

Trends for Developing the Fleet in Vietnam

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Abstract— *The sea and ocean are of special socio-economic and political importance and a major development orientation for countries around the world. Facing the geostrategic shift from the mainland to the sea space, many countries have recently carried out their marine strategy planning due to their economic potential, national security and geopolitical status. now on. Not outside the game, Vietnam determined that the shipping and shipbuilding industry will play an important role in the strategy of developing the marine economy and ensuring security, defense, and sovereignty over seas and islands. Sea transport is considered as the backbone of world shipping, the freight of this type of transport is only 1/8 of the air freight and 1/12 of the road freight. Therefore, this type of transportation is playing an extremely important role in the development of each country.*

Keywords— *The fleet, container, shipping, transportation, Vietnam.*

I. INTRODUCTION

Currently, Vietnamese shipping companies are suffering from the crisis because of the sharp drop in freight rates and ship rental rates, increasing operating costs of maintenance fuels, scarce shipping resources, and Ineffective business, almost Vietnamese shipping companies are in a loss situation. According to the Vietnam Maritime Administration, freight rates have dropped by 50-60% and have yet to show signs of recovery. The situation of ships not having enough goods to transport, the average efficiency coefficient of the ship is only 50-60%, in the peak season, it is only 80%. Currently, Vietnamese shipping companies are suffering from the crisis because of the sharp drop in freight rates and ship rental rates, increasing operating costs of maintenance fuels, scarce shipping resources, and Ineffective business, almost Vietnamese shipping companies are in a loss situation. According to the Vietnam Maritime Administration, freight rates have dropped by 50-60% and have yet to show signs of recovery. The situation of ships not having enough goods to transport, the average efficiency coefficient of the ship is only 50-60%, in the peak season, it is only 80% [1].

Regarding international transport activities, now Vietnamese ship owners have enough ships and standards to operate around the world, but the number is still counted on the fingers. Currently, more than 80% of Vietnam 's international shipping fleet only operates on close routes, but only about 30% operate routes to Northeast Asia, the Middle East or Africa, most of the fleet. Vietnamese vessels only operate on routes in Southeast Asia and China. Some large enterprises also have general cargo ships capable of operating on routes to the Americas and Europe, but few. For container ships, most of them only operate feeder transport in Southeast Asia, China, Hong Kong, Taiwan but can not make direct flights [2].

Despite having a more favorable geographical position than other countries in the region such as Japan, Indonesia,

Malaysia, ..., Vietnam is a connection point between Southeast Asia, Northeast Asia, and the Pacific and India Ocean is a potential area as an important hub for goods transportation in the region. The Vietnamese shipping fleet has grown strongly in terms of quantity, tonnage, fast growth, and average reach 35.7% in the period of 2009-2012. However, the structure of the Vietnamese fleet is inconsistent with the world shipping trend. The ratio of bulk carriers and general cargo ships account for a large proportion with 60% of the fleet tonnage, container cargo ships account for \$ 3.2, and oil tankers account for 27%. The Vietnamese fleet is in a situation of small redundancy, dry bulk carriers, and even small container ships, while there is a shortage of specialized ships and large tonnage vessels running on international routes[3].

According to statistics of the Vietnam Post Department, there are currently 597 ship owners of all economic sectors, of which only 33 shipowners own a fleet of vessels with a tonnage of over 10,000 DWT, mostly of large economic groups. Also according to the United Nations data on trade and development (UNCTA), the Vietnamese fleet of ships is ranked 29th in the world and 4th in Southeast Asia, behind Singapore (15 times the total weight). Vietnamese fleet); Malaysia (2.9 times); Philippines (1.8 times). According to the trend of world shipping in recent years by container transport mode, container tonnage in the world accounts for 12.9% of the fleet, the value of transport trade accounts for 52% of the value goods transported by containers. Meanwhile, Vietnam's container fleet accounts for only 3.5% in terms of tonnage and nearly 2% in volume compared to the total fleet. It can be seen that Vietnam's market of container ships is too small and has been far behind the development of the world shipping industry [4].

Out of 1,593 ships, there are more than 1,000 ships with a total tonnage of less than 3 million DWT specializing in domestic operations, of which there are only 3 vessels with a capacity of over 1,000 TEU, the rest have less than 1,000 TEU. specializing in domestic, international routes in Southeast Asia, Hong Kong or feeder to consolidate goods for foreign shipping lines but not directly to the consumer market. While the world trend shifted to container shipping, the Vietnamese fleet developed dry cargo ships, the world container growth rate was 8%, while the Vietnamese container fleet was only 2%. The tonnage of market share in the world container fleet accounts for 12.8% of the total fleet while in Vietnam it only accounts for 3.2% of the total fleet [5].

Not to mention the technical situation, the equipment of the Vietnamese fleet is lagging behind the world, although in recent years this has been greatly improved. The detention of Vietnamese ships is still common and accounts for a high proportion due to violations of international conventions on maritime safety and environmental protection of Vietnamese ship owners. According to the Vietnam Maritime

Administration, as of 2015, the average age of the ship in Vietnam has 39% of the tonnage of ships over 15 years of age, including 49% of dry cargo ships, 46% of bulk carriers, 100% of liquefied gas carriers. ship age over 15%. This has reduced the prestige and affecting the competitiveness of Vietnamese fleets in the market of international freight import and export.

II. OPPORTUNITIES AND CHALLENGES FOR THE VIETNAMESE FLEET

A. Opportunities and Challenges for the Vietnamese Fleet

According to the Vietnam Maritime Administration, in 2018, the total transport volume carried out by Vietnam's shipping fleet was estimated at 144.6 million tons, up 10.9% compared to 2017, accounting for 55.6% of the total volume of goods transported by all modes of transport. However, Vietnam's fleet only accounts for 27.8% of the total cargo throughput, over 70% of the remaining market share belongs to foreign shipping lines. 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, the outdated seaport infrastructure, the mother ships of large shipping companies do not give priority to docking. Moreover, the fleet of Vietnamese ships is quite fragmented, the fleet capacity is low, and the management capacity is poor, so many shipping companies are not operating effectively ... limiting the ability to connect shipping. Specifically, the inadequacies of the Vietnamese fleet include:

Regarding transport routes: The Vietnamese shipping fleet is mostly 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 occupying a large market share, inland shipping 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) [6].

Ownership of 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 are 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 belong to private economic sectors in localities such as Hai Phong, Thanh Hoa, Thai Binh, Can Tho ... but only manages 27% of the total fleet tonnage.

Regarding the type of ship: In addition to the general limitations mentioned above, each type of ship also has its own shortcomings. The 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 Southeast Asia. , China or some 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 [7].

Container fleets: The form of container shipping has been developing in Vietnam since the 1990s. The Vietnamese container fleet is generally very small in terms of tonnage, high age, and low speed compared to other container fleets. foreign. 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 [8].

In addition, Vietnam's fleet is currently losing to international fleets, the reason lies in the ship's hardware infrastructure and management issues. Vietnam ship trading company is usually small, only a few ships. The fact that domestic water transport is more expensive than foreign countries, such as from Ho Chi Minh City to Hanoi is more expensive than Singapore, so it is not effective. Logistics costs or specifically transport costs are very important, pushing up the cost of services. One of the reasons for the high price is due to poor management and a lack of freight balance between the South and the North. Goods transported from the South to the North more, while the goods from the North to the South were less, ships had to carry empty containers, so they had to make up for losses. Particularly, foreign ships have empty containers in many places and own many international routes, if they have a surplus in the North, they can export such containers from the North to foreign countries, then from abroad to transport them to Ho Chi Minh City. Protection of domestic fleets on the domestic route is a must, but besides that, it is necessary to have policies to force them to develop. Vietnamese enterprises must also gradually invest in their infrastructure, becoming more professional in technology, services and management. And should policymakers need to regulate the balance between Southern and Northern volumes? [9].

From the above analysis, it shows that the Vietnamese 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 [10].

B. Development Opportunities for Vietnamese Fleets

There are such great challenges, but opportunities are many for Vietnamese ships. According to a report of the Ministry of Transport, as of the end of 2018, Vietnam's fleet of ships had 1,593 ships, ranked 4th in ASEAN (after

Singapore, Indonesia, Malaysia) and 30th in the world. Our container fleet has grown quite well (on average 20% / year) with the number of ships increasing from 19 to 41. Vietnam's ship age has reached a younger age (14.7 years) than the world (20.8 years) thanks to the increase in the number of new ships. In 2018, the total transport volume carried out by the Vietnamese fleet reached more than 144 million tons, an increase of nearly 11% compared to 2017, accounting for 55.6% of the total turnover of goods of all directions. mode of transport. However, the actual fleet only meets the needs of domestic transport and in some countries in the region. With import and export transport, Vietnam has only accounted for less than 10% of export and import goods volume, operating mainly on short transport routes to ports in Southeast Asia and Northeast Asia.

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The cause of this is the trend of world shipping in the current period towards containerization, but Vietnam's container fleet is mostly small vessels. Not to mention, Vietnamese shipping enterprises are facing financial difficulties, not having enough resources to upgrade their fleets, so it is difficult to compete with large fleets in the world. Vietnamese shipping enterprises also lack links with shippers and contracts with customers in a short time, so Vietnamese ship owners do not dare to invest in building new ships without stable sources of goods.

Assessing the issue of management of sea-going river ships (VR-SB), the representative of the Vietnam Maritime Administration said that the policy of establishing coastal transport routes, sharing the burden with roads is correct but moderate. During the past, many vehicles operating in the wrong way still transported goods from one seaport to another. This situation, if not managed in time, will disrupt the fleet. Therefore, in the coming time, Vietnam Maritime Administration will coordinate with relevant agencies to propose solutions to develop VR-SB type more effectively, in accordance with international rules and practices on maritime safety and security.

According to statistics of the Vietnam Maritime Administration, in the first 6 months of 2019, the volume of goods through Vietnam's seaport was estimated at 308.8

million tons, up 13% over the same period in 2018. In particular, the volume of container cargo Through the seaport in 2019 reached 9.1 million TEUs, an increase of 3% over the same period last year. However, Vietnam's shipping industry is still challenging that the fleet is declining. Specifically, in 2018, according to statistics, Vietnam's fleet has more than 1,600 ships, but at the moment, that number drops to 1,568 ships. The total tonnage of Vietnam's fleet is about 4.8 million GT and the total tonnage is about 7.8 million DWT (tons of length). According to economists, this is a worrying figure because when the fleet declines sharply, the goal of meeting 100% of domestic freight transport volume will be difficult to achieve as expected [11].

III. THE SOLUTION TO INCREASING COMPETITIVENESS FOR VIETNAMESE SHIP

A. Increase the Competitiveness of the Fleet

It is necessary to encourage all economic sectors to invest in developing the international shipping market. The State studies and promulgate preferential mechanisms and policies to encourage foreign organizations to invest with Vietnamese enterprises in order to step up the shipping business. On that basis, step by step "rejuvenating" Vietnam's shipping container fleet, striving to reach the average age of 12 years by 2030. Change the mode of freight to buy CIF and sell FOB. Refer and apply measures to manage effective shipping activities of foreign shipping companies. Businesses with vessels operating international routes need to develop a network of capable agents in foreign countries, creating a closed, professional logistics service system; improve service quality and reputation of Vietnamese fleets in the world.

B. Exploiting and Developing New Transport Routes

Facing the attractiveness of the market, Vietnamese container shipping enterprises need to strengthen cooperation with customers to increase shipping volume on international routes such as Vietnam - China, Vietnam - Singapore, Vietnam - Hong Kong, Vietnam - Hong Kong - Japan. Along with that, opening new container transport routes to develop the market. Accordingly, studying to open new shipping routes such as Vietnam - Cambodia - Thailand, Da Nang - Ningbo - Shanghai - Hakata - Moji transport route by SITC Lantau Beach; direct transport from Hai Phong across the Pacific to the United States and Canada with Northern Jaguar's mother vessel Ocean Network Express; service routes directly connecting Hai Phong to the West Coast and the East Coast of the United States, along with routes to India, the Mediterranean, Europe ... will help shipping companies to increase the volume of containers for transporting feeders.

C. Reducing Costs and Shipping Costs

Among types of shipping costs, fuel costs account for the highest proportion (about 40%). In recent years, fuel prices are often unstable and continuously rising. Consequently, Vietnamese shipping companies have to buy domestic fuel at a price of about 30% higher than the price of fuel bought in Singapore. In order to support cost reduction, shipping, and improve the competitiveness of Vietnamese shipping companies, the State should have policies to support

Vietnamese shipping companies to buy fuel at preferential prices. at Dung Quat oil refinery.

D. Strengthening International Cooperation

Vietnamese businesses need to strengthen international cooperation, in order to continue attracting ODA and other preferential capital to invest in the construction of maritime infrastructure and shipping fleets. Promote cooperation with countries with the developed maritime industry and with international maritime organizations to take advantage of professional training and retraining for officials of the maritime industry. Develop a detailed list of projects calling for concessional loans and foreign investment loans to implement seaport infrastructure development projects that have been approved by the Government.

E. Capacity Building of Crew Members

According to the Vietnam Maritime Administration, it is expected that by 2020, Vietnam needs to organize new training for about 15,000 people (of which 7,000 will be additionally required to develop the fleet and 8,000 will replace the existing forces). Promote the supply of crew members working for foreign ships. In order to have a crew of seafarers who meet both quantity and quality requirements, independent management, control and quality control regulations needs to be developed to perform the training quality management functions. create professional skills at training and coaching establishments. At the same time, there is a mechanism "Licensing training, training", after the examination and evaluation, only training institutions that meet the requirements of facilities, equipment, qualified teachers will be allowed to conduct training and coaching, especially ISO-certified training and coaching institutions.

Crew training programs should be revised to meet the requirements of the revised STCW 78/95 Convention 2010 and the IMO Model Programs (IMO Model course). Invest in the teaching and practical equipment for students who meet the requirements of the Convention. Innovating methods of teaching and learning foreign languages for seafarers in a practical and effective way to meet job requirements. Foreign language requirements are of equal importance to professional practice requirements. Strengthening coordination and cohesion between the units employing crew members and training and training establishments to ensure that human resources have knowledge and skills close to actual work demands and efficient use of human resources have been trained.

F. Strictly Controlling the Ship Quality Registry Process

Before 2014, the proportion of Vietnamese ships seized abroad increased such as: in 2010 there were 55 times, in 2011 there were 91 times, in 2012 there were 52 times, in 2013 was 61 times with major violations such as crew members do not meet the requirements to check the operation of canoes, fire pumps or ships not equipped with new charts. This fact makes the Vietnamese fleet constantly on the "blacklist" of Tokyo Mou. This means that Vietnamese ships are often subject to more stringent attention, inspection, high retention capacity, affecting the shipping schedule and cargo transported by ships. The long international storage time makes ship owners face

the risk of being severely punished by domestic and international cargo owners, causing time and cost of the guarantee.

In order not to be on the blacklist of Tokyo Mou, Vietnamese fleets before leaving the port are strictly inspected by specialized units under the Tokyo - Mou agreement and international cooperation with countries such as the Federation. Russia, Hong Kong, New Zealand, Japan, and South Korea ... The strengthening of inspection and control has helped Vietnamese fleets to be considered safer by international shipping lines and less inspected by port authorities. , bring prestige shipping on the international arena. In 2018, the Tokyo Mou area had 1,054 times Vietnamese ships were inspected, including 856 ships inspected for the first time, detecting more than 2,600 defects of all kinds related to 663 ships. 25 ships were seized, accounting for 2.92% (lower than in 2017 was 3.56%). That ratio has helped Vietnam's fleet to remain safe in the "white list" of Tokyo Mou[12].

IV. CONCLUSION

With the increasing demand for domestic goods and imports and export by sea, Vietnam needs a strong fleet to serve transportation. However, the national fleet is in fact still small in size, outdated in terms of technique and unreasonable in structure, leading to poor service quality and weak competitiveness. In recent years, Vietnam's shipping industry has been trying to upgrade its fleet and has, in fact, gained certain achievements. But all that effort was not enough to revive the fleet capable of carrying large volumes of goods as currently. This situation stems from many causes and to overcome it requires great efforts from the shipping business as well as the support of the Government. Facing the rapid development of the shipping industry in the world, the Vietnamese fleet needs to quickly implement solutions to improve service quality to avoid the risk of falling further than international fleets. In today's globalized world, competition is inevitable and the immediate task of the Vietnamese fleet will be very heavy.

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