I. Overview

Vietnam has seen steady growth in this sector, with containerized sea freight alone rising at annually around 20% over the past decade. The transportation and logistics sector consists of shipping lines, air lines, freight forwarders, logistics service providers, air express operators, port operators, warehouse operators, ground handling agents, customs clearance agents, trucking companies, stevedoring services, and other companies with related services. The transportation and logistics sector is particularly important for Vietnam’s economy as it enables the country to have a competitive supply chain and opens future markets for Vietnam. A substantial number of the Vietnamese population work and will work within the transportation and logistics sector in the future.

We believe that developing and linking its infrastructure will be one of Vietnam’s major tasks to reach competitiveness and be integrated better into global supply chains. A major challenge will be to synchronize the different infrastructure types in order to increase the flow of goods throughout the whole supply chain. Over the years, Vietnam has constantly upgraded physical infrastructure. However, these upgrades have often been inefficient in terms of costs and impacts on competitiveness. In many cases, infrastructure projects have been used as a tool of regional policy and relied heavily on external funding.

General recommendations:

- We recommend evaluating physical infrastructure projects by their contribution to competitiveness and not as demand drivers or compensation to regions. Public-private partnerships should be used as an instrument to enhance the effectiveness of capital, not just to mobilize capital.

- Reliable statistical data on the sector is still missing. We recommend issuing a reliable monthly statistical report covering all related import-export data. We further recommend to have an updated information of the infrastructure development (both the planning projects and the on-going projects) advised in the public media on a monthly or quarterly basis.

- There should be a transparent and enforceable system for prioritizing, selecting, managing and evaluating projects. A centralized mechanism to plan, coordinate and oversee infrastructure development should be installed.
- We recommend further developing vocational training as an addition to the existing university programs in order to support the sector, as the growing sector will contribute significantly to employment of Vietnamese.

II. Recommendations with regards to improving physical infrastructure

1. Seaport infrastructure:

- As Vietnam experienced port congestion in 2008/2009, the demand versus capacity projection showed a 20% deficit in capacity. It is recommended to expand port capacities by at least 20% per year to keep track.

- We recommend speeding up the completion of the channel dredging to meet the high demand of larger ships (more than 120,000 DWT) at the terminals in Thi Vai-Cai Mep. Further dredging of Thi Vai-Cai Mep channel is recommended to reach the normal depth (-16 m) required for large vessels on the corridors Vietnam / Europe and Vietnam / USA. Hereafter it is important to continue with maintenance dredging.

- Light signal system and traffic control systems should be installed and upgraded to ensure the safe navigation of all ships 24/7 on the Thi Vai-Cai Mep channel.

- We recommend that a legal document for the navigation of large ships (up to 130,000 DWT) on the Thi Vai-Cai Mep channel should be issued. Such document shall help to increase the number of large vessels calling the terminals in Thi Vai-Cai Mep.

- Dedicated berth and terminal for barge transportation should be built in both Cai Mep and Binh Duong / Dong Nai as soon as possible to serve the huge increase of demand of barge transportation from the industrial parks in Dong Nai and Binh Duong to Cai Mep in connection with the increase of the calls of the large ships in Thi Vai-Cai Mep. Longer berths are recommended to allow shipping lines calling the same terminal with more than one big vessel at a time.

- We recommend improving infrastructure links from/to seaports as well as belt ways connecting major industrial areas. In particular high-capacity access roads to the port areas are needed to cope with the increasing container movements. Such infrastructure planning needs to be very long term as it is expensive and takes time to develop.

- Port charges are currently under discussion and a unilateral understanding of the base for calculation and impact on shipping lines is welcome. Lower port charges
will increase attractiveness of Vietnamese ports, leading to growing transit volume which will support Vietnamese ports master plan (e.g. development transshipment port in Van Phong Bay; gateway ports in Hai Phong and Ba Ria / Vung Tau).

2. **Airport infrastructure:** We recommend additional warehousing space for cargo handling.

3. **Road infrastructure:**
   - In addition to existing roads being upgraded we recommend additional new planned road links and connections to cope with traffic now and in the future. Planned new beltways in Ho Chi Minh City are highly welcomed and additional links to port and airport infrastructure recommended in order increasing average speed on road infrastructure.
   - We recommend speeding up the completion of the expansion of highway 51 and upgrading the capacity (weight limitation, flow capacity) of all bridges on this highway. Planned new belt ways in Ho Chi Minh City and additional links to ports are also recommended.

4. **Railway infrastructure:**
   - Connections with China / Kumming and Hanoi are recommended to help Vietnamese producers reach the Chinese domestic market. It is recommended to enlarge the cargo rail system, especially for linking ports with the key economic areas (e.g. for container transfers between ports and key economic areas).
   - Domestic railways connecting North-Central-South Vietnam should also be upgraded to cater for the increase in traffic as an alternative cost competitive solution to trucking.
   - Connection from/to a rail station in Binh Duong or Ho Chi Minh City which is close to the big industrial parks is recommended to be built as soon as possible.

5. **Inland waterway infrastructure:** We recommend light signal systems for all waterways and access channels in order to cope with the growing barging traffic. Too many small barges mean too much traffic on the waterways leading to congestions there.

**III. Recommendations with regards to Freight Handling**

1. **Sea Freight and port charges:**
- Improving seaport infrastructure would make it possible for mother vessels to access Vietnam ports directly without transit in Singapore, Tanjung Pelepas, etc. Vietnam ports could become hubs for sea freight cargo, increasing the range and volume of logistics services offered in Vietnam.

- Port dues as per present government tariffs are high in comparison with other South East Asian ports and a reduction of these port charges is recommended in order to attract shipping lines entering Cai Mep Port as soon as possible, establishing links with USA and also with European ports.

2. Air Freight: Completion of proposed Long Thanh international airport will keep most of the cargo traffic out of the inner city and new and extended airport facilities will ease cargo handling in peak times. Efforts to further develop and professionalize freight handling and ground handling services at the airport as well as easy but secure access to apron / air side are recommended. Installation of a bigger X-ray will ease checking consignments and will safe the time consuming manual inspection.

3. Rail Freight: There are plans to build a high speed train connection between Hanoi and Ho Chi Minh City. For the time being, we recommend providing a solution for cargo transport to offer reliable transfer of goods by rail between the north, middle and south of Vietnam.

IV. Recommendations with regards to barging

The barging sector in Vietnam is a highly competitive market, as it is a cheap mode of transport for all kinds of goods, especially bulk goods for the building industry. However, currently many of the barges are overweight, causing accidents and therefore slowing down the rest of the waterway traffic. In addition, the huge number of small barges congests waterways adding to the slow down, also reducing overall efficiency.

- We believe that stricter rules for age, safety and pollution should be established, including policing of these rules.

- Also, better dispatch and management of barge infrastructure is needed to cope with increased demand for capacity and timely delivery of cargo to/from the deep-sea ports

V. Recommendations with regards to trucking

Trucks link the inland factories with the ports and airports and also play an important role for domestic distribution. Speeding up trucking will decrease transit time and increase
supply chain quality. Road safety is an issue with trucking; additionally road quality influences break downs which create congestion on road. We recommend:

- We recommend improving road quality and safety, in particular by separating trucking from motorbike traffic on the most frequented streets and motorways to increase traffic flow resulting in shorter trucking times and less fatal accidents combined with better traffic policing. We recommend ensuring highway 51 to be finished in time and to improve roads from Ho Chi Minh City to Cai Mep in regards of scales and toll stations.

- The age of the truck fleet is a concern, and the government should impose more restrictions on age of trucks (both safety as well as environmental focus). Also, we recommend enforcing the laws on weight restriction for trucks, especially in domestic distribution.

- New regulations regarding licenses are welcome and additional training of road safety and securing of cargo is recommended.

VI. Recommendations with regards to customs clearance

We have seen in 2010 a number of positive steps: Customs has actively embraced some of the initiatives from EuroCham’s White Book 2010, and it is pleasing to note that in the area of customs reforms a political will is now apparent and obvious. We recommend that the authorities once more that all efforts to increase efficiency, coordination amongst border agencies, easing documentation and harmonization of cross-border standards will make Vietnam more competitive within the ASEAN region. In particular, we would like to recommend the following:

1. Introducing a tax free threshold or de-minimis on low value commercial shipments: We welcome that a tax free threshold or “de-minimis”, for all shipments has been drafted by customs and the Ministry of Finance (MOF) and is likely to be approved by the Prime minister shortly. The draft indicates a threshold that is competitive with other ASEAN countries and it is likely to be effective in 2011. We believe that this de-minimis amount will help to save cost, speed up handling and will increase Vietnam’s import competitiveness. Audit based inspection via customs can still occur.

2. Enabling pre-arrival clearance: We also welcome that customs have issued Circular 100 relating to simplified express shipment classification. Circular 100 now allows for companies to enjoy “clear on arrival” status for certain classifications of shipments. This simplification, made in close co-operation with EuroCham members, is a major achievement in pre-arrival clearance. We recommend continuing simplification of the following areas:
- Checking based on documents prior to arrival with a reduced physical check based on risk assessment from documentation (change from ‘physical control’ to a ‘documentary control’ regime).

- Some physical control must remain but only to supplement ‘risk management’ based activities (e.g.: profiling of consignors / consignees). An effective pre-arrival clearance measure enables customs to focus its resources and efforts on high risk goods / activities and allows unimpeded delivery of other goods.

- Successful pre-clearance does not depend on having an Electronic Data Interface (EDI) system. An EDI system enhances efficiency in transferring data but it has been found that the trade facilitation benefits of pre-clearance are equally effective in a manual environment.

3. **Complete electronic customs solution and to move it from test phase to a live system:** We welcome the government’s willingness to move towards electronic clearance. However, whilst this is discussed as being available at this time, the reality is that it is still not operating, and largely a “work in progress”.

- We recommend enabling all market participants to use e-customs solutions in order to reduce paper work and speed up import and export processes. Latest EDI format (Electronic Data Interface) are needed to cope with existing global links.

- A unified and linked (EDI) infrastructure for customs will increase supply chain quality and ease customs procedures such as temporary imports. It is also recommended that customs authorities invest more into their IT systems so that the planned EDI linkage and E-Customs procedures can work properly.

4. **Establishing a kind of licensing/registration record for customs agents in Vietnam:** This way, customs agents become more regulated, leading to higher overall quality of customs services carried out by customs brokers.

5. **Payment procedures:** Customs duties and taxes must still be paid in cash for immediate processing of shipments. Bank transfer is possible but needs bank receipt before processing which is time consuming. We recommend allowing companies and individuals to deposit funds to draw duties and fees from in order to have an additional and fast non-cash solution for releasing shipments.

6. **Standardized processes:** It is recommended to standardize processes between different customs zones in order to save time, work and money for both importers and exporters.

7. **Removing administrative burdens:** It is noted that simplification of paperwork and procedures is still behind, resulting in ever bigger administrative burdens for many of our
members. In reality, we often see “on the ground” varying interpretations of laws and circulars, leading to inefficiency in clearance. Also, a lack of communication and training from the decision makers to the customs staff on the ground still creates uncertainty and insecurity. We recommend in particular implementation of Resolution 25 to simplify customs procedures in the framework of Project 30.

VII. Recommendations with regards to Taxes and Duties

1. Allow quotations: Allowing quotations, agreements with customers, agreements with overseas partner companies and actual invoices to be accepted as contract proof in order to qualify for 0% VAT. Further recommendation of clarifying what bank payment evidence is needed.

2. Foreign Contractor Withholding Tax (FCWT): Taking into account above VAT issue, principal intends to recover the corresponding amount of input VAT. At the moment this is not possible as principals are not Vietnam based companies (thus with no VAT number). The remaining solution for the principals is to bill part of the VAT which composes the FCWT formula. However, this result in the collection of only 50% of the effective amount of input VAT paid in Vietnam by them. We recommend to further clarify the position of shipping lines/principals in order to keep the sea transportation cost from and to Vietnam.

3. Simplification of documentation requirements on claiming freight tax exemption for foreign shipping companies: We recommend that Vietnam accepts OECD conventions for allowing tax exemptions under double taxation treaty with other countries.