Opportunity and Challenge of Vietnamese Fleets in the Consideration of International Factors

Thieu Sang Ha, Phuoc Quy Phong Nguyen, Thi Cam Huyen Nguyen

Abstract—In order to support shipping enterprises to overcome the difficult period, gradually improve the capacity and market share of goods transport of Vietnamese shipping enterprises, under the guidance of the Government and the Ministry of Transport, The Vietnam Maritime Administration researched and developed a project to improve the market share capacity of Vietnamese import and export shipping enterprises. The project focuses on two main objectives: From now to 2015, support Vietnamese shipping enterprises to overcome difficulties and restore production; In the period after 2016, step by step raise the capacity and market share of transporting import and export goods of Vietnamese shipping enterprises. The project offers a number of solutions to win the market share for Vietnamese fleets in transporting import and export goods of state corporations such as coal, minerals, food ... recommendations on financial and taxation for businesses. The Government Office and a number of other ministries agreed that it was necessary to develop a mechanism to support Vietnamese shipping enterprises to improve their market share of cargo transport in accordance with the Resolution of the 4th Conference, on the Vietnam Sea Strategy to the year 2020.

Index Terms—Fleets, International Market, International Freight, Shipping.

I. INTRODUCTION

Regarding foreign fleets currently operating in Vietnam, up to now, there have been about 40 foreign shipping lines operating in Vietnam so far, including well-known brands. such as: Maerk lines, NYK line, CMA CGM, MSC ... Shipping lines mainly import-export transport, undertaking nearly 90% market share of import and export of goods in Vietnam. A number of foreign shipping lines have started to join forces to form a powerful corporation in transportation operation, such as CKYH Alliance including K-Line, COSCO, Hanjin Shipping, Yang Ming Line, Alliance P3 includes shipping lines Maersk Lines, MSC lines and CMA CGM [1]. World shipping lines with large modern fleet, strong financial potential, along with global logistics network, it is very difficult for Vietnamese shipping lines to compete in transport market. Some Vietnamese shipowners have large vessels such as VTB Container Company, Vinalines, East Sea Shipping Company, Gemadep Joint Stock Company, Vietnam Ocean Shipping Joint Stock Company, already have ships to Europe and North America routes but mainly dry cargo ships, container ships mainly transport feeder for mother ships in Singapore, Hong Kong, and other major markets such as America are handled by foreign shipping lines [2]. Goods exported and imported by sea are goods of international nature, which cross the border of two or more countries and are goods suitable for transportation by sea, mainly gong goods bulky, value is usually not large, there is no urgent requirement in terms of time by sea transport takes much time. Means of sea transport are mainly ships, ships have two types: merchant ships and military ships [3]. Merchant ships are ships used for economic purposes in cargo ships, which are the highest proportion of merchant ships. Worldwide shipping by sea accounts for over 80% of the total volume of goods in international trade. In Vietnam, exports by sea are mainly agricultural products, raw materials, handicrafts, processed goods, textiles, etc [4]. Imports are mainly machinery, equipment, manufactured goods, and auxiliary materials. In general, imports and exports by sea are related to many factors such as market, international trade balance, international law, and specific risks such as weather, environment, piracy, crisis, claims risks when changing the policies of international conventions on environmental safety, protection of life at sea ... Up and down freight rates by periodic shipping are common, but reducing the “free fall” type as today is unprecedented. Small cargo ships are also able to handle regular shipments. Meanwhile, dry cargo ships with large tonnage have almost no cargo. Container ships also dropped sharply, only less horribly than large vessels [5]. Currently, only tankers have kept their prices as a series of single bottom tankers have been removed by IMO's International Convention (World Maritime Organization). Therefore, the newly built double bottom oil tanker is not much, so the supply-demand is still in the balance. This has been heralded for two years. The impact of the global economic crisis, which caused a sharp decline in the circulation of goods in a short time, is only one of the causes. The direct cause was that the single-bottomed tankers - when they did not meet the IMO convention were converted to large cargo ships - creating a surge in excess load. The above causes have caused terrible freight rates [6].

In recent years, along with the increase in the volume of domestic goods, import and export goods such as rice, coffee, pepper, cashew nuts, crude oil, gas ... have also increased significantly. Especially, after Vietnam became an official member of the WTO, the trade turnover between Vietnam and other countries in the world has grown significantly. In addition to the two major items of rice and fertilizer, a number of other items such as coffee, rubber, cashew nuts, seafood ... to Europe and the US, also increased rapidly [7]. The domestic commodity market has prospered; the foreign market has encouraging signs. In the region, Indonesia and the Philippines are still the two major rice importers of Vietnam. The amount of imports and

Published on February 11, 2020.
Thieu Sang Ha, Phuoc Quy Phong Nguyen, and Thi Cam Huyen Nguyen are with Ho Chi Minh city University of Transport, Ho Chi Minh city, Vietnam.

DOI: http://dx.doi.org/10.24018/ejers.2020.5.2.1752
exports of Thailand is also extremely abundant [8]. However, the fleets of these countries have not been able to meet the demand, so Vietnamese shipping fleets, apart from importing and exporting goods, still have many opportunities to share the market with other countries in the region. Besides, neighboring countries such as China, Laos, and Cambodia are also a potential market for Vietnam's shipping industry. In recent years, along with the increase in the volume of domestic goods, import and export goods such as rice, coffee, pepper, cashew nuts, crude oil, gas ... have also increased significantly. Especially, after Vietnam became an official member of the WTO, the trade turnover between Vietnam and other countries in the world has grown significantly. In addition to the two major items of rice and fertilizer, a number of other items such as coffee, rubber, cashew nuts, seafood ... to Europe and the US, also increased rapidly. The domestic commodity market has prospered; the foreign market has encouraging signs. In the region, Indonesia and the Philippines are still the two major rice importers of Vietnam.

The amount of imports and exports of Thailand is also extremely abundant. However, the fleets of these countries have not been able to meet the demand, so Vietnamese shipping fleets, apart from importing and exporting goods, still have many opportunities to share the market with other countries in the region. Besides, neighboring countries such as China, Laos, and Cambodia are also a potential market for Vietnam's shipping industry [9]. Current situation and development direction of the Thailand Maritime industry because there are quite similarities with Vietnam shipping. In terms of the situation, the Thai fleet is still weak. There are fleets of quite a high age who can only take a small share of the market for transporting import and export goods by sea, the rest is occupied by foreign shipping lines. Therefore, Thailand has to spend a large amount of money on shipping, which leads to a deficit in the balance of payments. Even in Southeast Asia, the Thai transport industry is hard to compete with neighboring countries. From the above situation, the Thai government has made specific policies to increase the proportion of import and export cargo transport and develop the national shipping industry, to increase investment in synchronous development [10]. First of all, the Thai government pays special attention to financial policies (tax and preferential loans). From the beginning of 97, the Thai government has proposed solutions such as Corporate tax exemption for transport enterprises, sea freight or income tax exemption for shipping industry employees of this country [11]. In terms of human resources, Thailand’s government plans to combine the maritime and naval industry in supporting human resource training, bringing naval officers' schools in cooperation with private universities to train engineers, training vocational and naval training schools in coordination with vocational and technical training bureaus to train skilled workers [12]. Thailand’s government also promoted shipbuilding and repair technology, facilitated the improvement of production facilities, promoted the use of domestic raw materials and products for the shipbuilding industry and ship repair, reduce dependence on foreign countries [13][14]. These measures may not completely help Thailand’s maritime industry dominate the market, but also have contributed to improve the situation of Thailand shipping, create momentum for development and show the determination to implement like the renovation process of Thailand’s government and businesses.

II. ADVANTAGES AND DISADVANTAGES

The first must mention the geographical position of Vietnam. Vietnam has a very favorable geographical position compared to many other countries. Vietnam is located at the crossroads of international maritime, aviation and road routes, equidistant from the economic centers in the four eastern regions to the west, from north to south. According to Maritime experts, compared to other countries in the region such as Japan, Indonesia, Malaysia ... the conditions for developing Vietnam's shipping industry are much more favorable. For Laos, a landlocked country next to Vietnam or southern China, northeastern Cambodia, northeastern Thailand, the passage through Vietnam is the shortest route to the sea. Moreover, the Vietnamese coast near the International Maritime route to Northeast Asia and Southeast Asia, and when the Kora Canal is completed, opens the sea route from the Indian Ocean to the Pacific Ocean, Vietnam also has more favorable conditions to both develop fleets and develop international transshipment port services. This is extremely favorable for the development of Vietnam's marine economy. Vietnam is located in Southeast Asia, one of the most dynamic economic regions in the world, Asia will continue to be the leading engine of the world economy in the future, more and more road transport companies. Sea of the West came to this market. The abundance of goods in circulation is and will be a "lever" to help Vietnam's shipping industry develop. More significantly, the opportunity for Vietnam's shipping fleet is not only to transport domestic and import goods but also to share the market with other countries in the region and around the world. Although there are many difficulties, with the right orientation in exploiting the potentials favored by nature and the rapidly increasing demand, the shipping and warehousing area in Vietnam is developing strongly. In addition to the support of the government, transport companies, logistics are well prepared to compete with rivals in the near future and contribute to the overall development of the transport industry and the platform. Vietnam's economy in general. Thus, the potential for shipping development in Vietnam and the world market is
huge. Taking advantage of these advantages, shipping companies are gradually innovating to develop to better serve domestic shipping needs and reach international markets. With its accession to the WTO, for maritime transport services, Vietnam is committed to not restricting the mode of cross-border service provision to international freight transport (ie, the logistics service providers). Foreign shipping lines are entitled to carry out transport of Vietnam's import and export goods without any barriers). Previously, Vietnamese enterprises enjoyed a series of preferential mechanisms but still could not beat rivals from foreign companies. The competitiveness of the Vietnamese fleet currently cannot be compared with the strong competitiveness of other developed maritime nations in the international market, even with the fleet. ships of some big shipping companies are and will compete directly with Vietnam right at home like Maersk Line, NYK, ONE, ... The oil price is not stable and still high. In fact, fuel costs account for over 40% of shipping costs. The bigger the ship, the more modern it is, the bigger the fuel consumption. More significantly, fuel prices increased in the context of economic growth slowed down, demand for shipping decreased. This is a great risk that shipowners worldwide, not just Vietnamese ship owners face. In order to develop the Vietnamese shipping fleet and improve the market share of transporting import and export goods, it is necessary to have comprehensive solutions between the State, shipping enterprises, import-export enterprises, and inter-industry sectors. In order to promote the development of Vietnam's shipping, it is closer and closer to that of other countries in the region and the world. With these development orientations, it is hoped that Vietnam's shipping fleet will regain its market share, Vietnam's maritime industry will become a key economic sector to develop the country's economy.

Major port infrastructure projects are being implemented, which also leads to many difficulties for the maritime industry, especially human resources and ship repair and upgrading factories. The source of officers and crew members is both lacking and weak is not a new but hot problem of the shipping industry. It is estimated that Vietnam will lack about 800 crew members. If counting the number of officers participating in the export market, this number will not be less than 1,000 people. This situation has led many Vietnamese enterprises to hire foreign officers and crews with a much higher salary. Crew members are missing; crew members are still very weak in quality. Crew members are mostly weak in their practical and foreign language skills. 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 shipping is still facing difficulties in low freight rates, scarce supplies and unbalance 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). Regarding the type of ship, besides the above general limitations, 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 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 the 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 the type of vessels over 40,000 DWT is very small but accounts for 21% of the total tonnage of Vietnam's bulk carriers. 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 of empty cargo ships is still quite high, an average of about 13 - 15% during the year, the time when anchors are waiting for cargo is usually about 20-25%, the phenomenon of returnships has goods while the afternoon of goods shortage is very frequent. Regarding the type of ship, besides the above general limitations, 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 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 the 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 the type of vessels over 40,000 DWT is very small but accounts for 21% of the total tonnage of Vietnam's bulk carriers. 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 of empty cargo ships is still quite high, an average of about 13 - 15% during the year, the time when anchors are waiting for cargo is usually about 20-25%, the phenomenon of return ships has goods while the afternoon of goods shortage is very frequent.

III. Solutions

Up to now, the container fleet of Vietnam has 26 ships with a total tonnage of 230,000 DWT and 06 ships with foreign national flags owned by Vietnam, fully capable of domestic container transport replacing all. sets of foreign-owned foreign-flagged vessels are granted prior domestic transport permits. In 2012, the Vietnam Maritime Administration submitted to the Ministry of Transport a plan to replace foreign ships transporting domestic containers with Vietnamese ships, according to which, from April 1, 2013, the Ministry of Transport stopped issuing permits for

DOI: http://dx.doi.org/10.24018/ejers.2020.5.2.1752
ships flying the national flag, in addition to foreign ownership of domestic transport, only extending the license for shipping lines to consolidate or distribute import and export goods to its parent ships in Cai Mep - Thi Vai area. After the implementation of the above policy, the market share of domestic container transport of the Vietnamese fleet has increased rapidly, reaching 58% in 2010 and 80% in 2013, if including 06 ships with the national flag. If a foreign national is owned by Vietnam for inland transport, the transport market share has reached 90-95%, the ship utilization ratio has increased from 80-90% on average compared to 50-60% previously. Businesses all agree that business efficiency has increased by about 10% compared to the same period in 2012, especially a number of container ships in the previous years for owners to anchor for a long time due to scarcity of transporting goods, has now been returned to domestic exploitation. Promoting the management role of the Vietnam Maritime Administration in the state management of shipping business activities, creating a favorable environment for Vietnam's shipping to regain its market share and increase revenues. reduce foreign currency spending, accelerate administrative reform, well implement administrative procedures at seaports. Eliminate unregistered businesses that sell, lease or lease their names for the commission, devalue services that cause confusion in the market of shipping services, and damage the State's revenue, thereby making a good strong market. To consolidate and renovate organizations and enterprises engaged in the shipping business, creating conditions for all economic sectors to participate. Strengthening the linkage among organizations, improving the operational efficiency of organizations such as seaport associations, shipowners' associations, clubs as well as specialized organizations in maritime services. The troublesome procedures and some outdated regulations in the documents governing the operation of Vietnamese fleets have caused great obstacles for Vietnamese ship owners. Therefore, it is necessary to implement the policy of improving, simplifying administrative procedures, increasing the efficiency of state management, and easily identifying specific responsibilities of a single competent focal point in the consideration. approve of the project. Moreover, helping Vietnamese business owners save time and money. Develop a new regulation in the form of “Government Decree” and have specific regulations on procedures, procedures for approving and bidding the current ship purchase and sale project to make it less troublesome and additional, new rules. It is necessary to respect the financial autonomy and business autonomy of state-run independent accounting enterprises and take into account the specific characteristics of the international shipping market. Vietnam also needs to actively participate in international conventions, agreements, and associations on maritime conditions to facilitate the development of Vietnam's maritime industry, and strengthen the signing of bilateral agreements with many special relations countries. trading to gain the right to transport for the development of shipping along with the current economic development, which has created a great potential for the development of Vietnam's shipping. Vietnam's shipping plays an important role in import and export activities and the national economy, stimulating the development of import and export activities, increasing state budget revenues, increasing foreign currency earnings, improving the balance of payments. international math and contribute to the development of the national economy.

On the side of the Vietnam Maritime Administration, agreed on a number of measures to limit a large number of Vietnamese ships being kept overseas. The Vietnam Maritime Administration requires the port authorities to intensify inspection of ships and fleets of shipowners who have been detained at foreign seaports immediately after the ships arrive at Vietnamese seaports and are operating. At Vietnamese ports, it is imperative that ships are required to overcome existing deficiencies. Guaranteed that 100% of Vietnamese ships before their voyages operate on international routes must be inspected at the appropriate time before receiving export goods or before ships leave ports for departure from foreign ports (for ballast ships). Inspection contents such as PSC inspection and only permit the departure of ports for ships when the discovered defects have been overcome. If the ship has been detained many times, it is determined that such ship will not continue to be operated on foreign routes. Regarding domestic freight rates, although the domestic transport volume increased even during the peak period for freight transportation during the Lunar New Year, the freight in the afternoon of Hai Phong - Saigon is on the trend. to reduce prices to compete and attract goods due to the imbalance of cargo between the two ends of the North-South (Hai Phong - Saigon afternoon, transport volume is only equal to 60% compared to Saigon - Hai Phong), Saigon afternoon freight - Hai Phong is higher than the Hai Phong direction but still lower than the peak period of 2012, freight rates change frequently according to the supply and demand of the market but all businesses have absolutely no phenomenon of associated shipping lines. to increase arbitrary rates. In order to improve the service quality and shipping market share of Vietnamese fleets, the Vietnam Maritime Administration has regularly and continuously held seminars between ship owners and shippers in order to propose solutions, improve the service quality of Vietnamese fleets, meet the domestic transport
demand in the country, gradually towards import and export transport. At the same time, proposing to the competent authority’s measures to support enterprises such as policies to win market share in transportation, policies to support the mechanism of changing the registration of flying foreign national flags into Vietnamese national flags: financial books, taxes, fees. Statistics show that, in Vietnam, the fleet of sea container ships currently has 41 ships of 13 shipping enterprises with a total tonnage of 29,445 TEU, equivalent to 411,875 DWT. This fleet has been handling nearly 100% of inland sea freight. However, compared to the international shipping market, Vietnam’s container fleet only transports about 10-12% of total import and export goods. According to the statistics of the World Bank (WB), the demand for transporting goods by sea worldwide in the period of 2017-2019 achieved an average growth of 2.6% - 3.0% / year; Particularly in 2019, shipping by sea is expected to reach 12,263 billion tons, up 3% compared to last year. In Vietnam, from 2017 to the present, thanks to the implementation of restructuring in the right direction, Vietnam’s shipping industry has had a rapid recovery with container throughput of impressive growth, the following year is higher than the previous year. Notably, in 2018, the total weight of goods through the port system in Vietnam reached 524.7 million tons, particularly the volume of container cargo through the seaport reached 17.8 million TEU, up 24% compared to 2017.

IV. CONCLUSION

Over the past time, the shipping industry has maintained a good growth momentum, the volume of goods through the port carried by Vietnam’s fleet reached more than 81 million tons, up 16% over the same period in 2018. In particular, the volume container throughput of the Vietnamese fleet reached 1.2 million Teus, an increase of 5% over the same period last year. The Vietnamese national flag fleet has now been able to handle nearly 100% of inland freight by sea, except for some specialized vessels such as LPG, bulk cement, etc. household goods, food, coal, construction materials, machinery, containers, petroleum, general goods. For international shipping, currently transporting about 7% market share and mainly transporting routes such as China, Japan, Korea and Southeast Asia. The Vietnamese container fleet operates mainly on short routes in Southeast Asia and Northeast Asia, with a number of bulk carriers transporting goods on European routes. According to statistics of the United Nations Trade and Development Forum (UNCTAD), the Vietnamese fleet is the fourth in ASEAN region (after Singapore, Indonesia, Malaysia) and the 30th in the world. At the same time, the average age of Vietnamese fleet is 15.6 years old, 5.2 years younger than the world (according to UNCTAD data, the average age of the ship in the world is 20.8 years). In terms of maritime services and logistics, statistics of the Vietnam Maritime Administration show that there are about 300,000 businesses registering business in logistics-related industries, including about 1,300 participating businesses, providing maritime and logistics services; about 30 transnational logistics enterprises are active in Vietnam. Vietnam's logistics companies are in large numbers but only occupy a relatively small market share, mainly performing some service stages in the logistics service chain or acting as agents for foreign shipping lines.

REFERENCES

[10] H. P. Nguyen, “CURRENT STATUS AND SOLUTIONS TO REDUCE LOGISTICS COSTS IN VIETNAM.”