



**Asia-Pacific  
Economic Cooperation**

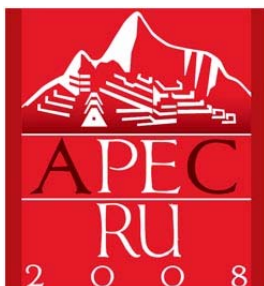
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**Costs and Benefits of Investing in Supply Chain  
Security Measures: Case Study of Successful  
Experiences by Private Sector (Maritime Transport)**

Submitted by: Transport and Chartering Corporation (VIETFRACTH)



**6<sup>th</sup> Secure Trade in APEC Region Conference  
Lima, Peru  
20-21 August 2008**

**SIXTH APEC CONFERENCE ON  
SECURE TRADE IN THE APEC REGION (STAR VI)  
LIMA, PERU, 20 - 21 AUGUST 2008**

Presentation by Mr. Ngo Khac Le, Legal Manager,  
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**Costs and benefits of Investing in Supply Chain Security Measures:  
Case Study of Successful Experiences by Private Sector  
(Maritime Transport)**

APEC STAR VI Delegates,

It is my pleasure to speak to you today at this conference of APEC STAR VI about costs and benefits of investing in supply chain security measures in maritime transport in Vietnam – what we are doing to facilitate trade and business.

The supply chain comprises all the transport and transport related operations and processes starting at the production site and finishing at the destination of cargo point.

Even a smallest interruption to a its supply chain would trigger off a damage to all supply chains in general and maritime activities in particular with economic slowdown, reducing business growth.

For Vietnam, one of the fast maritime transport development economies with many seaports, shipyards, oil exploration bases and shipping facilities alongside about three thousand kilometers of coastline the exposure to risks is high if supply chain security is not managed properly . A serious interruption to the maritime transport in Vietnam can result in huge costly to both their people and economies in a lot of discharging ports where our ships have their schedules to and from Vietnam. Therefore, we are always interested in exchange of viewpoints with other economies on supply chain security to develop the maritime transport of APEC economies.

**A brief overview of some Vietnamese maritime industries for your reference,**

The Vietnam national fleet for the year 2007 develops very fast both from inland building and overseas purchase and comprises of nearly 1,200 ships with 3 million GT and 4.5 million DWT, including 46 flag of convenience ships. This year will see a more dramatic increase in the number of ships. The fleet carried about 62 million metric tons of cargo.

Many seaports, besides the existing ones, are under construction, including international container transshipment port planned to be a hub port for the region. In 2007 there were nearly 90,000 turns of ships going in and out of Vietnamese seaports with total about 320 million GT, increased by 18% compared with 2006. Total volume of cargo throughput of Vietnamese seaports was about 182 million metric tons, increased to nearly 120% compared with 2006, including 4.5 million TEUs, increased by 31% compared with 2006, dry cargo 80 million metric tons, increased by 17%; Passengers passing through Vietnamese seaports were 350,000 turns of passenger.

The Vietnamese shipbuilding industry has seen a boom in the past several years and Vietnam will rank fifth among the biggest shipbuilding countries, according to Fairplay, a UK-based international shipping magazine and will be among the 4<sup>th</sup> biggest ship building countries in the world by 2015. As a result, the industry has attracted positive attention from the shipbuilding community in the world, not only for shipbuilding contract, but also for co-operation between global big shipbuilding industries and local counterparts. Many new projects for ship repairs facilities are deployed along side the sea line.

We intend to have a US\$ 1.23 billion project to build a north – south express sea route using specialized vessels. The route will have six large ferries (Ro – Pax) to carry wheeled vehicles and passengers. They will be built in four years, beginning at the end of this year to 2011. Once completed,

two large ships that can carry 2,700 passengers and 900 vehicles each will run alongside the coastal provinces from north to south of Vietnam. Late last year, we already bought an Italian Ro – Pax ship named “Hoa Sen” for a trial weekly north – south express sea route service, which can accommodate 630 passengers, 100 cars and 153 container trucks.

To protect the newly developed and important maritime industries, supply chain security is considered a key element for a sustainable development of maritime transport.

**Supply chain security measures in maritime transport are much invested in Vietnam.** First, strictly apply the IMO International Ship and Port Facility Security Code – ISPS Code which introduces a standardized framework for the evaluation of risk to ships and ports to maximize maritime security, following the 11 September 2001 attacks in the USA. It is a comprehensive security regime for international maritime transport and port to strengthen maritime security and prevent acts of terrorism against ships and ports. The Code contains detailed security-related requirements for governments, port authorities and shipping. The purpose of the Code is to provide a standardized, consistent framework for evaluating risk, enabling governments to offset changes in threat with changes in vulnerability for ships and port facilities.

Port State Control (PSC) inspections are on all inward and outward ships. Bilateral cooperation of regular PSC idea exchanges on security of ships which are held and multilateral cooperation by participation in IMO conferences, workshops, seminars and other organizations are carried out.

We have intention before 2015 to join international conventions to facilitate trade and business and enhance supply chain security, such as, maritime labour convention (2006), convention for safety of shipping container (1972) and other maritime conventions. For seaborne economic strategy of Vietnam until 2020, special attention is paid to maritime law making and revision to pay the way for the law corridor to meet requirements of fast development for business and supply chain security.

Application of national law and regulation on security for ports, warehouses, ships and other related facilities is compulsory nationwide.

Training work of security knowledge and profession through conferences, workshops, seminars taking place in conjunction with coordination of various Vietnamese and overseas organizations for officers and staff in each enterprise and state agency is very important to the success of supply chain security; especially for the key officers whose status will be recognized by other agencies/authorities in member countries/economies, including practice sharing in international cooperation.

The individual security measures of each enterprise contribute to the success of the whole supply chain security from the production site to final cargo point through preparation of goods receipt for shipment from shippers'/consignors' production/storage site; warehousing, inland operations, forwarding of goods and cargo transport.

Preparation and readiness to cope with new technical challenges, such as the signing of US President George Bush a 9/11 provision into law that compulsory scanning of all containers at foreign ports that are bound for the US is required, but its severe provisions do not start until July, 2012 are arranged.

The bill may slow trade flows, resulting in higher shipping costs and longer waiting times to clear containers. Time will reply whether such method will much improve security or not.

Objectives of the supply chain security in maritime transport are to ensure the safety of our people, increase security without slowing down the free flow of trade; and to reduce and eliminate the unnecessary administrative procedures of re-checking the goods for security purpose in each link of the total supply chain.

Transport security becomes a vital matter in the world in general and in Vietnam in particular.

**Principles for improving supply chain security in Vietnam as a developing economy** are to invest in supply chain security measures in maritime transport to facilitate trade and business are based on the following principles:

- Maritime transport supply chain security is already taken place in Vietnam but it is still not in an advanced status and requires more harmonization with other industries, such as, river, road and air transport in appropriate steps;
- Maritime transport supply chain security needs an active security response between each link of the chain (receipt of cargo from shipper's premises, inland haulage, outbound and inbound clearance, etc, and between State agencies and enterprises as well as the maritime industries);
- For the time being, small enterprises need more support in terms of financial loan and technical assistance so that they can meet the requirements of the whole maritime transport standards;

**Finally, I would like to express that a sustainable maritime transport development can only obtain through increasing and harmonized supply chain security, which in turn will help boost the maritime transport to a new step and implementation of security measures are essential to the goals of APEC in general and maritime transport in particular.**

Thank you.



# VIETFRACHT

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## WARMEST GREETINGS TO

Asia-Pacific Economic Cooperation  
**Sixth Secure Trade Conference  
in the APEC Region**

20 - 21 August 2008, Lima, Peru

From VIETFRACHT, VIETNAM  
Web: [WWW.VIETFRACHT.COM.VN](http://WWW.VIETFRACHT.COM.VN)



## **Costs and Benefits of Investing in Supply Chain Security Measures (Maritime Transport)**





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## 1. Vietnam main maritime transport

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- Country stretching alongside sea coast
- Seagoing merchant fleet
- Passenger ship
- Seaport
- Shipbuilding



	<h2>Socialist Republic of Vietnam</h2>	
<p><b>Capital:</b> HANOI</p>		
<p><b>Main cities:</b> Ho Chi Minh, Haiphong, Danang</p>		
<p><b>Area:</b> 331,690 square km</p>		
<p><b>Population:</b> 86 millions (up to July 2008)</p>		
<p><b>Religion:</b> Buddhism, Catholic</p>		
<p><b>Language:</b> Vietnamese</p>		
<p><b>Literacy:</b> 96%</p>		
<p><b>Economy:</b> Shipbuilding, oil exploration, metallurgy, food processing, textiles, paper products, engineering</p>		
<p><b>Exports:</b> Rice, crude oil, coffee rubber, tea, fish, shrimp</p>		



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SINCE 1963

# SHIPS













# VIETFRACHT

TRANSPORT AND CHARTERING CORPORATION



## Main scopes of Vietfracht

**1. Shipping**

**2. Chartering & Shipbroking**

**3. Shipping Agency**

**4. Freight Forwarding & Logistics**

**5. Trucking & Warehousing**





## 2. Maritime transport position

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- Key to development of economy
- High Capacity, low cost
- New seaports and shipyards
- A seaborne economy by 2020
- Long length coastal line



## 3. Goals of supply chain security

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- To perform a more secure supply chain that brings about better trade efficiency
- To unify supply chain security administrative process
- To balance security and with trade facilitation and sustainable development



## Vietfracht CFS Warehouse

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## Vietfracht

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**Warehouse  
Inside**





## Trucking & warehousing

**W**e provide modern warehouse and management systems in various points of Vietnam such as HaiPhong, DaNang, Ho Chi Minh City, Binh Duong Province...

Our trucks provide safety, timely services, supporting to stuff cargo at the customers site, CFS and terminal.

**Our experienced staffs are ready to assist you with all your requirements!**



## Vietfracht CFS Warehouse



**SAFETY FIRST**





## 4. CHALLENGES

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- **A new developing economy**
- **Technical matter**
- **Budget**
- **Skill**
- **Language barrier**



## 5. Supply chain security measures

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- **ISPS Code**
- **ISM Code**
- **PSC**
- **Tokyo MOU**
- **International conventions**





## 5. Supply chain security measures (continued)

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- National laws
- Maritime Code
- Law on Trade
- International cooperation
- Supporting security initiatives



## 5. Supply chain security measures (continued)

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- General regulation
- Internal regulation
- Embarkation
- Disembarkation





## 5. Supply chain security measures (continued)

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- **Training**
- **Consultancy**
- **Practice sharing**
- **Media**



## 5. Supply chain security measures (continued)

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- **Information sharing**
- **Research and development**
- **Investment for advanced technology**





## 6. HOW TO IMPLEMENT SUPPLY CHAIN SECURITY MEASURES

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- **Mobilization of all resources: equipment, infrastructure, knowledge**
- **Financial support**
- **Technical support**
- **Governmental encouragement**



## 7. Principles for improving Supply chain security

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- **Harmonization (step by step)**
- **Active response between links of chain**
- **More support for small enterprises**





## 8. CONCLUSION

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- **A maritime transport sustainable development can only obtain through increasing and harmonized supply chain security, which in turn will help boost the maritime transport to a new step.**



## 8. CONCLUSION (continued)

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- **Implementation of security measures is essential to the goals of APEC in general and maritime transport in particular.**



THANK YOU

