

“Foreign” businesses lead “internal” logistics market

By GTVT, 04 Oct 2012

Losing the lead role into the hands of foreign businesses, the majority of logistics businesses in Vietnam actually are working for multinational companies, responsible for providing simple and traditional services such as delivery, transportation, warehouse...etc.

“Inferior” in terms of scale and experience

The above statement was made at the symposium on planning, seaport operation management and logistics held in Ha Noi. The Deputy Director of Vietnam Maritime Administration (Vinamarine) Mr. Do Hong Thai said: Our businesses dealing in logistics service mostly have limited funds, staffs that are inexperienced and lacking of professionalism, our logistics businesses just only supply basic services, mainly competing in price, which brings little added value for the country.



Undeveloped sea shipping is also considered bottleneck affecting Logistics

Although having confirmed that our logistics businesses have rapidly grown in career through experience and learned from foreign partners, but the representative of Vietnam Freight Forwarder Association (VIFFAS) admits that the majority of our businesses are small and medium businesses, difficult to compete on the same level with foreign businesses.

The country currently has about 1,000 businesses dealing in logistics; including global logistics businesses developed from agencies, representative offices into joint-ventures or 100% foreign capital...

Vietnam had and has most of the world class logistics businesses present, which means the ability to compete on the same level of state-owned enterprises which are still young with the logistics “giants” is not possible.

Representatives of VIFFAS also reveal that most of our businesses are only agencies, general agencies, “Contractor” of logistics service or provide simple and traditional services such as delivery, transportation, warehousing... Meanwhile, foreign-invested businesses due to their advantages in many aspects, has gradually established the “lead” role in Vietnamese logistics market.

Logistics costs in Vietnam are currently quite high, accounting for 25% of GDP, while in developed countries; this figure is only from 9 – 15%.

Also like that, the cost of transportation in our country accounts for about 30 – 40% of production costs compared with 15% in other countries. “This has reduced the competitiveness of the services and goods of the state-owned enterprises” – as confirmed by the Deputy Director of Vietnam Maritime Administration Mr. Do Hong Thai.

“Search” for the cause, “Select” the solution

There are many reasons leading to the slow development of this type of logistics in Vietnam, in which, worth mentioning is the “knot” in traffic, seaports, lack of multi-modal transport connections. In fact, currently we are deficit on 80% of logistics services, which includes shipping, aviation, insurance, marine services...

Another very important influence to the development of the logistics industry is the lack of research and development of logistics and supply chain at each level (businesses, associations and the state); Deficiencies in occupational standards, assessment standards and criteria for measuring... In addition, the psychology concerns for applying modern management principles, small production, lack of

investment in information technology, narrow vision, competing mainly on price... are the major barriers to the development of human resources for the development of the logistics industry.



Admitted after 5 years of joining the WTO, the logistics industry of Vietnam is still “stalled”, Vietnam Freight Forwarder Association (VIFFAS) confirmed that it’s time to have a breakthrough action to develop the logistics industry in the right range, effectively serving goods trade, domestic and foreign consumers, contributing to the economic development of Vietnam.

Also from this, VIFFAS proposed a series of “leverage” solutions to promote the development of the logistics industry. Accordingly, first, we need to have a strategy for developing logistics services by 2020, with a vision to 2030. Learning from some of the countries with developed logistics industry, in addition to logistics development strategy, it is necessary to build a logistics action plan which specifies the objectives for each phase and have an Inter-Ministerial Committee for National Logistics coordinate in implementation. The Inter-Ministerial Committee for National Logistics as proposed by VIFFAS includes the ministries, agencies led by a Deputy Prime Minister as the Chairman... Along with that, VIFFAS also proposed establishing the National Logistics Association, the Annual Forum on Logistics, the Institute for research and development of Logistics and the National supply chain...

LPI Index (logistics capability index is assessed by the World Bank every 2 years) of Vietnam in 2012 is 3.00 (compared to 2.96 of 2010) ranked 53/155 nationally.

LSCI index (index number of international container train connections is assessed by UNCTAD yearly) of Vietnam in 2012 is 18.35, ranked 20/162 nationally. In 2010 was 5.26, ranked 36/162 nationally.

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(Translated by Portcoast)