

## 4 FACILITATION OF THE NORTH-SOUTH NATIONAL TRUNK CORRIDOR DEVELOPMENT

### 4.1 Concept

On every run, freight cargo space is always full due to the lack of scheduled and frequent operation. At present, scheduled operations can be seen only in container shipping and railway in the north-south national trunk corridor which connects the two national economic centers, Hanoi and HCM City. However, consignors do not get much benefit from them due to low trip frequency.

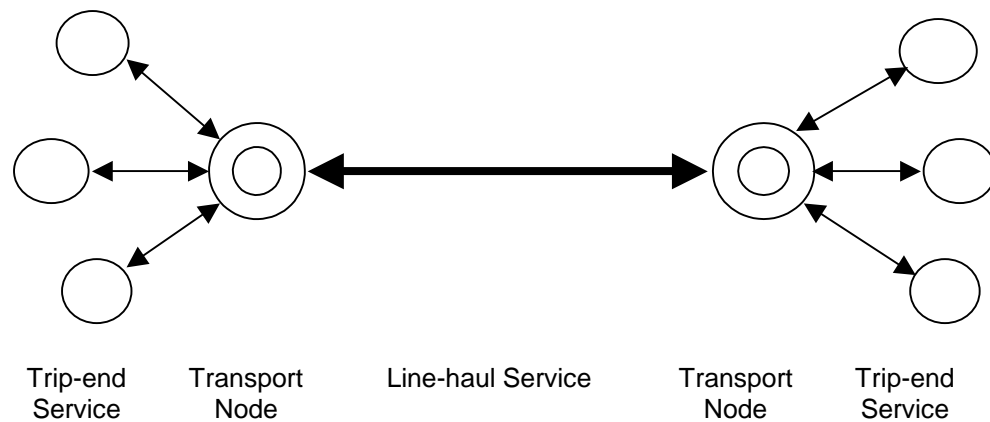
A hub-and-spokes system is quite effective in the long-distance mass haulage. Many spokes can efficiently collect and deliver small consignment, which are consolidated at transport nodes, to make long-distance haulage economical. On the north-south national trunk corridor, road, rail, sea, and air can take a line-haul role. Ports, airports, railway stations, truck terminals, and ICDs may serve as transport nodes depending on the mode of line-haul transport. On the other hand, the spokes' function should largely be left to road transport. Inland waterways transport may complement or take the place of road transport, especially in the south.

Table 4.1.1  
Comparative Analysis of the North-South Freight Services by Mode

		Road	Rail	Sea	Air
Present Service	Required Line-haul Travel Time	-	3-4 days	4 days	2 hours
	Required Trip-end Service Time	-	1-2 days	1-2 days	1-2 days
	Total Transportation Time	3-4 days	4-6 days	5-6 days	1-2 days
	Average Line-haul Service Cost per Ton	-	VND 700,000	VND 575,000	VND 3,000,000
	Average Trip-end Service Cost per Ton	-	VND 100,000	VND 100,000	VND 150,000
	Total Transportation Cost per Ton	VND 750,000	VND 800,000	VND 675,000	VND 3,150,000
	Acceptable Consignment Size	4 - 35 tons	30 – 450 tons	10 – 10,000 tons	1kg – 1ton
Traffic Demand	Year 1999 (actual, '000 tons/year)	1,077	135	2,253	20
	Year 2010 (forecast, '000 tons/year)	2,704	647	3,405	54
	Year 2020 (forecast, '000 tons/year)	3,645	1,771	4,847	83

Note: \* Linked movement between Hanoi/Haiphong and HCM City (tons/day)

Figure 4.1.1  
 Concept of the Freight Transport System on the North-South National Trunk Corridor



## 4.2 Corridor Development Issues

### Line-haul Service

There are four transport modes which enable line-haul operation between the north and the south, i.e., air, coastal shipping, railway, and road.

#### Air

- Due to the considerable increase in the number of domestic flights, the present problem of scarce cargo space in belly-hold aircraft will be mitigated. Airfreight consignors require a sophisticated cargo space management to provide reliable air freight service. In particular, cargo information system is urgently needed to allow consignors to trace their cargoes.
- It is suggested that Vietnam Airlines prepare a business proposal on domestic air freight flight. The proposal may elaborate, among others, the commencement year of the scheduled north-south airfreight operation, additional linkage with other medium cities, related investment programs, expected financial statements under the proposed operations, and so on.

#### Coastal Shipping

- Being different from overseas shipping, coastal shipping cannot benefit significantly from fleet expansion. As the "Master Plan Study on the Coastal Shipping Rehabilitation and Development" (JICA, 1997) proposed, medium-sized vessels ranging from 3,000 to 10,000 DWT will be suitable for the north-south trunk corridor.

- Specialization is an effective means to improve operation efficiency. Possible special vessels are cement tankers, coal/limestone bulk carriers and car carriers. Medium-sized oil tankers will become popular for domestic refined oil haulage after the Dung Quat Oil Refinery commences its operation.
- Presently, only small container ships are engaged in scheduled liner operation. But it will be expanded by increasing trip frequency and number of ships such as medium container ships, semi-container ships and Ro-Ro ships.
- Fleet modernization is necessary. Seaworthiness should be improved to operationalize coastal shipping even during high tide. The present sailing speed, i.e., 7.5 knots on the average, is quite slow. Ship operators can economically navigate coastal ways at least 17 knots provided that they assign modern medium-sized ships on the routes.

### Railway

- It is obvious that the existing single-track alignment cannot accommodate more freight trains. The urgent improvement issues are to allow small consignment and to provide cargo information, such as train location and anticipated arrival time, to consignors.
- In the future, when the line is double-tracked, additional rolling stock will be introduced to meet consignors' needs, i.e., carrying containers, refined oil, cars, and motorbikes. Frequent scheduled operation by such rolling stock will allow railway to compete with trucks and ships for freight service.

### Road

- National Road No. 1A, so-called the North-South Expressway, currently under rehabilitation is the only north-south trunk road and thus it should be able to fully support national development. To contribute to the development of freight transport, it must be safe for nighttime driving. Road safety equipment and streetlights are useful tools to enhance road safety and road utility.
- An alternative road to Route 1A will have to be completely developed since Route 1A will soon reach its capacity. The alternative alignment, the so-called North-South Expressway, will be in underdeveloped areas but parallel to Route 1A. When operational, long-distance freight traffic from Route 1A will be encouraged to switch to the alternative route through adequate policy measures such as a route-licensing scheme.
- The existing truck fleet may not enjoy the benefit of the Route 1A rehabilitation project since they are small in number and too obsolete to sail at

high-speed. The line-haul service on better trunk roads requires high-speed large trucks and tractors. With efficient consolidation of small consignments, scheduled operation of large trucks will become viable.

### **Transport Node**

Transport nodes on the corridor are ports, airports, truck terminals, ICDs, etc. They are all important for corridor development where they are expected to play different and cohesive roles.

#### Airports

- Dedicated air freight terminals are necessary in Hanoi and HCM City. Although the proximity to airports is important, they do not need to be located within the airport compound. An air freight agents' building is very useful when it stands just next to a cargo terminal, like Singapore, for efficient cargo collection, consolidation and distribution in a competitive and complementary manner. With regard to terminal operation, ground-handling services currently monopolized by one company, which is allowed to levy high service charges, will be provided by competing enterprises.

#### Ports

- Since shallow water depth is not disadvantageous to coastal shipping, coastal ships will continue to call at Haiphong and Saigon River Ports Group. For efficient port operation, these ports must install modern cargo-handling equipment (mobile cranes, forklifts, etc.), pave the yard and build warehouses.

#### Railway Stations

- When the line is double-tracked, main freight railway stations, like Hanoi, Vinh, Hue, and HCM City, will expand their depots and extend sidetracks to cope with more freight trains. In the Hanoi area, Yen Vien, Ca Loa and Dong Anh stations have enough land for depots and shunting works. It is necessary to select one station to develop as a regional freight station.

#### Truck Terminals

- At present, not many truck terminals are operational along the corridor. Although existing terminals are privately owned by individual truckers, public and open terminals provide good business opportunities for any competent trucker who wish to offer scheduled operation.

- Trucks are becoming an issue in Hanoi and HCM City since they contribute to traffic congestion, air pollution and noise. Wholesalers, warehouses, carriers, etc., all truck users, are usually located in urbanized areas. In line with urban road development, public truck terminals can be developed along the outer circumferential road. In other countries, terminals are often constructed to compensate operators and users for the additional costs they incur from a truck ban in city centers.

### **Trip-end Service**

As pointed out in Chapter 2, Vietnam's freight transport system is very weak in providing trip-end services, characterized by short-distance haulage, small consignment and usage of minor and local infrastructure. There are two main reasons: poor service for small consignment and a technical lag from containerization. In this sense, forwarding and warehousing agents should take a more important role since they can arrange trucking services in a more customer-friendly way.

## **4.3 Institutional Development for the North-South Interconnection**

### **Market Access**

#### Road Transport

- In addition to the basic business license, operating a truck requires a road business transport license for each vehicle operated (under MOT Decision No. 2067/QD-BGTVT/1998). Application requires a completed application form, a valid business certificate and a vehicle registration certificate with licensing fees. Licenses may be issued for one year for companies and cooperatives, and a maximum of six months for private individuals. In practice, licenses are issued for shorter periods, especially for private operators, and restrictions on area of operation are often imposed.
- The present system in issuing license for road transport business is complicated and often hinders the full utilization of vehicles. There is a need to review the system in light of the need for cost effectiveness in road safety and the trucking industry. In principle, operators' liability and capability should be carefully examined. Different operators, carrying general cargo or container trailers or oil tanks, must satisfy different qualifications. All vehicle licenses except special permits should be valid for more than one year. Application should be as simple as possible particularly if a vehicle is properly registered by a competent operator.

### Rail Transport

- Under initial government reforms the railway was established as a union of state-owned enterprises. There is neither a railway act, which would provide a basic legal framework for regulating railway transport activities, nor a long-term institutional development strategy for railway. Since the line's current capacity is very tight and cannot provide additional freight services, a project that will install double tracks will let in new business options where railway companies can compete to offer services using common tracks and where freight forwarders and multimodal transport operators can hire railway services on a long-term basis.

### Inland Waterway Transport

- Problems include the short validity of transport licenses and the minimum financial requirement which increases the entry costs into the business. The licensing system should be simplified to reduce administration costs and costs to operators, especially by extending the validity of transport licenses to at least one year and defining network access of ships according to waterway class instead of specific route.

### Coastal Shipping

- Specific regulations, such as Government Decree No 40/ND-CP/1998 (dated 10 June 1998), have been introduced to define more clearly the basis for allowing private operators to participate in the shipping industry. However, this decree only applies to private operators and not to state operators, who remain outside the licensing regime. Minimum financial requirements are high, increasing entry costs into the business.. For example, VND 10 billion (US\$ 700,000) of legal capital is required before a license is given to allow an operator to provide international shipping services. To encourage more private operators to participate, current obstacles, such as excessive entry costs, discriminatory license conditions, poor financial support, etc., should be minimized or removed to provide a level playing field with public operators.
- However, even with the removal of restrictions to vessel registration, under existing foreign investment law, it is still very difficult in practice for Vietnamese shipping companies that are partly owned by foreigners to be established. To utilize foreign investment and experience in the shipping business, the equitization of VINALINES operators as independent commercial entities and the establishment of new joint-venture companies for new services, such as Ro-Ro operation, should be promoted.

### Air Transport

- The domestic market is dominated by Vietnam Airlines (VAC) and the main competitor, Pacific Airlines, is a joint venture 30% owned by VAC. Since, government does not allow foreign direct investment in the air subsector, the only way to tap foreign business investment is through joint venture arrangements. Competition on domestic air services is distorted by cross-subsidy from international to domestic routes. There is a need to strengthen national airlines and make them independent, commercial enterprises that will provide better services. In the process of such reincorporation, a broad range of stakeholders should be involved in investment and operation.

### Forwarding Service

- The freight forwarding business in Vietnam is developing and there is an active Vietnam Freight Forwarders Association, but the industry is still handicapped by various constraints. There is a lack of legal basis for freight forwarders to act as principals or multimodal transport operators (MTOs) responsible for cargo transported by more than one transport mode. Rather, each carrier is separately responsible to the cargo owner under the general provisions of the Ordinance on Economic Contracts (1989).
- Licensing procedures are complicated since freight forwarders have to obtain several licenses and renew them frequently, i.e., possibly one for each ship agency agreement from VINAMARINE, one for freight forwarding from the Ministry of Trade, one for trading activities from the Ministry of Commerce, one for air cargo handling from the CAAV, one for express mail handling from the General Post and Communications Department, one from VRA for road transport operations, and one for customs brokerage from the General Customs Department. It should be noted that insufficient coordination between the MOT, Ministry of Trade, MOF, and General Customs Department over policies on handling trade and transport matters increases entry costs.

## **Fleet Requirement and Inspection**

### Road Transport

- The ASEAN Agreement on the Facilitation of Goods in Transit was signed in December 1998 and will be operationalized in 2000 with implementing protocols. All the nine protocols specify administrative and technical contents of the Agreement in detail. For instance, Protocol 1 which designates transit transport routes and facilities and Protocol 4 which determines the technical requirements of vehicle, are closely related to the north-south corridor

development. Theoretically, the same technical requirements of vehicle, especially maximum permissible gross vehicle weight by axle, should be adopted for the domestic fleet operating on the designated transit transport routes such as No. 1A, No. 5, No. 22 and others in Vietnam (refer to Figure 4.3.1).

- The present truck inspection at sites, of which there are around 25 between Hanoi and HCM City, should be simplified to make truck flow smooth.

#### Inland Waterway Transport

- There is concern about the many unregistered small ships, including many home-made, which are involved in river accidents. Legal operators complain that unregistered boat operators threaten the growth of their business.

#### Coastal Shipping

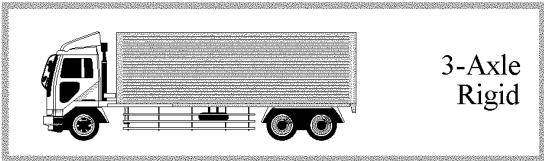
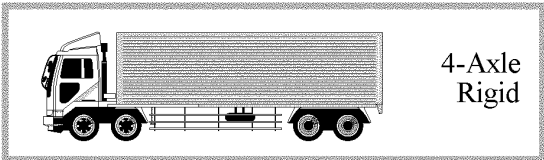
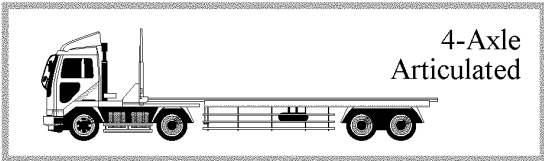
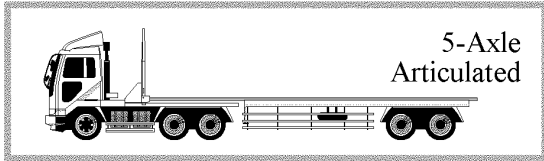
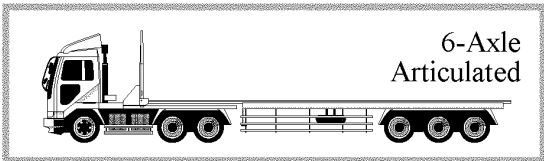
- The seaworthiness of the Vietnamese fleet is doubtful. By the Port State Control (PSC) practices at many international ports, a three-year detention percentage of all the inspected vessels during the period 1996 - 1998 was recorded at 6.5% on the average and 35.1% particularly for Vietnamese fleet<sup>1</sup>. Coastal shipping fleet is considered more vulnerable than the overseas fleet since many old vessels which used to ply the overseas routes are currently assigned in coastal shipping, while locally made vessels of less than 500 DWT are increasing as the result of recent private investment. It is therefore necessary for the Vietnam Register of Shipping (VIREs) to strengthen its inspection capability in accordance with the recommendations set out in the M/P Study on the Coastal Shipping Rehabilitation and Development (JICA, 1997), to wit:
  - 1) introduction of an up-to-date regulation regarding the survey and consideration of steel ships and the procedure for giving approval;
  - 2) revision of "national standards" and "quality standards"
  - 3) accession to international conventions and incorporating them in domestic regulations.

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<sup>1</sup> The Tokyo MOU Secretariat, 1999



Figure 4.3.1  
ASEAN Technical Requirements of Vehicles

Type of Vehicle	Maximum Permissible Gross Vehicle Weight(Tonnes)
 3-Axle Rigid	21.0 T
 4-Axle Rigid	25.0 T
 4-Axle Articulated	32.0 T
 5-Axle Articulated	36.0 T
 6-Axle Articulated	38.0 T

Source: Protocol 4: Technical Requirements of Vehicle  
ASEAN Framework Agreement on the Facilitation of Goods in Transit

## **5 PROMOTION OF MULTIMODAL TRANSPORT ON THE EAST-WEST SUBREGIONAL CORRIDORS**

### **5.1 Concept of the East-West Subregional Transport Chain**

#### **Transport Chain**

The efficiency of international transport depends on each link in the transport chain being effective and compatible with the rest. In addition, international transport requires documentation, customs and the like.

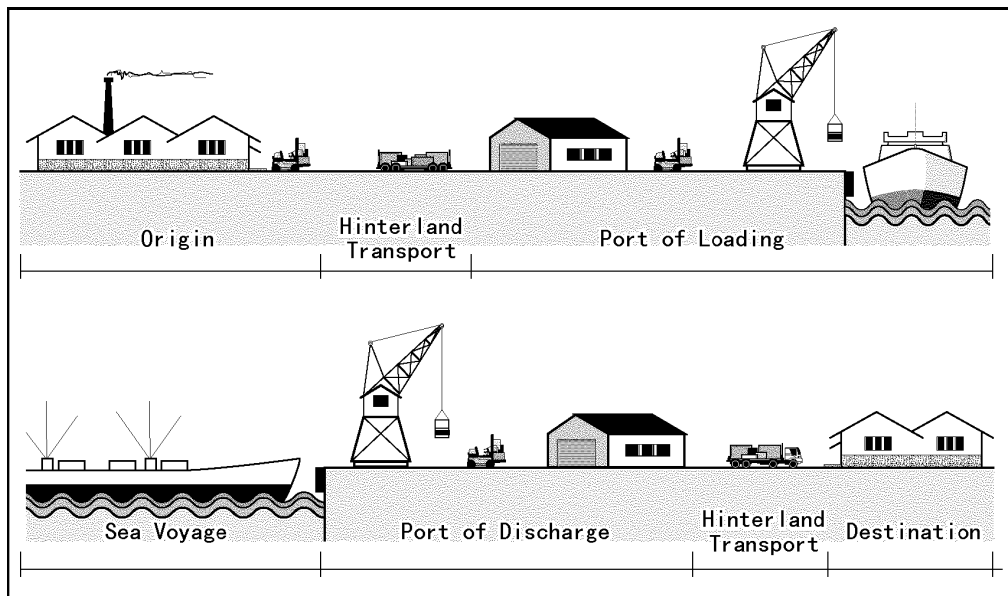
Transport is carried out by means of both fixed and mobile elements. The fixed elements are made up of ports, rail tracks and roads, while the mobile units are lorries, containers, ships, etc. The fixed components are usually expensive to build and replace and are long-lived. Conversely, the mobile elements are generally cheap, even the price of a ship is low compared to the price of constructing a port or a railway. Unlike the fixed elements, the mobile components of transport may find alternative employment if demand declines in one market by way of rerouting and providing different services in other markets.

The ways cargo is handled have changed dramatically since the 1970s, especially with the introduction of containers. Goods may be moved by different modes, i.e., rail, road, air, water, and pipeline. Any of these may be used in both domestic and international transport. The task of sending goods from one place to another will in most cases require the use of more than one transport mode. There may be a choice between different modes and mode combinations. For example, a shipment of textiles may be sent by truck to the ports and forwarded on a ship. Possibly, the truck might also transfer the consignment to a freight train which will carry it to the port. Alternatively, the shipment could be sent by air, which would have required delivery at the airport by means of a truck (see Figure 5.1.1).

Shippers need to clarify their requirements and local transport conditions to design the optimum transport chains. There are some broad criteria for this purpose:

- available mode of transport
- flexibility and efficiency of intermodal arrangement
- required transport capacity
- nature of the goods to be shipped
- speed and reliability

Figure 5.1.1  
Transport Chain (Example)



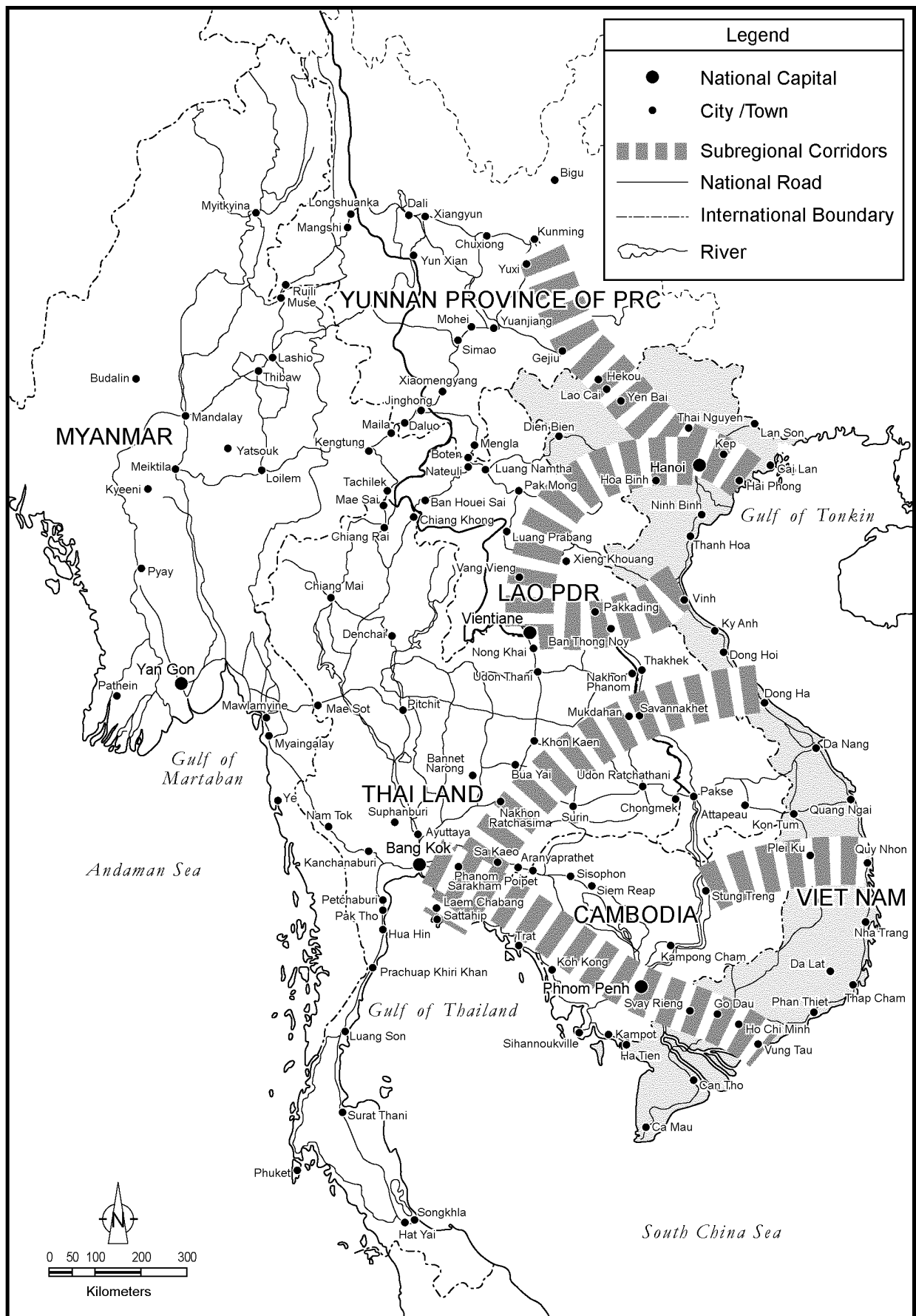
### East-West Subregional Corridors

Vietnam is on a trip-end of international transport with a foreign country which, in most cases, have larger fixed elements and modern and efficient mobile units. To become a vigorous player in the global market, Vietnam must:

- build an efficient inland transport chain as well as a sufficient gateway seaport/airport system at par with those of its trading partners;
- manage seamless door-to-door transport services in its trading partners' countries as well as within Vietnam especially for export goods by means of modern mobile elements and efficient intermodal arrangement; and
- support cross-border transport movements (interstate, transit and transshipment) through smooth custom clearances and fleet inspections, and liberalized bilateral and multilateral agreements.

In Vietnam, which lies on a long latitude, east-west links are short and more suitable to international freight transport than a north-south axle. Subregional east-west links have a good potential for serving international transport due to the country's proximity to international trading points, e.g., Phnom Penh is 240 km away from HCM City, Vientiane 380 km from Vinh and Kunming 750 km from Hanoi. These links or corridors will become focal points especially with recent developments in the gateway ports of Cai Lan, Danang and HCM City in association with transnational highway projects being implemented under the Greater Mekong Subregional Program (refer to Figure 5.1.2). These links involve one or more inland cross-border points and seaports and inland transport modes such as roads, railways and inland waterways. This system will allow efficient door-to-door delivery services.

Figure 5.1.2  
Possible East-West Subregional Corridors



## 5.2 Corridor Development Issues

Multimodal transport is expected to play a more and more important role in the subregion where important economic centers are often not connected by bodies of seas. The measures taken by government to encourage the movement of containers must be understood as an important step to ensure the optimum use of existing infrastructure and equipment. In this regard, corridor development issues have been analyzed by transport mode and by transport facility as follows:

### Shipping and Ports

International container shipping routes can be divided into three: round-the-world liner service, inter/intraregional liner service and liner network with feeder services (refer to Figure 5.2.1). For the development of subregional multimodal transport, Vietnamese seaports will have to function as gateways to connect with many and diversified international container chains. Among Vietnamese seaports, however, the Saigon River ports group and Haiphong port accommodate many feeder container ships while Danang receives limited but regular ship calls.

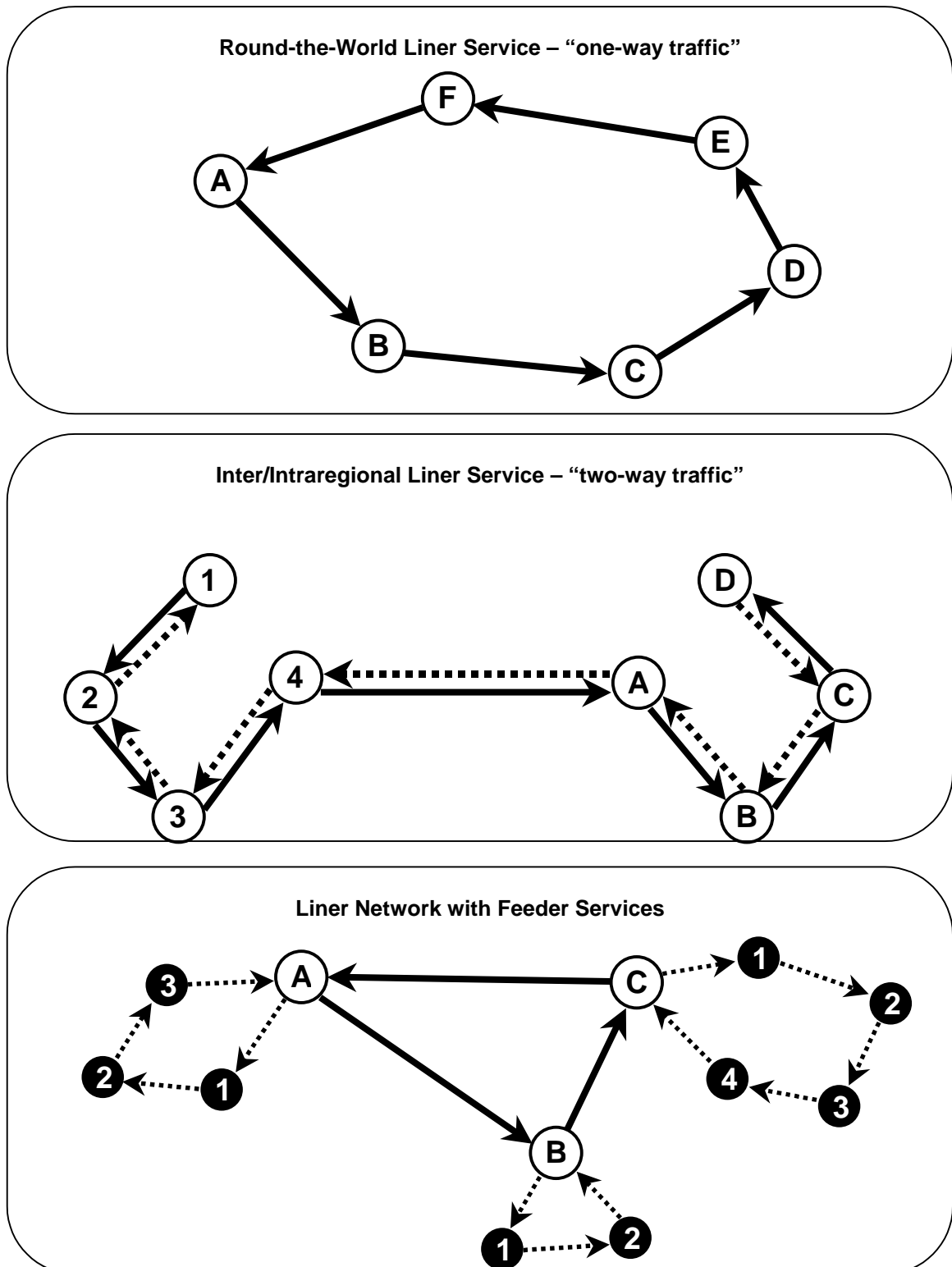
To become subregional gateway ports, large containers must be consistently shipped out and shipped in including transit and transshipment throughout the year. Further, there must be many international shipping operators and agents in addition to the availability of large deep seaports. As shown in other countries' experiences, for example, Laem Chabang Port in Thailand. It has recently accommodated many inter/intraregional liner ships and a limited number of round-the-world liner ships. Since it generally takes quite some time to upgrade a port status from a feeder port to a regional hub, it would be more difficult for Vietnam because the shipping business environment is unfriendly toward foreign operators. There is a need to remove unjustifiable restrictions on investment of foreign maritime companies – eventually allowing foreign direct investment in shipping and, in the short term, to abolish the restrictions on foreign shipping companies using Vietnamese ship agency services.

### Civil Aviation

At present, only one Korean carrier (Asiana) provides international regular air freight service. There is a good potential to fly regularly with other East Asian countries such as Taiwan, PR China and Japan, and other ASEAN countries such as Singapore. In applying new routes, carriers are very conscious about base cargo that also occupies substantial cargo space with little seasonal fluctuation. The marketing efforts to exploit base cargo in Vietnam are strategically important, and may not be left to foreign carriers only. So far, frozen shrimps and horticultural products are value-added goods worth carrying by air.

Vietnam's three international airports (Hanoi, Danang, HCM City) will be able to expand their air links with adjoining large cities such as Nanning, Kunming, Vientiane, Savannakhet, Phnom Penh, and Bangkok. Although the assignment of dedicated freight aircraft is not feasible, belly-hold aircraft will supplement land freight transport on the east-west subregional corridors.

Figure 5.2.1  
 Liner Shipping Patterns



## Roads

The 36/CP Decree on “discipline and safety of the road and urban transport”, dated 29 May 1995, stipulates that trucks should not be wider than 2.5 m and not higher than 3.5 m. This puts pressure on the transport of containers by road since the height of the vehicle with a container plus the operational safety margin requires a clearance between 4.00 m and 4.12 m. Tonnage restrictions were also introduced. This decision was a clear indication of government’s intention to encourage a shift of container transport from road to rail.

The decree was followed by Letter No 2360/PC dated 15 August 1995 from the Ministry of Transport (MOT) which in fact limits the transport of 40’ containers by road, stipulating that such containers should be moved by rail and inland waterway routes only. To implement this decision, a “Department for the Transport of Containers by Rail” was created. After the decree issued, however, VR was reported to move around 300 containers monthly from Haiphong to Hanoi in 1995. This must be compared with the 250 containers which passed daily through the port of Haiphong in the same year.

In the face of the confusion that occurred on the roads around Haiphong Port when the above decrees were strictly implemented, the MOT consequently issued a new circular dated 30 September 1995. Under this circular, a “special permit” may be issued to allow container trucks, oversized and overweight vehicles on roads.

Government’s decision to promote the transport of containers by rail and inland waterways appears justified from environmental and economic viewpoints. In particular, it allows:

- A more efficient use of energy through diversion of transport to rail and inland waterways; and
- A reduction in investments for roads and better utilization of the rail infrastructure.

However, the competitiveness of the road to transport containers is apparent. Only restrictions imposed on road transport may defer the development of container transport. This decision needs to be supported by an efficient multimodal transport system leaving the trunk haul to the railway and inland waterways and the final distribution to road haulers.

In light of the subregional corridor development, however, railway and inland waterways are not available or less competitive in some routes. Specific roads therefore should be sufficiently developed and fully utilized to support the subregional corridor development. The present restrictions on road container traffic should be removed at least on the designated subregional corridor routes.

## Railway

For the subregional corridor development, VR has a good rail network in northern Vietnam where two seaports (Haiphong and Cai Lan) and two border towns (Lao Cai and Dong Dang) are connected. In Hanoi, the lines cross each other. In terms of line operation per capacity, the Hanoi-Haiphong line is very crowded. Although VR considers that the total capacity of the line is 21 trains per direction per day, presently eight freight trains and 12 passenger trains are operating on both directions in addition to 14 local freight trains and two local passenger trains. To expect VR to be a major player in the high-density multimodal transport corridor between Hanoi and Haiphong, the line capacity expansion is inevitable.

Despite the MOT's policy, containers were only to a very limited extent carried by VR. The possibility of railway to offer competitive container transport therefore requires a change in a number of operational procedures, railway capacity expansion, the installation of proper container-handling equipment at stations and on the lines, and the establishment of well-designed ICDs in the Hanoi area and in major Chinese centers on the extended lines. Another important aspect of the operation of competitive container block train service is speed. While it actually takes five to six hours for a train to move between Hanoi and Haiphong or between Hanoi and Cai Lan (Ha Long), present procedures mean that the time it will take from the moment a container is discharged from a vessel until it arrives in Hanoi is close to three days. This must be compared to the procedures required for transporting containers by truck. These seem to be more flexible and the transport of containers by truck can be made in less than 24 hours.

To offer competitive container services, VR requires a completely new company culture, training of staff in modern customer services, a change of railway schedules to ensure fast and reliable transport and transit services, and, more importantly, a competitive tariff structure that will attract business. This would be an exciting task and one that would help turn VR into a modern, competitive transport provider.

Although Vietnam currently imports containerizable cargo from adjoining Chinese provinces by rail and such trade volume is increasing, the feasibility of an interstate container train service is quite uncertain. It is recommended that, for the time being, VR will strengthen container train services on the Hanoi-Haiphong and Hanoi-Cai Lan lines, and conduct the feasibility study on interstate container service by both governments.



### Inland Waterways

Container transport service on inland waterways is limited in Vietnam. In the north, it is only since 1995 that the first containers were transported by river. Still now, few river ports, such as Hanoi, can provide container-handling service. In the south, fluvial container traffic is larger but it is only since 1999 that Saigon Cuu Long Co Ltd. started to offer scheduled container service between HCM City and Can Tho to shippers.

For the subregional corridor development, Red River and Mekong River can accept container traffic. The Red River section beyond Viet Tri toward Yunnan Province is narrow and shallow enough to discourage shippers to carry their cargo by river. Although Mekong River is able to accommodate container barges and ships, the Cambodian Government has a clear policy to handle overseas containers at Sihanoukville seaport, while Phnom Penh river port handles bulk and bagged cargo.

In conclusion, the role of IWT in the subregional multimodal transport will be less significant than other modes.

### Inland Container Depots (ICDs)

The UNCTAD definition of an ICD is:

*“A common-user inland facility, other than a port or an airport, approved by a competent body, equipped with fixed installations and offering services for handling and temporary storage of any kind of goods (including container) carried under Customs transit by any applicable mode of inland surface transport, placed under Customs control and with Customs and other agencies competent to clear goods for home use, warehousing, temporary admission, re-export, temporary storage for onward transit and outright export.”*

ICDs promote the concept of multimodal transport as container seal can remain unbroken from a place close to the consignor to a place close to that of the consignee. This advantage can accrue not only to less than container load (LCL) shipments, but very often also to full container load (FCL) shipments in those cases where Customs clearance and inspection is not possible at the consignee's premises.

The planning and construction of ICDs should ensure the optimum performance of its function. The ICD should include the following facilities (refer to Figure 5.2.2)

- Administration building;
- Customs offices;
- Offices for rent by freight forwarders, consolidators, various carriers (shipping

companies, MTOs, railway, etc.);

- Container freight station (CFS);
- Rail tracks and inland waterways as necessary;
- Container yards for full and empty containers;
- Special area set aside for dangerous and hazardous cargoes;
- Repair/cleaning shops; and
- Parking space for mechanical equipment such as straddle carriers, forklifts, etc.

At present, there is one small ICD in the Hanoi area and one medium ICD in HCM City. The Hanoi ICD, operated by VINALINES, has no connection with rail line and inland waterway, offers limited services at less attractive prices. On the other hand, the HCM City ICD, operated by GEMADEPT (General Forwarding and Agency Co., Ltd.), in connection with inland waterway, offers reasonable services with good accessibility to Saigon River ports by barge although cargo handling and provisional storage services are not satisfactory to particular shippers who deal with fresh foods and fine equipment (refer to Figure 5.2.3).

In the course of containerization and large seaport development, it is recommended to construct **one large ICD in the HCM City area** accessible to a Vung Tau deep container port and **another large ICD in the Hanoi area** accessible to Cai Lan Port. While a full-fledged ICD must contain a CFS, which by definition is a bonded facility, other CFSs, nonbonded, may be established at strategic locations in the vicinity of the ICD. These may be privately owned facilities such as LCL operators, shipping companies, or belong to VR, municipalities, etc. Establishment of a series of “off-line” CFSs is essential for the development of groupage/consolidation services and to relieve pressure on the ICD itself.

Under sufficient institutional environments to sustain international multimodal transport operation, ICDs at neighboring inland centers such as Kunming, Vientiane, Savannakhet, and Phnom Penh will become effective conduits to utilize Vietnamese seaports for transit goods.

Figure 5.2.2  
Layout of an ICD (in the case of Road and Railway)

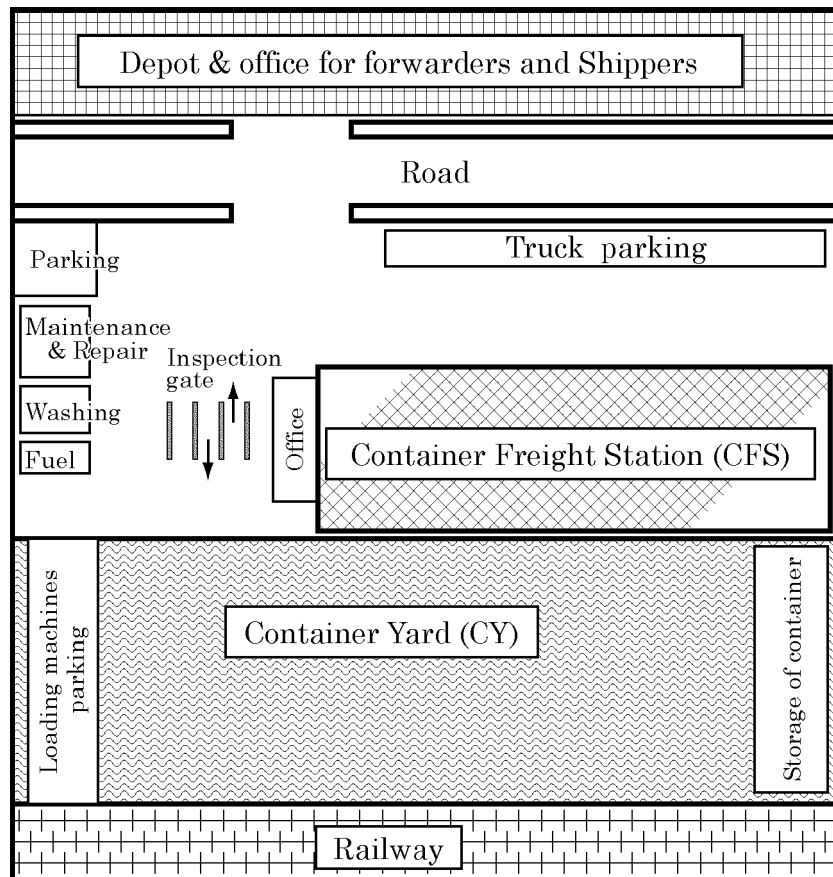
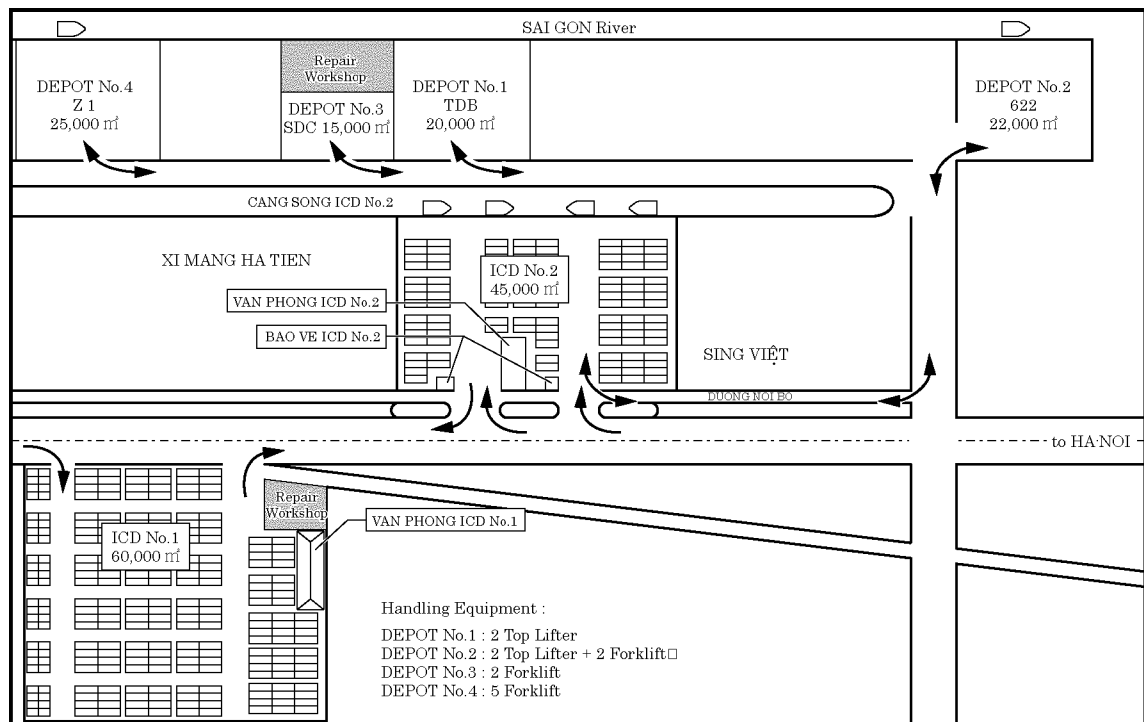


Figure 5.2.3  
Layout of Phuoc Long ICD (HCM City)



### 5.3 Institutional Environments to Develop MTO

Vietnam's multimodal transport is still in an initial stage. There is a need to foster MTOs under sufficient institutional environments including the development of liability regime, the simplification and modernization of custom procedure and transit arrangement. In order for ASEAN to facilitate regional trade and economic integration, the ASEAN Framework Agreement was officially drafted in 1998 and is scheduled to put in force by the year 2004. The first official draft covers the following chapters (refer to Appendix 5-A):

- Chapter I : Definitions (Article 1)
- Chapter II : Scope of Application (Articles 2-3)
- Chapter III : Multimodal Transport Document (Articles 4-6)
- Chapter IV : Liability of the Multimodal Transport Operator (Articles 7-13)
- Chapter V : Limitation of Liability of the Multimodal Transport Operator (Articles 14-20)
- Chapter VI : Liability of the Consignor (Article 21)
- Chapter VII : Notices, Claims, Actions and Time-bar (Articles 22-24)
- Chapter VIII : Jurisdiction and Competence (Articles 25-28)
- Chapter IX : Multimodal Transport Operators (Articles 29-32)
- Chapter X : Miscellaneous Provisions (Articles 33-35)
- Chapter XI : Final Provisions (Articles 36-42)

Under such circumstances, specific institutional issues for Vietnam's multimodal transport development are analyzed as follows:

#### **Fostering of MTOs**

The draft ASEAN agreement stipulates that the competent national body of one country can register the MTOs in accordance with the minimum criteria such as legal capacity, insurance policy and financial capability of maintaining the asset equivalent to 80,000 SDR or providing an equivalent guarantee. The registered MTOs may operate in other member countries. In Vietnam, however, there is no MTOs available so far. From other countries' experiences, freight forwarders and shipping companies are potential forces to enter into this business field.

#### Freight Forwarders

The status of freight forwarders in Vietnam appears not to be entirely clear. The Vietnamese freight forwarder is seen primarily as a middleman who handles Customs matters and issues a series of documents associated with import or export procedures. As long as the freight forwarder only assumes these limited functions, he is not accepting liability for the actual transport, only for those functions which he undertakes in his own name. A major impediment for a greater role for Vietnamese freight forwarders is the habit of Vietnamese shippers and

consignees (exporters and importers) to sell free on board (FOB) and buy cost, insurance and freight (CIF). It means that the foreign buyer or the foreign seller controls the transport of the goods outside the borders of Vietnam. This makes it very difficult for Vietnamese freight forwarders to assume the role of principal/carrier. Instead, they are relegated to acting as mere export or import clearing agents, in most cases acting on behalf of foreign freight forwarders who themselves may be acting as carriers/principals.

Modern freight forwarders perform a series of services which add value to the goods, for example, through the provision of consolidating services. A full-scale ICD will provide small exporters and importers with great possibilities since it allows freight forwarders to engage in consolidation services. The freight forwarder/consolidator receives LCL from his small shipper and in turn books space with the multimodal transport carriers on a FCL basis. The concept of “consolidation” means that the freight forwarder buys transport services (space) in bulk from unimodal transport providers such as railway, shipping companies or airlines that could be called “wholesalers”. Wholesale prices are lower than retail prices and the freight forwarder/consolidator makes his profit from reselling his space at higher prices than he paid himself, but lower than the price a small shipper can obtain if he directly deals with the carrier.

When the freight forwarder assumes this consolidating role, his function changes from that of a mere agent of the shipper/consignee to that of a principal. When it is the freight forwarder/consolidator who negotiates low rates from the unimodal carriers, it is important for him also to control the various steps of the transport chain. To enforce this control which will allow him to change modes of transport and make other decisions to ensure efficient goods transport, he must also assume the responsibility of his actions. This new position is called a “nonvessel operating common carrier” (NVOCC) or a “non-vessel-operating multimodal transport operator” (NVO-MTO) because he does not own or operate ships.

The Vietnam Freight Forwarders Association (VIFFAS) was founded in 1994 and now comprises 18 regular members. VIFFAS, a professional body with its own standard trading conditions which state the rights, obligations and duties of its members, is now making considerable effort to explain the functions of the modern freight forwarders and their changing role.

### Shipping Lines

NVO-MTOs are not the only type of transport providers that issue door-to-door transport documents. Ship owners, in particular, also do so. When ship owners accept responsibility for goods from door-to-door, then they become “vessel-operation MTOs” or VO-MTOs.

Vietnamese shipping lines have advantage to provide door-to-door service since

they are familiar with local conditions. Although foreign shipping lines now consolidate Vietnam's LCL containers in Singapore or other hub ports outside Vietnam, they may indicate their intention to offer door-to-door transport services, both FCL and LCL operations.

### **Insurance and Insurer**

During the transport and storage of goods, they are exposed to a number of risks, some caused by climatic condition, others by operational hazards such as traffic accidents and collision at sea, and others by criminal activities such as theft, pilferage, etc. The carrier that has issued the transport document which covers the transport assumes, within certain limits, the responsibility to bring the goods to the consignee in the same condition as they were when he took them over from the shipper.

However, some discussions that have been held with freight forwarders in Vietnam indicate that many land transport providers do not buy liability insurance except for third-party liability. As many road haulers are "one-truck companies" with no financial resources (the entire capital may be the truck itself), this may mean that in case of a serious road accident where the truck is destroyed together with the cargo, it will not be possible for the cargo owner to obtain any compensation. It has not been possible to obtain clear-cut information regarding the insurance policy of VR and VINALINES member operators. It also appears that Vietnamese cargo owners are not in the habit of taking out proper cargo insurance for their goods.

It is also noted that foreign-invested freight forwarders seldom buy cargo insurance from Vietnamese companies, such as Bao Viet, since the liability limit is low. Vietnamese insurance companies should strengthen their capability by introducing modern insurance provisions and conditions such as proper identification and assessment of risks on both transport providers and cargo owners.

### **Transport Documents and Liability**

All unimodal carriers issue their own transport documents: railway consignment notes, bills of lading, airway bills, etc. All of these are so-called "unimodal transport documents". The transport document which the NVO-MTO as the "main carrier" then issues to the shipper covers the entire journey and all those individual modes that deliver the goods from door to door. It is therefore called a "door-to-door transport document", or a "multimodal transport document" (MT document). Issuing an MT document means that the NVO-MTO accepts responsibility for the goods. For this reason, it is necessary for him to have appropriate liability insurance.

According to the first official draft of the ASEAN Framework Agreement on Multimodal Transport, the MT document will contain the following particulars

(Article 5):

- The general nature of goods (marks, no. of packages/pieces, weight, etc.);
- The apparent conditions of the goods;
- The name and principal place of business of the MTO;
- The names of consignor and consignees;
- The place and date of taking in charge of the goods by the MTO;
- The place of delivery of the goods;
- The date or the period of delivery of the goods;
- A statement indicating whether the MT document is negotiable or not;
- The place and date of issue of the MT document;
- The signature of the MTO;
- The freight for each mode of transport including its currency;
- The intended journey route, modes of transport and places of transshipment;  
and
- Any other particulars which the parties may agree to insert in the MT document

Liability is a critical issue to promote multimodal transport. MTOs must become liable for any loss and damage to the goods in an amount not exceeding the limitation in the MT documents. Vietnam only acceded to the Warsaw Convention among the international conventions in regard to transport document and liability as indicated Table 5.1. Since the Warsaw Convention stipulates air carriers' liability, Vietnam should set adequate liability limitation for other transport carriers. In this connection, the existing maritime law provisions are outdated. The legal liability is defined in terms of an obsolete unit of currency instead of popular SDRs in other countries and international conventions.

The drafted ASEAN agreement specifies the following MTOs' liability limitation:

- 666.67 SDR per package or unit or 2.00 SDR per kg on the MT including carriage of goods by sea or by inland waterways (Article 15)
- 8.33 SDR per kg on the MT not including by sea or by inland waterway (Article 16)

The former limitation is supported by the Hague-Visby Rules 1979 Protocol while the latter by the Convention on the Contract for the International Carriage of Goods by Road (CMR), although Vietnam has acceded to none of them.

## **Customs Clearance**

International multimodal transport aims at reducing transit times and costs. Unless Customs procedures are simplified the potential advantages will not be realized. This type of simplification action is very rewarding since it can improve the efficiency of international transport without requiring capital investment.

On the other hand, pure through-transit operations often entail little economic benefit for the transit country. No levies may be asked for, except those of administrative services. Meanwhile, the flow of goods in transit increases the demand for Customs services and necessitates investment in Customs offices. Adequate compensation cannot be obtained for the heavy strain of transit operations on infrastructure. In the Greater Mekong Subregion, the Framework for Facilitation of the Cross-border Movement of Goods and People, initiated by ADB and ESCAP, may provide a practical solution to this matter.

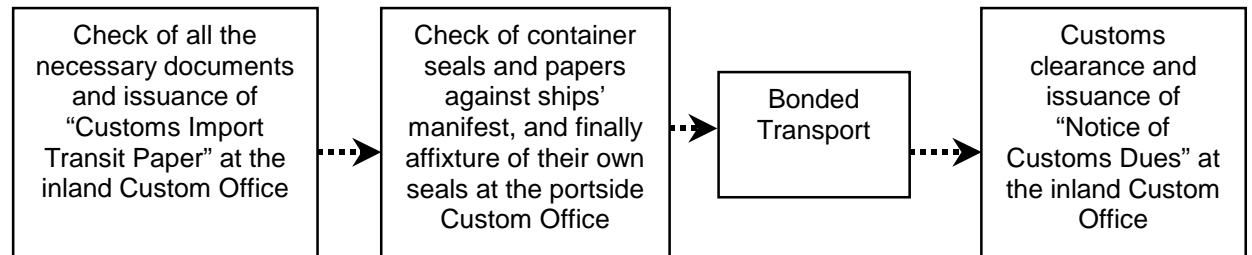
For facilitating Customs clearance, the Vietnamese Customs Authorities try to simplify documents in accordance with the advice of the World Customs Organization (WCO) which has been advocating a series of measures to simplify and normalize procedures and harmonize documents. To prepare the regional trade liberalization to be brought by AFTA, the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention, 1973) is now under deliberation. A new system will be proposed in the near future, possibly including an international classification code (HS), and a computerized Customs clearance system (ASYCUDA).

In regard to bonded transport, the Vietnamese procedures are very much complicated and thus there is no time advantage in carrying goods in bond as explained in Chapter 2. The number of documents which have to be presented to the two custom offices at departure and arrival sides would seem to reflect a system which was common in many countries of the world in past. However many customs authorities have now being following the advice of WCO to simplify their bonded transport. In the Vietnamese case, carrying import goods, for example, there would seem to be no need for the issuance of a "Customs Import Transit Paper" at the inland custom office and furthermore for the presentation of the transport documents, commercial invoices or container packing lists in the portside custom office. They just affix their own seals on the container as long as they have satisfied themselves that the container seals are intact. Customs clearance and the necessary inspection can then take place at the inland custom office.



Figure 5.2.4  
Bonded Transport Procedures (in the case of import goods)

*Existing Pattern*



*Proposed Pattern*

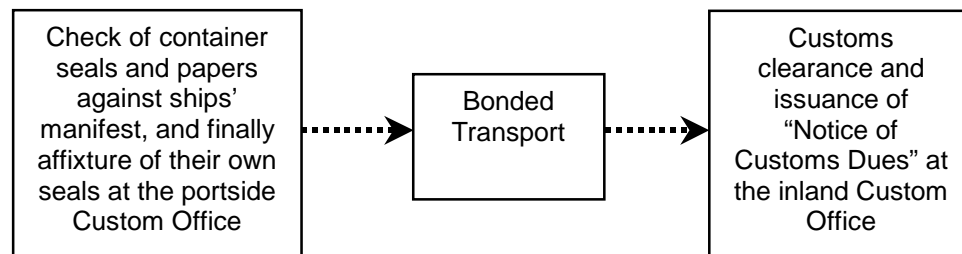


Table 5.2.1  
International Conventions with regard to Transport Document

Convention	Period of responsibility	Basis of liability	Limitation of liability for loss or damage to goods	Notice of claims for damage to goods	Time bar	Transport document
Hague Rules 1924	While in vessel: "tackle-to-tackle"	Due diligence to make vessel seaworthy and to take care of cargo but with several exceptions	£ 100 sterling in gold	3 days	1 year	Bill of lading (a negotiable document)
Hague-Visby Rules 1968 Protocol	While in vessel: "tackle-to-tackle"	Due diligence to make vessel seaworthy and to take care of cargo but with several exceptions	10,000 francs Poincare per package or 30 francs per kilo whichever higher	3 days	1 year	Bill of lading (a negotiable document)
Hague-Visby Rules 1979 Protocol	While in vessel: "tackle-to-tackle"	Due diligence to make vessel seaworthy and to take care of cargo but with several exceptions	667 SDR per Package or 2 SDR per kilo whichever is higher	3 days	1 year	Bill of lading (a negotiable document)
Hamburg Rules 1978	While in carrier's charge	Presumed fault or neglect	835 SDR per Package or 2.5 SDR per kilo whichever is higher	15 days	2 year	Bill of lading or other document
CMR 1956 (Road)	While in carrier's charge	Strict liability with exceptions for matters "beyond control"	25 germinal francs per kilo (3 francs = 1 SDR)	7 days	2 year	Waybill/consignment note
CIM 1980 (Rail)	While in carrier's charge	Strict liability with exceptions for matters "beyond control"	50 germinal francs per kilo (3 francs = 1 SDR)	7 days	1 year	Waybill/consignment note
Warsaw 1929 (Air)	While in carrier's charge	Strict liability with exceptions for matters "beyond control"	250 francs Poincare per kilo	14 days	2 year	Airwaybill
MT Convention 1980	While in carrier's charge	Presumed fault or neglect	920 SDR per package or 2.75 SDR per kilo whichever is higher	6 days	2 year	Nonnegotiable or negotiable transport document

Note: Vietnam only acceded to the Warsaw Convention among the above.

## **6. ORGANIZATIONAL DEVELOPMENT TO FOSTER FREIGHT TRANSPORT INDUSTRIES**

### **6.1 Necessity of Associations to Represent Transport Groups**

Freight transport in Vietnam has not been developed adequately. Unimodal transport services are provided with less responsive to market signals and furthermore multimodal transport operation is not practical due to the lack of institutional framework. The status of freight forwarders appears not to be entirely clear.

This report has pointed out a lot of weaknesses such as a few scheduled operations, inconvenient service for small consignment, costly short-distance service, poor intermodal connection, unreliable freight services due to damage, lost and pilferage, and time-consuming customs clearance. At the same time, in the 1990s, many new services were introduced in the course of economic development. They are, inter alia, container transport on road, rail and inland waterway, bonded transport, ICD operation, scheduled liner operation in coastal shipping, liberalized transit transport with Lao PDR, etc. Other countries' experiences clearly show that the Vietnamese freight transport should expand its capacity to enable mass and long-distance haulage, especially for selective cargo groups, in the short-term and upgrade its service to be faster and more responsive to any cargo groups in the long run.

During the period 1993-99, it is also noted that the Ministry of Transport has drastically changed its prime role from "transport provider" to "transport regulator" with concerted efforts to draw the line between administration and business in every transport mode. Although the direction is quite right under a market-based economy, MOT must simultaneously foster competitive transport industries by way of infrastructure development, institutional reforms and policy dialogue. For that purpose, an association which represents the interests of a certain transport group is an effective communication tool to bridge the gap between administration and business on condition that it is properly organized and managed between private and public entities without any discrimination.

Table 6.1 indicates existing associations and identifies the issues to develop such organizational mechanism.

The Ministry of Transport has being utilized VINALINES as an implementation arm of its policy in port and shipping in the late 1990s. However, VINALINES is not a suitable organization as a policy dialogue partner with MOT since its limited member companies. The Vietnam Shipowners Association and the Vietnam Ports Association, open to any entities including provincial and private operators, should strengthen their professional capability and try to reflect members' interests

against MOT and other relevant authorities.

The associations of international service providers such as overseas shipping, trucks, freight forwarders and MTOs may try to appeal to national solidarity, but unless the economies are persuasive, this argument is unlikely to carry much weight. It is no good to complain bitterly about that or to try to have national cargo preference laws enacted. Those associations must realize that only the most competitive transport package will benefit its country's economic situation. Protected but inflated costs will not make the country's exports more competitive. Consequently, it is quite obvious that shipper and transport service providers have a common goal: to facilitate the country's foreign trade by reliable transport at competitive costs. This is also the way in which Vietnamese transport providers directly get orders from foreign traders.

Table 6.1.1

## Non-profitable Organizations to Represent Transport Groups

Transport Group	Existing Organization	Identified Issues
Unimodal Transport Operator		
• Shipping Operator	Vietnam Shipowners Association (VSA)	• To strengthen its function such as marketing research, PR and maritime safety
• Trucker	(none)	• To be established consisting of state and private truckers nationwide
• IWT Operator	(none)	• To be established as a "Vietnam Lighter Owners Association" with clear demarcation from VSA
• Airline Carrier	(none)	• No association is required unless private carrier is allowed
• Railway Operator	(none)	• No association is required unless private operator is allowed
Multimodal Transport Operator	(none)	• To be established in accordance with the ASEAN Framework Agreement on Multimodal Transport (Refer to Section 6.2)
Freight Forwarder	Vietnam Freight Forwarders Association (VIFFAS)	• To strengthen its advocating role to promote modern freight forwarding services in Vietnam
Transport Infrastructure/Facility Operator		
• Seaport	Vietnam Ports Association	• To strengthen its professional staff for advising modern port operation and extend international cooperation
• Riverport	(none)	• To examine the necessity to organize a new association
• ICD and Truck Terminal	(none)	• Presently no association is required. A new association will be established with many of ICDs and truck terminals under various operation bodies.
Transport User	(none)	• To be establish as a "Vietnam Shippers' Council" (refer to Section 6.3)

## 6.2 Association for MTOs

Multimodal transport is a quite new concept in Vietnam. There is neither a legal framework to recognize MTOs nor de facto MTOs. To establish an MTO from scratch is no simple task, yet it is possible to start with relatively modest capital investments unless one wants to be a VO-MTO. The most important asset for an MTO is a highly qualified staff well versed in international and local transport procedures. The second important asset is contacts both at home and abroad with other organizations in the same field. This is necessary since strict control of the entire transport chain is an absolute necessity for the success of MT operations.

Several options are consequently available for potential MTOs in Vietnam:

- (1) Extension of services by individual unimodal national carriers or freight forwarders;
- (2) Joint venture of national shipping lines and foreign mega shipping lines;
- (3) Joint transport enterprises among developing countries, e.g., between land-locked country (Lao PDR) and transit country (Vietnam);
- (4) Joint organization of freight forwarders at the national or subregional level; and
- (5) New company established by producers of major commodities or traders.

The majority of the existing MTOs are located in industrialized countries and consist of mainly large freight forwarders and shipping companies. This possibility in Vietnam was already analyzed in Chapter 5. But other options can not be discarded in order to thick international transport chains drastically.

In all the cases, however, Vietnamese business entities seem short of resources and expertise. Direct participation by the Government in new enterprises may give them the necessary financial strength and status, however, in the present political and economic climate, this option may be rather limited. It is therefore suggested to the Government to organize an association of MTOs which are operated or to be operated in Vietnam. This association may hold the following functions:

- (1) To assist the Government to institutionalize favorable business environments for MTOs;
- (2) To design adequate forms of MT B/L in Vietnam in order to transact them as valid transport documents among carriers and consignors, and as negotiable instruments among financial institutions;
- (3) To propose a suitable liability regime of MT operations to balance between reliability and sustainability in transport services;

- (4) To admit the competent MTOs in accordance with a set of qualification criteria and register them in the file, and provide training programs to them; and
- (5) To keep close relationships with consignors and unimodal carriers in and outside Vietnam and refer the registered MTOs to them upon inquiry.

In relation to the ASEAN Framework Agreement on Multimodal Transport, the Government may register the member MTOs of this association to the ASEAN Secretariat for allowing them to operate as ASEAN MTOs in the region after the agreement puts in force.

In this connection, Singapore shows good experiences for fostering MTOs. In Singapore there are basically no restrictions on freight forwarding companies who wish to undertake business as a MTO. To enhance professional standards in the industry, the Singapore Freight Forwarders' Association (SFFA) in close cooperation with the Trade Development Board established in 1995 an accredited system to regulate MTOs by setting up a "Registry of Accredited Multimodal Transport Operators". To be registered in the Registry, MTOs will be required to meet certain stated criteria such as management capability, capital asset (more than US\$ 72,000) and liability insurance policy (more than US\$ 500,000 per any one claim). SFFA is actively involved in the training of MTOs in collaboration with the UN technical assistance programs and with the port authority on EDI.

### **6.3 ORGANIZATION AND MANAGEMENT OF A VIETNAM SHIPPERS' COUNCIL**

#### **Rationale**

Shippers' influence on the transport industry, including freight services and their rates, will depend on their capacity to define their own requirements and make these requirements known to the industry with sufficient force. The effectiveness of the arguments put forward by shippers during consultation and negotiation with other concerned parties will be enhanced dramatically if they are based on sound knowledge of the industry's organization, cost-structure and market mechanisms.

Shippers' capacity in this regard will be maximized at group level by the establishment of effective shippers' councils such as area councils and commodity group councils. Effective shippers' councils will have the commitment of those they represent, good internal communications and advanced research and analytical skills. They will also have efficient machinery for consultation and negotiation between shippers' councils and all the other parties involved in goods transport.

Many countries organized shippers' councils at least at national level and participate in regional associations such as the Federation of ASEAN Shippers' Councils (FASC), Association of Shippers' Councils of Bangladesh, India, Pakistan and Sri Lanka (ASCOBIPS) and European Shippers' Councils (ESC). However,

Vietnam does not have one. Major considerations in establishing a national shippers' council in Vietnam and of consultation machinery are described in this section.

### **Establishment of A Shippers' Council**

Noting that representativeness and efficiency are important criteria for a successful council, care should be taken in establishing the composition and organization of the council as follows:

- 1) The composition of a shippers' council will reflect how local overseas traders are themselves organized and it could include, for example, industry associations, state marketing and trading authorities, commodity groups, companies, and industrial shippers.
- 2) Given that the membership will consist of a few powerful companies and many small ones, the danger of the predominance of the former over the latter should be avoided by adopting democratic procedures. In particular, private and foreign-invested shippers should be accorded the same treatment as state-owned enterprises.
- 3) The responsibilities of the chairman alone or collectively with vice chairmen should be defined accurately in the statutes and by-laws of the councils. The chairman usually represents the council vis-à-vis third parties (ship owners' conferences, governments, port authorities, etc.) at the highest level. On these occasions, the chairman would naturally reflect the general policy views of the membership.
- 4) Given that frequent general council meetings might not be practical or desirable, it would normally elect an executive committee to manage the on-going business of the council. A shippers' council requires a permanent staff of professionally competent persons. The executive committee, other council committees and its secretariat will act and advise with regard to the guidelines established by the council as a whole.
- 5) A council will need to cover a variety of costs such as wages of secretariat staff, travel, communication, among others. The most obvious means of funding is to charge a membership fee. There are good reasons for making the fee proportion to the total freight amount paid to ship owners by each commodity group, the members of an association or company. The experiences in some countries indicate that one per mille (0.1%) of the freight amount paid by all members on an annual basis gives the council a reasonable income to meet members' requirements. There are other important examples of councils obtaining revenue from the operation of cargo consolidation schemes or forwarding activities. Organizing seminars and study tours with adequate participation fees may yield some profits for the council and benefit the

participants.

### **Consultation/Negotiation Machinery**

The primary purpose of shippers' councils is to obtain the most satisfactory arrangements for the carriage of their members' cargo. To achieve this goal, councils must have the capacity to influence the decisions of other parties in favor of their interests. In the first instance, the means of persuasion should be through consultation and negotiation, as an agreed outcome should strike a reasonable balance of interests and provide a viable arrangement. Only in the event that the other side refuses to consult or negotiate, or does so with obvious intent to frustrate a reasonable outcome, should shippers' councils resort to other means of persuasion, including withdrawal of patronage, appeal to governmental or judicial authority. The advantage of such action would need to be weighed against the probability that it would lead to long-term alienation of the parties.

A shippers' council should be organized and equipped to consult and negotiate with all those parties who have the commercial industrial relations or regulatory capacity to affect the costs and efficiency of transport. Figure 6.3.1 illustrates the consultative relationships with the main consultation partners of shippers.

#### **1) Ship owners**

By far, the most important counterpart of shippers' interests are the ship owners. They are organized mainly in the following way:

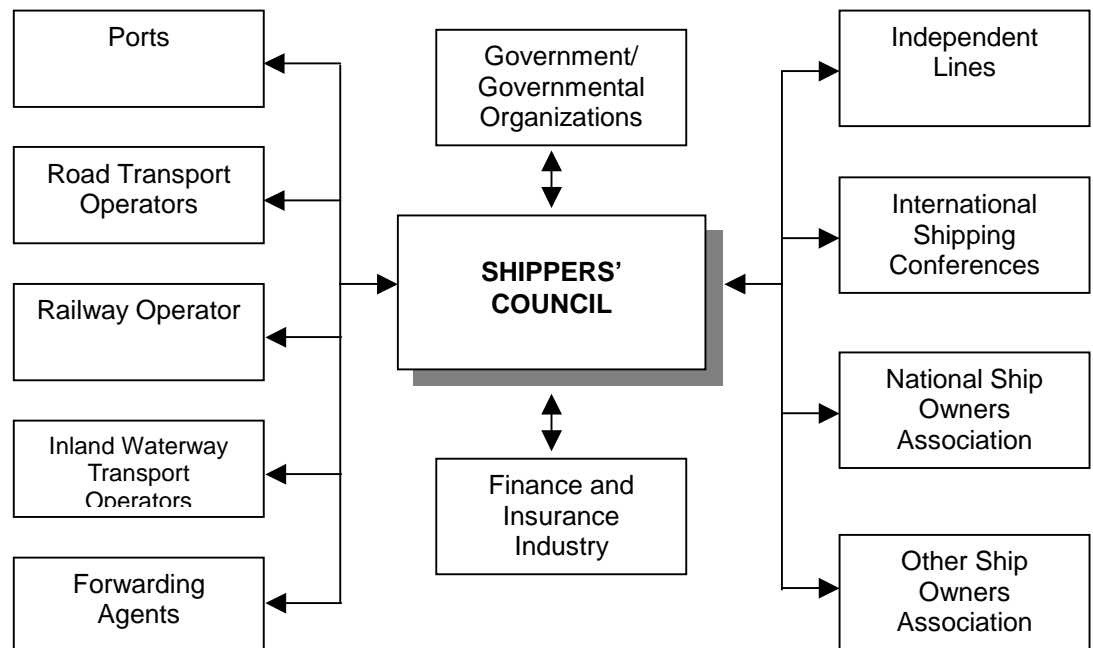
- In international shipping conferences, rate agreements or similar collusive arrangements in defense of their interests
- In national ship owners' associations in defense of their interests as shipping companies of a particular nationality<sup>1</sup>
- In other ship owners' associations belonging to common service areas or serving common commodity groups

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<sup>1</sup> The Vietnam Shipowners Association has 39 members with a fleet of one million dwt as of 1999. It holds a membership of the Federation of ASEAN Shipowners' Association (FASA).



Figure 6.3.1  
Consultation Partners of A Shippers' Council



As a major concern of shippers' council will be the level of competition in the supply of shipping services, it will be in their interest to be knowledgeable about independent lines, such as Evergreen against any trans-Pacific container conferences, and have cooperative and supportive relations with them as appropriate.

## 2) Ports

Ports are of interest to shippers because of their strategic position in the transport chain and because an important part of ship owners' costs is incurred in ports. Shippers in the end pay all these costs. Competition between ports and in the supply of services within a port should be of major interest to a shippers' council.

## 3) Inland transport

Inland transport is an integral part of the ocean transport chain and as such deserves the close attention of a shippers' council. The smooth interaction among inland carriers, terminals and depots is essential for an efficient through transport system. The rates of inland carriers can be a significant element in the total freight costs to a shipper.

Operators of trucks, railway and inland waterway provide a natural focus for daily consultation. Relevant government authorities may be included when regulations and taxes affect shippers' interests. In Vietnam, however, there is

neither trucking association nor IWT association at national level. It is difficult for the proposed Vietnam Shippers' Council to make effective consultations with those modes. On the other hand, the VIFFAS consisting of 18 member forwarders is available as a consultation partner, while Vietnam Railway is a sole rail operator in the country.

#### 4) Finance and insurance

In addition to the parties that are involved operationally with the physical handling and carriage of cargo, a shipping council should be equipped to deal with finance and insurance parties, including their industry associations.

#### 5) Government and government organizations

Governments have the responsibility to balance a variety of interests, including those of their national shipping lines, the ports of the country, exports and imports as affecting the balance of payments of the country, and other matters such as employment and the infrastructure of inland transport. Therefore, the national government should be a regular consultation partner of the shippers' council.

Consultation with the government is particularly important on occasions when a decision must be taken whether or not to ratify international conventions with regard to shippers' daily transactions such as bill of lading (B/L), waybill, MTO bill, etc. and to make or amend regional/subregional agreements with regard to trade facilitation such as ASEAN MTO, described in the previous chapter.

Governmental organizations which are responsible for the issuance of B/L, waybill and MOT bill should be regarded as consultation partners. At present, VINAMARINE issues B/L and Vietnam Airlines issue airway bills on behalf of CAAV.