Vietnam Sea-Ports Sector Overview

Background

Lying on the Eastern part of the Indochina Peninsula, bordering China to the North, Laos and Cambodia to the west and facing the Eastern Sea (South China Sea) and the Pacific to the East and the South, with the fact that the country’s narrowest width from Eastern coast to the Western border of 50 km, Vietnam’s geographical location itself is regarded extremely favorable for the development of seaport industry. Above judgment is additionally supported by the country’s extraordinary socio-economic transmutations over the past years. Detailed analysis follows.

As above mentioned, Vietnam’s location on the world map is quite advantageous for the expansion of the seaport industry. It would be a perfect terminal for such countries as Laos having no coastline, North Cambodia, North East Thailand and Southern provinces of China which are far from the sea. With the coastline of nearly 3,300 km, Vietnam has great potential to develop its own international entrepot port so as not to rely on entrepot ports of Singapore, Taiwan, or Hong Kong as presently.

Second, Vietnam’s impressive and consistent growth during past few years with its GDP rates of 8.17%, 8.4%, and 7.8% for the years 2006, 2005, and 2004 respectively plus its officially joining WTO in early 2007 would create blooming business opportunities for both locals and foreigners, resulting in greater goods and services trading volume. It is expected that by 2010 about 200M tons of goods will go through Vietnam seaports and that estimation by 2020 would be 340M. Besides, the more integration of Vietnam into the world’s economy also leads to a significant increase in the number of passengers entering Vietnam through ports: this number has risen by 20% during the period from 2001 to 2005, and expected to reach the growth rate of 25% for the period from 2006 to 2010.
Last, joining WTO Vietnam’s committed to opening the doors to foreign seaport investors, calling for foreign investment in the maritime sector under the modes of joint-ventures or BOT (build-operation-transfer). To support that, the administrative and legal procedures have been seen as more favorable to the investors.
Up to November 2006, Vietnam has roughly 266 operational seaports in 24 provinces and cities. Those seaports geographically are divided into three parts of the North, the Central, and the South. According to the Government’s Master Plan on the development of seaports till the year 2010, Vietnamese seaports are divided into 6 main groups (details to be provided in next part). From aspect of port administration and management, seaports fall under the following six authorities, who are Vinamarine, Vinalines, and local authorities, state-owned corporations under other ministries, public corporations under the local government, other public ports, and private sector.

In general, the seaport industry has been gradually growing qualitatively and quantitatively, contributing to the nation and local economic growth. In specific, the planning, construction, and improvement of the port system are rationally implemented that fastens the handling and shipment of exports and imports hence drawing in more investment. However, it is assessed that the seaport industry in Vietnam, compared to other neighboring countries such as Malaysia, Hong Kong, Thailand, and Singapore, is not competitive. There are following shortcomings of Vietnam seaport industry:

- **Irrational distribution of seaports**, there are limited seaports in the North and the South where experience rapid economic growth, on the contrary the density of seaports is unnecessarily greater in the Central;

- **Lack of deep seaports.** Although in the Master Plan on the development of Vietnam seaport system till the year 2010 released by the Prime Minister in the year 1999 the priority is put on the construction of deep seaports, the actual operating capacity of seaports is less than planned in theory. For instance, according to the Master Plan, Haiphong complex port could allegedly handle vessels up to 40,000 DWT but only ships below 10,000 tons can gain access to the port at present. The common problem arises at Dinh Vu (Haiphong) and Cai Lan (Quang Ninh) ports. As a result, the product cost is driven up due to shipment fee to the distant transshipment points;

- **Lack of international entrepot ports.** This shortcoming adds up dollar to Vietnam exports, hence decreases its competitive advantage of low labor cost. One example is a 40-feet container of the same item shipped from Hong Kong is 28% more than from HCM City. In the year 2007. As said, up to now, only Van Phong Bay in Khanh Hoa province is qualified to be developed into an international transit port. The construction would start in the year 2007;
- **Lack of State’s fund for seaports.** Limited amount of State’s fund, fought over by numerous cities and provinces, results in the scattering and undersized seaports. Ports’ handling equipments, obsolete facilities, and poor supporting services are all related to that;

- **Ground transportation issue.** Some big seaports do not have connections to the national railway network or are located in the middle of the cities, which means ground transportation to and from the ports has to deal with traffic congestion. This would hinder cargo transportation time and volume;

- **Ships must sail with insufficient ATNs (Aids to Navigation) services.** In fact, there is still a “black sea” on Vietnamese waters where no visual aid is available;

- **Improper policies on seaports development.** As above mentioned, seaports might fall into joint administration and management of few authorities, causing the implementation to go unguided by an overall policy on the sub-sector. Major ports cannot expand facilities by self-financing from port charges or relying on external resource and technology alone.

---

**Strategic Sea-Seaports – Development Master Plan to 2010**

**Northern Seaport Group**

Northern Seaport Group is inclusive of coastline cities and provinces in the North, namely Quang Ninh, Thai Binh, Nam Dinh, Ninh Binh, and Haiphong city. This group has great potential for development as it is connected to big cities, the Capital of Hanoi, and industrial zones through main national roads, river ways, railways, and airports. Nonetheless, according to few reports of Vinalines and foreign consultants, there is a lack of due attention and proper investment on the Group’s seaports, resulting in their underdevelopment and underutilization.

Towards the year 2020, divided into two ten-year periods, the Government is aimed at the Group’s comprehensive planning and expansion in conformity with the development of the focal economic zones in the North, and master planning of transportation network. The Group’s seaports are expected to receive 43M to 53M tons of cargo per year by 2010, and that by 2020 is from 89M to 123M tons yearly.

Noticeably, according to Vinalines annual report for the year 2006, much priority is given to the Phase II Construction of Cai Lan Port, and General Port of Dinh Vu (Haiphong).

**Northern Central Seaports**

The seaports in the Northern Central part of Vietnam are mainly operated to serve the economic development of the provinces of Thanh Hoa, Nghe An, Ha Tinh, and
part of Quang Binh, specifically the industrial zones adjacent to the ports. Those seaports also act as terminal for cargo to and from Laos and the Eastern North of Thailand.

The seaports are designed to have 23M tons of cargo per year by 2010, and 49M tons of cargo per year by 2020 (inclusive of cargo transit for Thailand and Laos).

**Middle Central Seaports**

This Group includes seaports in the provinces of Quang Binh, Quang Tri, Thua Thien Hue, Da Nang, Quang Nam, and Quang Ngai. Those ports facilitate the economic development of above-mentioned provinces while also handle cargo to and from the South of Laos, and Eastern North of Thailand. In comparison to the Group 2, this Group seems to have been given more focus because of the existence of numerous focal economic zones of the Central here such as Chan May, Da Nang, and Dung Quat. In addition to that, the Group is located in the area where transportation network and infrastructure is integrated.

By the year 2010, this Group is expected to receive 22M to 39M tons of cargo per year, excluding oil and oil product volume of roughly the same amount for the Oil Refinery Factory #1. Priority has been given to the expansion and development of Tien Sa, Dung Quan, Chan May, and Lien Chieu ports. But, Lien Chieu port would only be considered when Tien Sa and Han River ports have been overcapacity.

**Southern Central Seaports**

This Group covers seaports in provinces of Binh Dinh, Phu Yen, Khanh Hoa, Ninh Thuan, Binh Thuan, Gia Lai, KonTum, Daklak, and Lam Dong.

The Government has set out the strategic development for this seaport group, which are to promote socio-economic development of not only above local provinces, but also the whole country and to be the international container port handling exports-imports of the country and the Region. Consequently, the first international entrepot port in Vietnam, port Van Phong, has already got underway.

This Group is expected to receive 18M tons and 22 tons of cargo yearly for the year 2010 and 2020 respectively. Remarkably, Van Phong port in Khanh Hoa will be developed to be the container international port and will takeover the cargo previously shipped and handled through Saigon port. It will also be capable of serving vessels from 6000 to 9000 TEUs.

**Seaports in HCM City – Dong Nai – Ba Ria Vung Tau**
This Group is now receiving a lot of attention from the Government and investors as well because this is located on one of the busiest and most developed area of Vietnam.

The strategic development for this seaport Group is to reduce the capacity of port network alongside Saigon River so as to reduce the traffic congestion and pollution, to facilitate the growth of export processing and industrial zones, and to turn the Group into modernized and expanded gateway seaports to the world’s economy.

By the year 2010, this Group is expected to receive 53M tons of cargo per year, and that by 2020 is 100M tons. The priority is given to the industrial zone Cai Lai, Saigon Hiep Phuoc, Cai Mep Thi Vai, Tan Cang Saigon, and Phu My Thi Vai in the year 2007.

**Mekong Delta seaport Group**

This Group includes seaports in 12 provinces and cities in the Mekong Delta area. In addition to serving such provinces and cities, seaports also serve the cargo transportation of the provinces in the Eastern South and Southern part of Highlands.

This Group is expected to receive 16M tons of cargo by 2010 and 32M tons of cargo by 2020.

**Investment Opportunity**

The conclusion that comes up from above analysis is that Vietnam seaport sector is presently at the beginning period of sustainable development. The year 2007, we believe, starts up for long term investment projects as favorable macroeconomic environment and business opportunity appear. The estimation shows that in order to comprehensively implement the development master plan of the Government on the seaports till 2010 the fund required is around VND 60 trillion, or US$ 4B, of which 25% comes from ODA and 25% from the State’s budget. In other words, the remaining 50% (US$2B) are still calling for other fund sources in the modes of joint venture, BOT, BTO, or BT.
Reference

Decision No. 202/1999/QD-TTg dated October 12, 1999 approving the Master Plan on the development of Vietnam’s seaport system till the year 2010

2006 Annual Report of the Vinalines, Ministry of Transport

Decision No. 2619/QD/BGTVT dated September 8, 2003 approving the detailed plan on the group of seaports in the Northern Vietnam

Decision No 861/QD/BGTVT dated April 6, 2004 approving the detailed plan on the group of seaports in the Southern Central Vietnam

Decision No 791/QD/TTg dated August 12, 2005 approving the detailed plan on the group of seaports of HCM City, Dong Nai, and Ba Ria Vung Tau

Decision No 1022/QD/TTg dated September 26, 2005 approving the detailed plan on the group of seaports of Middle Central Vietnam

Decision No 885/QD/TTg dated August 12, 2004 approving the detailed plan on the seaports of the North Vietnam

Decision No 1024/QD/TTg dated September 27, 2005 approving the detailed plan on the seaports of Mekong River Delta


Vietnam Economic Times - No.155 [2007-01-01]
