships with foreign national flags) with a total tonnage of 7.3 million DWT. However, the overall fleet structure of Vietnam is still not reasonable. In the trend of containerization of the world, Vietnam's container ships only have 64 units, accounting for 3.5%, much lower than the world average of 13%. Recently, the growth rate of container ships in the world is about 7.7%, Vietnam has only increased by more than 1%. In contrast, general cargo ships accounted for the largest number with 1,085 units, or 58.7%. Next is dry cargo ship with 318 units (accounting for 17.2%). Oil and chemical tankers with 185 ships (10.5%) but are very fragmented by many ship owners. The bulk carrier has 188 ships (10.2%) but the overall operating capability is inefficient[18].

#### D. Own fleet

According to the general assessment of the Vietnam Maritime Administration, the number of Vietnamese ship owners is quite large but the financial capacity and management capacity is limited. Out of 597 ship owners, only 33 ship-owners own a fleet of ships with a tonnage of over 10,000 DWT, the remaining 564 small ship owners of private economic sectors in localities such as Hai Phong, Thanh Hoa, Thai Binh,[19] Can Tho ... but only manages 27% of the fleet tonnage.

#### E. Type of ship

In addition to the general limitations mentioned above, in each type of ship also exist its own shortcomings.

Bulk cargo fleet: mainly transports agricultural products (rice, sugar ...), iron and steel products, iron ore, fertilizer, coal dust, cement ... on domestic routes and short routes in the Southeast Asia, China or a number of ships transporting long distances to West Africa, South America, Eastern Europe. Currently, the group of bulk ships with a tonnage of under

10,000 DWT accounts for the most but only accounts for 13% of the total tonnage. Vessels of 20,000 - 30,000 DWT account for 47% of the total tonnage, and over 40,000 DWT of ships are very small but account for 21% of Vietnam's bulk cargo tonnage[20].

The operation of bulk ships of Vietnamese enterprises is generally very inefficient, the rate of time the train runs on average is only about 30-35%, the time when the bulk ships run empty is still quite high, an average of about 13 - 15% in the year, the time when anchors are waiting for cargo is usually about 20-25%.

Container fleets: The form of container shipping has begun to develop in Vietnam since the 1990s. By the end of 2015, Vietnam had 15 enterprises operating container shipping with a total of over 64 vessels, with a total Download about 544.106DWT. The Vietnamese container fleet is generally very small in terms of tonnage, high age, and slow speed compared to the container lines of foreign firms. Vietnam has only two shipping lines ranked among the top 100 container shipping lines in the world, namely East Sea and Vinalines, but also in relatively low rankings.

Most of Vietnam's container ships only run on domestic routes such as Hai Phong - Da Nang - Ho Chi Minh City under the protection of the Government. Only very few firms have vessels running to transshipment ports of Singapore and Hong Kong but the frequency is also very limited. Meanwhile, the pressure of competition on international routes for Vietnamese shipping lines is increasing. In 2015, Vietnam had more than 40 international container shipping lines and currently accounts for about 85% of Vietnam's import and export containers. These shipping lines operate mainly under three forms: Vietnamese companies acting as agents, joint-venture companies or companies with 100% foreign capital.

From the above analysis, the Vietnamese shipping fleet still has many limitations in terms of transport volume, fleet structure and ownership structure as well as transport routes. In order to develop the type of goods transport by sea commensurate with the potential and advantages, besides the solutions for planning the seaport system, investing in port infrastructure, reforming administrative procedures in ports, the Government and Vietnamese shipping enterprises need to consider the development of the fleet as one of the important and urgent solutions.

#### IV. INADEQUACIES IN PORT OPERATION

According to enterprises, the current main problem of Vietnam's port industry is that the operation of the seaport system is unreasonable, there are ports that are overloaded, while some ports have not yet reached their full potential.

However, in fact, in recent years, enterprises have struggled to transport import and export goods because very few container shipping lines running international routes docked these ports. Therefore, in order to export goods, Hoa Sen has to transport a distance of about 160 km from Phu My Industrial Zone to Ho Chi Minh City port cluster for export. This makes transportation costs triple.

If an enterprise exports goods at Phu My port cluster, the domestic transport cost is only 1.7 million dong for a 24-ton container, while now the enterprise has to export goods at Cat

Lai port, so the domestic transport cost up to over 4.25 million / container.

Not only in the key areas, enterprises said that it was unreasonable that the ports near large industrial parks, but enterprises with import and export activities in these industrial parks could not be used because almost There are no international container ships calling at these ports. Therefore, businesses must transport goods to remote areas to export.

That leads to 3 problems: increasing shipping costs, reducing competitiveness of businesses when exporting goods; causing traffic jams on transport routes; If overloaded, the port will charge an average storage fee of 200,000 VND / day / container.

Not only affected by inadequacies in seaport operation, import and export enterprises said that at some peak times of cargo transport during the year, shipping lines often increased freight rates and surcharges, such as: stabilization fees, jetty traffic fees, fuel surcharge, fuel fluctuation surcharge ...

Enterprises are not informed in advance about the fee increase and the time of the increase. The unexpected increase in surcharges greatly affects business performance because export contracts are often negotiated and finalized by enterprises before 2-3 months before delivery.

According to the Vietnam Maritime Administration, the fleet of Vietnamese nationality ships up to hundreds of thousands, but the fleet structure is not reasonable. General bulk carriers account for a large proportion, while specialized and container ships account for a very small proportion, resulting in an oversupply of bulk, bulk and small-tonnage vessels, but lack of specialized vessels, large tonnage ships running international routes.

Besides, the operating area of Vietnamese container ships is also very narrow, just "wandering" in Southeast Asia, China ... has not made direct trips. Therefore, with the demand for transportation to major markets such as the Americas and Europe, all foreign shipping lines are responsible. Import and export enterprises in Vietnam want to expand to major markets depending on the fees and schedules of foreign shipping lines.

According to 2016 statistics, the general ports and containers in the Cai Mep - Thi Vai area passed through 40.9 million tons of cargo, accounting for about 45% of the total designed capacity. Particularly, containerized cargo in 2016 through Cai Mep ports reached 2.03 million teus, although it increased by about 50% compared to the same period in 2015 but only reached 30% of the handling capacity of container ports in Cai Mep area. - Thi Vai.

The lack of macro solutions to effectively regulate cargo among seaports in group 5, so goods through seaports are still very concentrated in Ho Chi Minh City seaports. In 2016, Ho Chi Minh City port approved the total cargo of 100.5 million tons, reaching 86.87% compared to the forecast in 2020. Particularly, containerized cargo in 2016 through Ho Chi Minh City port was 5.72 million. teus exceeded the forecast in 2020. Cat Lai port in 2016 grew by 8.2% compared to 2015, reaching approximately 4 million teus, continuing to put great pressure on the road traffic network, causing problems. about traffic congestion and urban environment of the city, at the same time affecting goods transport time and logistics service

quality.

#### V. RECOMMENDATIONS, SUGGESTIONS

In order to promptly take measures to handle slow-moving goods strictly according to law provisions and to avoid affecting the goods import and export activities at seaports, Vietnam Maritime Administration shall propose the following solutions:

- Establish an interdisciplinary working group (Ministry of Finance, Ministry of Industry and Trade, Ministry of Transport) to directly work with goods owners, import-export enterprises and related parties to soon have specific solutions for shipments need early release, reduce congestion of goods at seaports.

- The General Department of Customs will soon issue a document guiding the relocation of the above-mentioned slow-moving plastic container / paper scrap to other ICDs or ports; at the same time, continue to support Tan Cang Corporation to coordinate with shipping lines and customers to proactively transfer these shipments to other ports before the ship arrives at the port, to avoid being passive when releasing the ship giving rise to time and expenses for related parties.

- Research and consider amending Circular No. 203/2014 / TT-BTC guiding the handling of goods left in the customs area.

The development of Vietnam's fleet is in fact facing many difficulties, stemming from both objective and subjective factors. From the experience of countries in the region and around the world, to develop the Vietnamese fleet in the coming time, it is necessary to have comprehensive solutions between the State, shipping enterprises, import and export enterprises, export, and related industries. The State's policies and regulations play a very important role in the renewal and development of Vietnam's fleet. In fact, the issued policies have not been fully effective due to the slow implementation of the process of implementation to the asynchronous levels, causing bad psychology for shipping lines. Moreover, a number of State policies are causing obstacles to the development of Vietnamese fleets.

Experiences in managing and operating seaports in the region, discussing other contents such as simplifying goods procedures when passing ports, applying information technology, developing human resources, environmental protection and other cooperation programs of APA member states.

In order for the new ports to be effective, especially in the early stages, it is necessary to provide cargo services attached to the ports. However, for new ports of Group 5 area in Cai Mep - Thi Vai (Ba Ria - Vung Tau), Hiep Phuoc (Ho Chi Minh City) has not developed timely industrial zones, export processing zones attached to the port. . Although Cai Mep - Thi Vai area has been invested in modern port infrastructure to meet international standards, but the port's rear area has no logistics center, empty container terminals, truck centers to support. Support transport and promote the development of logistics services. This is the drawback, reducing attractiveness for investors.

Regarding tax and fee solutions, the Ministry of Transport shall coordinate with the Ministry of Finance and relevant

agencies in studying the adjustment of the application of loading and unloading floor rates or the application of seaport infrastructure charges. Guide the application of low levels in the areas at the new ports and the highs at the port areas easily causing congestion to affect the flow of goods; Working with BOT investors to reduce fees for means of transporting goods to - from ports in Cai Mep - Thi Vai area to reduce transport costs.

#### VI. CONCLUSION

Although the Vietnam Sea Strategy to 2020 has been implemented synchronously, in reality, there are still many "grit" affecting the efforts towards the sea. The biggest constraint in the development of marine economy today is the State management on the marine economic sectors in our country is weak, the planning of marine space is still fragmented, the related legal system is not complete.

Developing a fleet of ships plays an important role in goods circulation between Vietnam and other countries in the region and around the world. This makes an important contribution to the integration of Vietnam's economy into the international economy. However, in fact the Vietnamese fleet has only guaranteed nearly 30% of the domestic market share, so it has not met the needs set out. Vietnam's fleet is small, unreasonable structure, outdated technology, high age ships .... It can be considered as the reasons for the failure of the fleet at home. Compared to the strong fleet of countries in the world and the region, our fleet structure is weak in terms of both number and tonnage, capacity and management method. The development trend of world and regional shipping fleet in recent years has mainly been container ships. Regarding vessel tonnage, according to the statistics of the world average ship tonnage and our country's fleet, there is a big difference. Although in recent years, Vietnam's fleet has had positive changes, but compared to its potential, geographical advantages and general conditions, this development is still inadequate. In general, the quantity, structure, tonnage ... to serve for each type of goods, transport flows in each area have not been met.

In the context of increasingly globalization, trade and shipping development, the role and position of the marine economy are increasingly strengthened and enhanced. Therefore, the key task of the Vietnam Seaport Association in the coming time is to stabilize port service prices, amend and supplement a number of customs procedures to raise the competitiveness of Vietnam's seaport; maintain and develop foreign relations, actively participate in the activities of the ASEAN Seaport Association, enhance the search for market information for the port block.

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