CURRENT SITUATION AND PROSPECT OF SHIPPING INDUSTRY IN VIETNAM

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Abstract: The report analyze the current situation of shipping industry in Viet Nam, including information about Viet Nam seaborne trade, shipping companies, sea-going fleets, seafarers, major seaports. Afterward it will be disclosed the policy of sea transport in Viet Nam. And finally, the author will give summary and conclusion about shipping industry in Viet Nam.

Key words: shipping industry, seaborne trade, shipping company, sea-going fleets, seafarers, policy of sea transport

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II. Seaborne trade

Figure 2.1: Economic growth rate, 2005–2013 (Annual percentage change)

- The volatility of the global economy over the last 10 years
- The economic crisis in 2008 - 2009
- Viet Nam’s economic growth also followed the similar pattern with that of the former, but at higher rates (2 times).
- Among the emerging economies in Southeast Asia, Viet Nam was the unique country which did not fall into recession in 2009 under the impact of the global financial crisis.

Table 2.1: International seaborne trade, 2005 – 2012 (Mio tons loaded)

<table>
<thead>
<tr>
<th>Year</th>
<th>Container</th>
<th>Other dry</th>
<th>Bulk</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>809</td>
<td>1,176</td>
<td>900</td>
<td>2,885</td>
</tr>
<tr>
<td>2006</td>
<td>846</td>
<td>1,213</td>
<td>983</td>
<td>3,042</td>
</tr>
<tr>
<td>2007</td>
<td>850</td>
<td>1,237</td>
<td>1,023</td>
<td>3,110</td>
</tr>
<tr>
<td>2008</td>
<td>847</td>
<td>1,255</td>
<td>1,108</td>
<td>3,200</td>
</tr>
<tr>
<td>2009</td>
<td>815</td>
<td>1,291</td>
<td>1,175</td>
<td>3,281</td>
</tr>
<tr>
<td>2010</td>
<td>799</td>
<td>1,360</td>
<td>1,169</td>
<td>3,330</td>
</tr>
<tr>
<td>2011</td>
<td>758</td>
<td>1,396</td>
<td>1,180</td>
<td>3,334</td>
</tr>
<tr>
<td>2012</td>
<td>723</td>
<td>1,350</td>
<td>1,200</td>
<td>3,273</td>
</tr>
</tbody>
</table>

- Key transport mode of world trade
- Approximately 80% of the global commodity are currently transported by sea
- Shipping is not immune to economic downturns
  - 2009 witnessed the worst global recession in over seven decades.
  - 14 large shipping lines announced losses 3-25%, and some firms have filed for bankruptcy in 2011.
  - The world fleet increased by 5% in tonnage, 3 times higher than transport demand, making excess of capacity compared to transport demand increasingly serious.
- The shipping industry has seen a general trend of increases in total trade volume throughout the last century with tanker trade and 5 major bulks accounting for nearly 60% of the total.

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II. Seaborne trade

2.3. Domestic Trade

- Over 80% of Viet Nam cargoes were transported by sea locally and internationally. 
- Dry cargo accounted for the highest percentage of goods transported by sea (43%).

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit</th>
<th>Total volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Mntr</td>
<td>42,651</td>
</tr>
<tr>
<td>2006</td>
<td>Mntr</td>
<td>49,460</td>
</tr>
<tr>
<td>2007</td>
<td>Mntr</td>
<td>61,317</td>
</tr>
<tr>
<td>2008</td>
<td>Mntr</td>
<td>65,086</td>
</tr>
<tr>
<td>2009</td>
<td>Mntr</td>
<td>81,055</td>
</tr>
<tr>
<td>2010</td>
<td>Mntr</td>
<td>88,933</td>
</tr>
<tr>
<td>2011</td>
<td>Mntr</td>
<td>96,516</td>
</tr>
<tr>
<td>2012</td>
<td>Mntr</td>
<td>122,908</td>
</tr>
</tbody>
</table>

- The total volume of cargoes transported by Viet Nam fleet increased from year to year.
- Annual growth rate fell sharply:
  - 2008: 17%
  - 2012: -14.4%
- The sea transport market share of the total cargoes volume through Viet Nam ports.

III. Current situation of shipping industry

3.1. Shipping companies

- Viet Nam has 597 ship-owners in all economic sectors, only 33 ones possessed fleets with a total tonnage of over 10,000 DWT.
- 25 out of these big ship-owners belong to 4 big economic groups:
  - Viet Nam National Shipping Lines (VINALINES)
  - Viet Nam Shipping Industry Group (VINASHIN)
  - Viet Nam Oil and Gas Group (PETRO-VIETNAM-PVN)
  - Viet Nam National Petroleum Group (PETROVIMEX)
- Ships operated by the 4 parties occupied:
  - 18.5% of Viet Nam’s ship number
  - 82% of the total tonnage of the Viet Nam’s fleet.
- Business efficiency of shipping companies was mainly due to the economic crisis in which cargo movement and freight rate sharply decreased while oil cost rose. As a result, big businesses seriously lost while many small firms went bankrupt.

III. Current situation of shipping industry

3.2. Tonnages of Vietnamese fleets

- As of Dec 2012, Viet Nam fleets possessed 1,755 ships and 6,958 million DWT.

<table>
<thead>
<tr>
<th>Ship type</th>
<th>Number of vessels</th>
<th>Total capacity</th>
<th>Total tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulkers</td>
<td>172</td>
<td>1,152,084</td>
<td>1,820,898</td>
</tr>
<tr>
<td>Container Ships</td>
<td>941</td>
<td>1,398,730</td>
<td>2,902,799</td>
</tr>
<tr>
<td>Combination Ships</td>
<td>26</td>
<td>14,864</td>
<td>212,213</td>
</tr>
<tr>
<td>General Cargo Ships</td>
<td>31</td>
<td>710,326</td>
<td>264,587</td>
</tr>
<tr>
<td>Oil Tankers</td>
<td>110</td>
<td>715,271</td>
<td>207,865</td>
</tr>
<tr>
<td>Chemical Tanks</td>
<td>132</td>
<td>771,544</td>
<td>161,284</td>
</tr>
<tr>
<td>Utility &amp; Special Service</td>
<td>5</td>
<td>425,355</td>
<td>950,806</td>
</tr>
<tr>
<td>Total</td>
<td>1,755</td>
<td>4,309,841</td>
<td>8,058,268</td>
</tr>
</tbody>
</table>

- The average tonnage of Viet Nam fleet was relatively low, about 3,656 DWT ship, ranked the 9th out of ten Asian countries (2012).
- As of Nov 2013, Viet Nam fleets possessed 1,793 ships, 6,986 million DWT.

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III. Current situation of shipping industry

3.2. Tonnages of Vietnamese fleets

Table 3.1: Sea-going fleet flying Vietnamese flag: total number of ships, by type and tonnage (2012)

<table>
<thead>
<tr>
<th>Unit</th>
<th>General Cargo Ships</th>
<th>Container Ships</th>
<th>Dry Vessels</th>
<th>LNG Carriers</th>
<th>Chemical Tankers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWT</td>
<td>Over 15,000</td>
<td>Over 10,000</td>
<td>Over 5,000</td>
<td>Under 1,000</td>
<td>Under 500</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>86.159</td>
<td>28</td>
<td>12.663</td>
<td>33.474</td>
<td>2.037</td>
<td>275</td>
</tr>
<tr>
<td>Ships</td>
<td>164</td>
<td>41</td>
<td>13.977</td>
<td>53.546</td>
<td>2.922</td>
<td>364</td>
</tr>
<tr>
<td>Tonnage</td>
<td>2,289,442</td>
<td>667</td>
<td>12,981</td>
<td>4,942,949</td>
<td>23,573</td>
<td>9,338</td>
</tr>
</tbody>
</table>

Ships with tonnage
- Under 50,000 DWT: 75%
- 50,000 - 150,000 DWT: 21%
- Over 150,000 DWT: 3.3%

3.3. Seafarers

- The pessimistic situation of Viet Nam seafarers in 2011 although the figure of ships with their deadweight increased steadily every year.

- Causes
  - Economic crisis 2008-2009
  - Career change
  - Retirement
  - Death
  - Reduced working capacity

- The total number of seafarers annually reduce 10% on average.

3.4. Cargo throughput of ports of Viet Nam

Viet Nam currently has a total of 44 seaports including 166 terminals in which general terminal dominated with 38.6% of the total.

Table 3.2: Number of Viet Nam seafarers in the period of 2008 - 2013

<table>
<thead>
<tr>
<th>Rank</th>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carrier</td>
<td>1,500</td>
<td>1,798</td>
<td>2,786</td>
<td>3,086</td>
<td>3,276</td>
<td>3,226</td>
</tr>
<tr>
<td></td>
<td>Chief Officers</td>
<td>800</td>
<td>1,158</td>
<td>1,258</td>
<td>1,385</td>
<td>1,269</td>
<td>1,256</td>
</tr>
<tr>
<td></td>
<td>Crew officers</td>
<td>23,000</td>
<td>23,000</td>
<td>23,000</td>
<td>23,000</td>
<td>23,000</td>
<td>23,000</td>
</tr>
<tr>
<td></td>
<td>Ballast</td>
<td>23,000</td>
<td>23,000</td>
<td>23,000</td>
<td>23,000</td>
<td>23,000</td>
<td>23,000</td>
</tr>
</tbody>
</table>

- Characteristics of Viet Nam seafarers
  - Low wage rate
  - Working ability of crew members is limited because of restrictions
    - Health
    - Language skill
    - Professional working style

As a result, only over 3200 ones now are working for foreign shipping company.

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III. Current situation of shipping industry

3.4. Cargo throughput of ports in Viet Nam

- Total cargo volume through Viet Nam ports increased dramatically regardless of the economic crisis in 2009 - 2009.
- Dry cargo accounted for the highest percentage of goods transported by sea (43%).

![Graph showing cargo volume through ports]

- Almost ports in Viet Nam are general ports.
- Ho Chi Minh port is the biggest port with 43 terminals, following 32 terminals of Hai Phong port. The two such ports are general ports.
- Until now Viet Nam have not got any container port despite of possessing some container terminals (Cai Mep terminal, VIC terminal...)

![Graph showing container port terminals]

![Graph showing non-container port terminals]

IV. Policies on shipping industry

Viet Nam Prime Minister has given some major treatments and policies to shipping industry development, such as:

1. To step up administrative reform in the ocean shipping, especially reform of administrative procedures at Vietnamese seaports and ship registration procedures.

![Diagram showing administrative reform]

2. To apply the Port Authority model styled “Landlord Ports”

![Diagram showing landlord ports model]

3. To improve the application of information technology, e-port authorities, e-customs and one-stop shop mechanisms to create favorable conditions for ships and boats to enter and leave seaports;

4. To create an open and favorable environment conducive to fair competition and concentration of capital for developing and modernizing the fleet; to promote the association of the fleet, seaports and logistic services.

![Diagram showing fleet development]

5. To encourage all economic sectors, including foreign organizations, to invest in developing the Vietnamese fleet by reduction of tax and port costs, using floor prices for loading/unloading cargo in ports, investment of more modern equipments with high capacity...

![Diagram showing competitive fleet]

6. To formulate a fleet development program and work out appropriate and complete support mechanisms and policies to develop and modernize the fleet flying the national flag.

![Diagram showing fleet development]

7. To review, amend, supplement and step by step improve maritime legal documents and relevant sub-law documents. In the immediate future:

- To translate Viet Nam’s WTO commitments into national laws.
- To amend and supplement legal documents on multimodal transportation, logistic services, management of investment in and operation of seaport infrastructure in our Viet Nam’s development situation and trends.

![Diagram showing amendment and supplement]

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IV. Policies on shipping industry

4. To build a maritime service network for raising competitiveness in the context of international and regional economic integration.
   - To build and develop the Vinhlines as the core in ocean shipping, logistic services, support services and seaports;
   - To build and develop the Vietnam Ship Industry Group as the core in the shipbuilding industry;
5. To research and renovate training methods, and training standards for shipping workforce, for example, to have preferential policies on funding for students of maritime department, to invest high-tech for maritime schools .
6. To provide incentives for labors in the ocean shipping, especially officers, crewmembers and labors in ship building and repair yards, to reduce income tax to 0% for seafarers with a view to encouraging to permanently work in the sector;
7. To step up international maritime cooperation and actively accede to and implement international maritime conventions and bilateral and multilateral agreements [9].

In addition, there are many other measures proposed for shipping industry development. And, in conclusion, all of measures given is to to satisfy all ocean shipping needs of the national economy growing at high rates, ensuring quality, reasonable costs and environmental pollution restriction.

V. Summary and conclusion

Proposals
Because of these above reasons, in the immediate period, besides implementation of measures proposed:
- Ports should take fully the advantages of domestic transportation routes and coastal routes with the traditional goods is considered as an optimal solution.
- Simultaneously, fleets restructuring should be centerd to step by step increase transportation performance, and provide the basic for development in later stages.
- In a effort to improve English skills of seafarers, maritime training centers should open more English courses supporting for students , simultaneously, raise standard of graduation in which english degree is considered as prerequisite condition.

In fact, these above objectives and orientation of development are feasible only if:
- Vietnamese fleet are strong enough to compete with other fleets in both domestic and international routes.
- Vietnamese fleet operate with business efficiency (or at least without loss). Shipping companies are able to raise sufficient capital as well as labours to support for operation and development of their fleets

In fact, some target of shipping industry development by 2020 given by government are not feasible because shipping industry in Vietnam still exists many restrictions:
- Vietnamese fleets possess mainly small and old ships, therefore they have not got competitive advantage on freight rate and service quality in the opening shipping market
- Consequences of the economic crisis 2008-2009 leading a shortage of transport demand cause continuous loss in many shipping companies.
- Vietnam was ranked the lowest in in quality of infrastructure facilities in ports. A majority of ports in Vietnam was not designed for the loading and unloading of specified ships.
- Quality of seafarers is low, specialty language skill is limited.

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[15] Decision no. 1601/QD-TTg of the Prime Minister approving the master plan on development of Viet nam’s ocean shipping up to 2020 and orientation towards 2030 (10/2009)

[16] decision no. 355/QD-TTg of the Prime Minister approving the strategy on development of Viet nam’s transportation up to 2020 and orientation towards 2030 (02/2013)