

Service of seaport in Vietnam: Actual situation and characteristics

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Abstract: Vietnam has about 800 enterprises operating in the field of port services. This is a big number but in reality it is mostly small and very small businesses. Due to the limited capital, the organizational structure of the enterprise is simple, not really specialized, cannot organize representative offices abroad so the source of information is limited, the work abroad must pass Agents of multinational companies. This leads to the majority of enterprises only stop acting as agents of level 2, level 3, or even level 4 for foreign partners with global network without linking transport activities. In large numbers, Vietnamese companies are able to meet only 25% of domestic demand, and focus on only a few of these services in a billion dollar value chain. At present, there are many big logistics companies in the world, but according to WTO commitments, after 5 to 7 years, they can set up 100% foreign invested enterprises. This is a valuable time for Vietnamese businesses to share their market share. However, even though they are only joint ventures, foreign companies now have a large market share; Therefore, when the right to establish enterprises with 100% foreign capital, the door open for Vietnamese enterprises will be even narrower. This paper presents the status and characteristics of port services in Vietnam.

Keywords: service chain, domestic demand, logistics, port service, characteristic

1. Introduction

Seaports are one of the important infrastructures in the socio-economic development and security of national defense. In the current trend of international integration in the process of globalization, Vietnam's seaports need to be upgraded and expanded in order to meet the rapidly increasing demand for imported and exported goods through ports. To do this, the introduction of specific directions and solutions is necessary to increase investment and effective use of port development investment. Therefore, it is very important for the port development and investment to achieve high efficiency and bring benefits to the economic development of the country. Currently, our country has seven seaports with a total length of over 300 meters. Of the seven seaports in the north, there are 44 general cargo docks, 24 dedicated docks, eight service piers and 15 buoys. In terms of aggregate ports, this type of shipment is in terms of quantity but still limited in size. The average length of berths is 140m/berth, with an average loading capacity of 3,000-4,000m/year. This capacity is considered by experts to be quite good compared to the general level of Vietnam due to relatively modern equipment. Container terminals have an average length of 170m/berth. The loading capacity is not high because the investment equipment is not synchronized and the flow of container is not uniform. The specialized ports of the North are mainly attached to industrial establishments, coal and electricity. Therefore, the loading capacity is high along with the ability to receive many ships with large load on the landing. The equipment at the northern seaports is very different from other ports. The inlet at the northern seaports is quite long and has uneven depths across the entire channel, leading to large vessels entering the harbor to reduce the load and take advantage of the tides. With regard to port linkage, road transport still plays a key role. In general evaluation, the first seaports in the North are invested in accordance with the planning. However, there are still slow implementation projects.

In the past 10 years, the Middle has appeared many more large ports. To date, the Central has 19 seaports with a total length of more than 8,000 meters, including 10 seaports of type 1 and 9 seaports of type 2. Port cargoes are mainly construction materials, timber types and products of mining. In 19 seaports in the Central, there are 37 general cargo terminals and 25 specialized ports. In terms of equipment, the ports in the central region are relatively simple, so the capacity of cargo handling is low. The port access at the central seaports is largely short due to the fact that most of the terminals are located near deep seas. The biggest feature in the central seaports is the lack of economic flows in the surrounding area so the source of goods is too low leading to the central ports are often missing goods. Due to the fact that production capacity as well as the market in the Central of Vietnam is too small, the industrial zones are not effective so they do not generate sufficient and stable sources to supply to seaports, so the investment capital is spread, the scale of investment stopped at a small scale, investment port is not scientific and not synchronized. The central ports only operate in the nature of consolidation and bring to the port of Hai Phong or Ho Chi Minh City to export goods. Essential

elements for the development of seaport economy are insufficient, lack of port system, financial and logistic system.



Figure 1. Service seaport in a port, Vietnam

There are 13 seaports in the South with a wharf length of over 27,000m, of which 4 are grade 1 and 9 are class 2. Ports are mainly agricultural products, fertilizers, motorbikes and ores. products from industrial zones. In 13 seaports in the South, there are 39 general ports and 48 specialized ports. For seaports in the Southeast, the development of the port system is in line with the approved plan. The volume of cargo through this area accounts for about 50% of cargo through seaports and 65% of container cargoes of the whole country. Large-scale container terminals, large-scale containers, invested in modern specialized equipment. Electronic exploitation management system is put into operation. Specialized ports are growing rapidly. The port system is modernized investment, the world's major carriers included in the map of their route, exports from the port can export directly to the US, Europe. The investment process of the seaport system in the South East also has some limitations. For seaports in the Mekong River delta, development, upgrading and upgrading of seaports is not as planned. Investment in development has only been made at some ports, but local ports have not been implemented. Loading and unloading equipment is still outdated. Access to ports in this area is very long and shallow. Regular dredging and transfer of floats is expensive and does not always achieve the desired results. Port connectivity is mainly land and water. In general evaluation, the investment in seaport development in the Mekong Delta has not achieved the objectives set by the plan, not meeting the requirements of socio-economic development of the region.

Due to its unique characteristics, Vietnam's maritime industry is one of the branches that soon establish bilateral and multilateral relations with other countries and international organizations in the region and in the world. Vietnam is a member of the International Maritime Organization (IMO), the International Lighthouse Association (IALA), the International Maritime Organization (INMARSAT), the COSPAS-SARSAT Agreement, and 17 agreements bilateral trade with other countries, members of ASEAN, APEC and the TOKYO MOU. Currently, Vietnam has joined 12 international maritime conventions of IMO and INMARSAT, including:

COLREG 72: Convention on International Rules for the Prevention of Collisions at Sea. Vietnam ratified the Convention on 18 December 1990 and entered into force on 18 March 1991. The MARPOL Convention of November 2, 1973 on the prevention of pollution from ships 1973-1978, effective from March 18, 1991.

MARPOL 73/78 Convention: Specific measures to prevent sea pollution from ships, to create favorable conditions for national flag ships to seaports in the world.

IMO-SOLAR: Convention on Salvation at Sea, London, November 1, 1974. Effective for Vietnam from March 18, 1991.

1976 Draft Water Convention.

Convention of avoidance collision, 1978, with force Vietnam from 18.12.1990.

VNCLOS 1982: Convention on the Law of the Sea 1982 - was signed on December 10, 1982 in Mongolia Bay, Giamica.

Viet Nam is the 64th country ratifying this convention through the resolution of the National Assembly on June 23, 1994. Recently, the Vietnam Maritime Administration has proposed to the Ministry of Transport and the Government signed and acceded to the Convention 1992, revised the international convention. On the Limitation of Civil Liability for Oil Pollution Damage in 1969 (CLC 92), Convention for the Prevention of Unlawful Acts against Maritime Safety 1988 (SUA 1988), and Successfully implementing the SOLAR 74/78 Protocol on Ship and Port Facility Security Code, is proceeding with the signing of the accession agreement. To date, Vietnam has entered into related agreements on maritime services of ASEAN countries.

2. Service seaport characteristics

Port services have been established for long time in Vietnam. Since the liberation of Hai Phong (May 12, 1945), the ships of the socialist countries (Poland, the Soviet Union, China) have entered Haiphong port for loading and unloading cargo and shipping agency services. This activity is officially marked by Decree 15 / CP signed by Prime Minister Pham Van Dong in 1960 stipulating duties and powers of shipping agents. With the centrally planned economy, each seaport service is assigned to a state-owned company exclusively, all planned targets and some equipment are headed by the state. The advantage at that time was "alone, a yard" does not need to spend much effort but still bring economic efficiency. After 1991, when the country was reformed, it started to shift to a market economy, while other economic sectors had little business. Due to the "barriers" due to mechanisms and policies that are slow to innovate, it has limited the development of both quantity and quality of port service activities. Since the Enterprise Law came into force (January 1, 2000), together with the Government's Decree No.10/2001 (19/03/2001) Many enterprises of all economic sectors in all parts of the country, especially in the provinces and cities having seaports have registered to practice seaport service business.

• Strong, diversified, multi-component

In the 1980s and earlier, seaport service activities in our country were concentrated in a number of sectors and were held by state-owned enterprises. Exposure to foreigners is closely monitored so the port operations are almost exclusive nature of a few enterprises. Shipping agency services at that time were VOSA alone, charterers and brokers only VIETFRATCH, freight forwarding is VINATRANS, VIETALCO service to count and supply ships at Ports are a few units of local ports. In recent years, due to the opening policy of the market economy and the growth rate of the national economy, the volume of goods through Vietnamese seaports has been constantly increasing. The number of ships arriving at the ports for cargo loading and unloading is also higher. Therefore, the demand for vessels also increased. These factors make the port service activities conditionally develop strongly. These activities have become more and more active in many types of services with many enterprises of all economic sectors. Currently, Vietnamese logistics companies are only operating in the domestic or some regional countries, while the scope of operations of foreign companies such as APL Logistics is nearly 100 countries, Maersk Logistics is 60 countries. This is one of the obstacles for Vietnamese businesses to provide full package services to customers. In the trend of globalization, shippers tend to outsource from many countries and territories around the world. Although the role of agents established by Vietnamese companies in other countries may be taken into account, the relationship is often loose and heterogeneous.

• The status of competition in service provision

As most Vietnamese exporters export FOB, FCA, the right to dispose of the goods is determined by the buyer and of course the buyer will designate their own company to carry out their duties. Therefore, Vietnamese logistics companies will be outsiders. This inadequacy is not easy to solve as most Vietnamese exporters are outsourcing or exporting to large customers who have long-term contracts with global logistics companies. For example, the Nike shoe company, which has many contracts with Vietnamese businesses, but in terms of transport and logistics, Vietnamese firms cannot participate in the negotiation process. For importers of Vietnam, due to Vietnam trade deficit, this is an attractive market for Vietnamese logistics companies. Previously, Vietnamese importers mainly purchased CIF goods. At present, Vietnamese importers are turning to FOB, creating opportunities for logistics. Vietnam exploits. However, a large part of this market is still in the hands of foreign logistics because many foreign direct investment in Vietnam they are also the largest importers. Moreover, most Vietnamese enterprises are still not aware of investing in effective supply chain management. Most Vietnamese companies do not have logistic or supply chain management departments, which is often referred to as the export-import department. This creates barriers for Vietnamese logistics enterprises to offer value added logistics services.

• **Transport infrastructure**

In fact, the potential for commodity development in Vietnam is very high, with an average growth rate of 20% per annum and may increase to 25% per year in the short term (in 2011, the volume of cargo through Vietnam port is 320, 17 million tons of cargo, up 18% from 2010, according to Sprite Consulting. However, Vietnam is ranked the smallest freight transportation infrastructure among key economies in Southeast Asia. Most seaports in Vietnam are not designed for loading and unloading cargoes for specialized vessels, many ports outside Ho Chi Minh City are designed for bulk cargo without specialized handling equipment. Ports without direct maritime services connect Vietnam with seaports in Europe or America. On the other hand, domestic airports also lack the appropriate equipment for cargo handling, lack of investment in new warehouses in areas near airports and ports. Current warehouse system in the country is not suitable for fast loading and unloading cargoes, many of which have been mined for more than 30 years and do not meet international standards. Not to mention electricity shortage and communication support services (telecommunications). Even in the southern part of Vietnam, where high economic growth over the past 10 years, the lack of planning and lack of investment has led to the congestion of goods being encountered in Ho Chi Minh City. The main reason is that the port planning is not uniform, in some localities planning is not reasonable and not scientific. However, in reality, there are very few infrastructure projects that are funded directly by capital (both domestic and foreign). The large gap between the approved infrastructure projects and the project implementation further adds to the logistics challenge. Infrastructure development in Vietnam is much slower than that of neighboring China. High inventories and slow supply chains are responsible for slowing Vietnam's economic growth.

• **Drastic competition**

At present, the number of seaport service companies that are too large is not managed by a specialized ministry (without a specialized agency), causing a mess to the fake bad guys. to provide seaport service. Some enterprises or branches that carry out seaport service business but do not register with the competent authorities, thus leading to the State management agencies can not manage and supervise the activities of the seaports. causing losses to the State budget, reducing the prestige of seaport service activities with foreign ship owners in Vietnam. From mid-1994 on the Saigon River appeared sparse buoys of private enterprises, limited liability companies. Each buoy is invested up to three billion, anchored on the river by heavy concrete mass drop underground. Two floats on both sides of the ship, so it was possible to unload cargo down the barge and vice versa. As the market share of seaport services in Vietnam is limited, the service enterprises are overcrowded and the competition is fierce. In order to attract more customers, businesses have lowered freight rates, service fees for foreign customers, increased the commission rate for fee-sharing subjects, and lost tax on port services. foreign shipping. Many businesses try to evade taxes, causing losses to the budget. For example, while SHIPCHANCO Hai Phong had to buy water from a WW & D company at \$ 5,500 / m³ and sell it to foreign ships at \$ 2.5 / cu.m. Production price is only 2,500 VND / m³ and they sell for only 1 USD / m³. In front of the shipowner, the staff speaks badly, muttering each other. If this person down to 5 VND, other people down 3 VND, 2đ. Even if the breaking of each other, do not eat the bargain, down to record prices to win customers, whether to do or not, effective or not, few people counted. Many people who understand the maritime industry have the same comment that: Currently there are too many service enterprises of all economic sectors and the main measure that the units used is discounted. The discount is only for the foreign side. To be agent, some of our businesses are willing to accept the cost of shipping lines when signing contracts. For inbound and outbound goods, almost Vietnamese seaports are not disputed with external partners. Competition and integration in the field of seaports are mainly focused on transshipment and transit transport. Up to now, except for a small amount of transit goods for Laos, Cambodia and less for China, the transport of goods by sea and transshipment of our country is almost none. The competition of some Vietnamese container shipping companies involved in port operation services by loading and unloading container ships in addition to buoys, combining with ICD and container transport method with barge to unload cargo with low productivity. The low cost of services, separated from the existing harbors, greatly affected the development potential of the port block, slowing down the development of modern deep-water ports to compete for transshipment container in the region.

• **Information**

This is the weakness of logistics enterprises in Vietnam. Although logistics companies are more aware of the application of information technology (IT) to their business operations, they are still far behind foreign logistics companies. If only in terms of website construction, most of the website of Vietnamese businesses merely introduce themselves, their services, lack of utilities that customers need such as track and trace tools e-booking, tracking documents while visibility and order control (visibility) is a factor that the shippers appreciate when they choose suppliers logistics services for themselves. Companies such as APL Logistics, Maersk Logistics, selected by Nike as service providers, are able to provide Nike visibility tools at

anytime, anywhere Nike employees can. can capture and can pull out any kinds of reports related to their orders that have been and will be made by the above companies. This will help Nike calculate good forecasts, inventory control, timely response to customer requirements at optimal cost.

• **Linking**

So far, Vietnamese logistics enterprises are still very independent and lack the necessary linkage. In the outsourcing trend, every business needs to focus on its strengths and will outsource services that are not strong. 80% of the logistics companies in Vietnam have a total legal capital of less than 1.5 billion. It can be seen that joining with partners is very important, and networking is needed more than ever. In the current trend, the overall service model, also known as One-Stop Shop, is a universal trend. However, this trend has not been actively implemented by Vietnamese enterprises, especially the participation in the multilateral international trade community.

• **Human resources**

Seaport service does not require much capital, but it does not mean that units do not have to invest. In particular, it is necessary to regularly improve the capacity of staff as well as computer systems, warehouses and transport equipment. Due to frequent contact with foreign vessels, port services are not just ordinary economic activities but also related to foreign affairs, culture and security. Therefore, a staff member must be carefully selected in terms of professional skills, background, political attitudes. The speed of sales has been increasing rapidly, requiring seaport service workers to work accurately and with quality in order to minimize errors. More and more agents are participating in the Quality Assurance program, because participating in this program is a guaranteed condition for the agency to choose agents and add value to the service. To be able to do this, the agent must have been certified by many large companies, accompanied by a complete source of information about them and must understand the business culture of the country. In addition to quality assurance, there are UNCTAD programs that set minimum quality standards for agents and ISO9002 was chosen as the benchmark for high quality service. Logistics has not been yet well-trained at universities. Currently, only Ho Chi Minh University of Transport has the Logistics and Multimodal Transport industry to begin the second year of enrollment. The remaining students of the Maritime University, Foreign Trade, Transportation studies only about 20 periods concerned. With such 20 classes for a whole chain of business is relatively complicated as logistics, it is difficult too large for teachers to communicate sufficient knowledge for students. The number of trained specialists is still too short for demand. Currently, Vietnam has about 6.000 employees working in the field of logistics, yet people with experience and knowledge of international law are lacking. The main human resources for this industry are taken from shipping agents, shipping companies and used as available capacity. In the meantime, this is a field that requires experts not only to understand the legal system and practices of the host country, but also to understand international law and have a worldwide relationship.

• **Management**

In Vietnam, logistics has only been recognized as commercial behavior in the amended Commercial Law in 2006. Decree 140 CP details the implementation of the Commercial Law on conditions for doing business in logistics services and the limitation of liability for the logistics business enterprise issued in September 2007. It is too new, so according to many experts in the industry, the text is still sketchy legal framework for logistics really developed. Even competition law enforcement in this area is not paid attention because there are too many manifestations of unhealthy business that have not been thoroughly dealt. In addition, associations such as the Seaport Association, the Maritime Agents and Brokers Association, the Association of Shipowners, the Association of Freight Forwarders are generally of a form that does not promote the role of capital. It is our intention to create a bridge between the member enterprises into a unified whole of the association.

Today, the speed of loading of modern ships is much faster than before, so the time to park at the port is less. This makes the ship owner very satisfied, but vice versa, it is a concern with the service provider for the ship because many services will be reduced. Modern vessels have a larger area, therefore they contain more reserves, require less crew and therefore do not require much port services. Over the years, the reality is that port services related to container service and shipping agents are relatively quality and effective. The group of shipping and import-export services in recent years has many difficulties, low quality of service, not timely in terms of time and poor business performance. Especially the ship supply service. The process of loading goods on the ship is often ignored by several businesses, so in many cases, the goods are not loaded on the ship quality assurance, there are cases of vegetables, food was dropped because of poor quality. This has a direct impact on businesses that have been doing business for many years and discredited Vietnam's seaports. The means of supply of many enterprises, especially non-state enterprises is very rudimentary. They use the most primitive

means of transporting goods straight from the market to the ship, while the facilities and facilities of some of the units are not available at full capacity. There are businesses, with the capacity of 700-1000m³ per day, but only 400-500m³. Dozens of specialized water supply barges do not work, causing huge waste for businesses and the State.

3. Conclusion

In order to promote the development and effective exploitation of this potential market, while enhancing the competitiveness of home-based businesses, Vietnam logistics enterprises should link together; support each other, and improve competitiveness in the race with foreign businesses. The logistics companies in Vietnam are working together to be able to market a whole range of logistics services to their customers. Therefore, a forwarding company may associate with a shipping company, brokerage, and aviation to form a closely linked chain. Units in the industry can consider the possibility of merging and forming logistics service providers in groups of 3-4 units to be able to compete with foreign and multinational companies. The Logistics Association should further improve its advisory role, assist its members in guiding and compensating staff regularly, and having a say in the government, management and planning agencies. as well as building logistics facilities in Vietnam.

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