

PORT GOVERNANCE: A GENERAL RESEARCH AND CASE STUDY IN VIETNAM

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ABSTRACT

This paper covers two main parts. In the first one, the author focuses on investigating and reviewing the main issues of port governance in the world from previous studies in different famous journals. The results show that in most research about port governance, the authors focus much on the definition, the purpose or the role of port governance, the governance structure, the governance model, the port ownership, legal documents and port policies related to ports. Then the second part of this paper presents the author's application of the theoretical background from the first part into the current situation of Vietnamese port governance and her suggested solutions to improve port governance in Vietnam in the future.

Key words: Port governance, port governance model, port ownership, port governance structure, port policies, port governance in Vietnam

QUẢN TRỊ CẢNG BIỂN: NGHIÊN CỨU TỔNG QUAN VÀ THỰC TIỄN Ở VIỆT NAM

TÓM TẮT

Bài báo sẽ tập trung vào hai phần chính. Phần thứ nhất, tác giả sẽ tập trung nghiên cứu và hệ thống lại các vấn đề chính liên quan đến Quản trị cảng biển (Port Governance) trên thế giới từ các bài báo khác nhau trong các tạp chí nổi tiếng khác nhau. Kết quả nghiên cứu cho thấy hầu hết các nghiên cứu về Port Governance đều tập trung vào các khái niệm, mục đích hoặc vai trò, cấu trúc, mô hình, sở hữu cảng biển của Port Governance, các văn bản pháp lý và chính sách cảng biển. Qua đó, trong phần hai, tác giả sẽ áp dụng vào thực tiễn thực trạng Port Governance tại Việt Nam. Đồng thời tác giả sẽ đưa ra một số đề xuất nhằm hoàn thiện Port Governance tại Việt Nam trong thời gian tới.

Từ khoá: Quản trị cảng biển, mô hình quản trị cảng biển, sở hữu cảng biển, cấu trúc quản trị cảng biển, chính sách cảng biển, quản trị cảng biển tại Việt Nam

1. INTRODUCTION

Seaport is the gateway of a country. Seaport is a focal point, an important node in a country's transport system. Sea ports increasingly play an important role in the socio-economic development of a country. The volume of imports and exports between countries in the region and the world today is mainly through the way of sea transport. Due to the different geographical positions and distance to markets, the linkage, cooperation between countries and the involvement in the supply chain system, the role of seaports depend greatly on port Port Governance, seaport competition, port operation and institutional reforms of port. On the other hand, with increasing port costs, the integration between trade and economic inefficiencies leads to the declining competitiveness of seaports and inefficient port operation. Many studies have shown that the main reason is due to inappropriate port management and management model, weak competitiveness, large gap between port governance and legal framework and

a series of issues. Other issues related to procedures and administrative procedures in the seaport sector. Therefore, the study of seaport governance is very necessary in the context of globalization and the trend of commercialization, internationalization and privatization worldwide which is taking place. Seaports are under the influence of these trends. The study of seaport governance is the generalization of concepts, contents and especially issues related to seaport governance through systematizing previous studies and applying them in practice in Vietnam. After that, the author will find out the limitations and finding solutions or giving some suggestions to improve the efficiency of seaport management and operations activities in the future, contributing to the socio-economic development in Vietnam.

2. A REVIEW STUDY OF PORT GOVERNANCE

So far, there have been many authors studying Port Governance in the world. The number of studies is shown in the Figure 1 below.

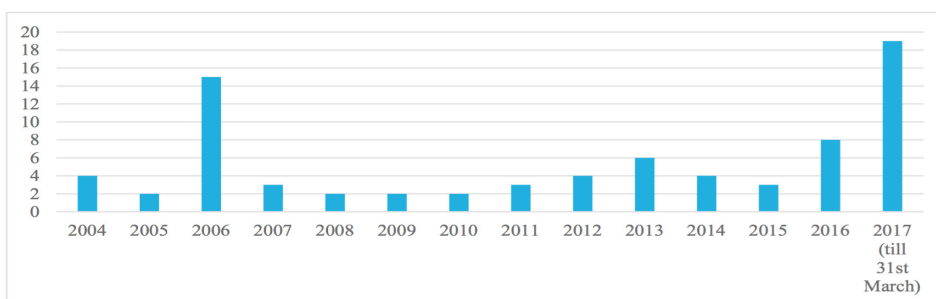


Figure 1. Number of research of Port Governance

Source: Q Zhang et al., (2018)

The above figure shows the sharply increase of number of research of Port Governance done by G. Zhang et al. 2018 in the world in the time period from 2006 to 2017. These studies focus mainly on Devolution, Port Governance and Port Performance and published in the journals of “Transportation Economics. Another study, “Revisiting Port Governance and Port Reform” was published in the journal of

“Transportation Business& Management”. Research about Port Governance were mostly in these famous journals which provide the most interesting and important papers about port governance. It has had great achievement not only in theory but also in practice in current port governance development. Articles on Port Governance are published in popular journals and with the ratio as follows:

Table 1. The proportion of papers of port governance in specific journals

Journal	No. of studies	%
Research in Transportation Business and Management	23	29.8
Research in Transportation Economics	17	22.1
Maritime Policy and Management	9	11.7
Journal of Transport Geography	5	6.5
Transport Reviews	4	5.2
Transport Policy	2	2.6
International Journal of Transport Economics	2	2.6
International Journal of Shipping and Transport Logistics	2	2.6
Other journals (one article each)	8	10.4
Book chapter (chapters in different books)	5	6.5
Total	77	100

Source: G. Zhang et al. (2018)

In totally 77 papers of port, there are more than half of them published in two famous journal, accounting for 30% (33 papers) in the journal of “Transportation Business & Management” and 22% (17 papers) in the journal of “Transportation Economics” respectively.

In recent years, articles on Port Devolution, Port Governance and Port Performance have been published in various journals such as Maritime Transport and Policy, Journal of Asian Shipping and Logistics, Transport Policy and others. Port Governance has become an important analytical concept in port academic field.

Some scholars focus on the basic issues of port governance, for instance, port governance model (Brook and Cullinane, 2006), the relationship between port governance and port performance (Brooks and Pallis, 2008), the port governance reform process (Brooks et al, 2017), the port governance reforms and port authority routines (Notteboom et al, 2013) and Qing Zhang et al (2018)’s paper investigates two basic question of port governance namely Who governs and What is governed.

Definition of port governance

Port Governance is considered as a governmental issue. Yet, this concept

is beyond the public context and can be approached from the corporate and social perspective. According to Stoker (1998) cited in Lam et al. (2013) “governance is a complex set of institutions and actors drawn from, and also beyond, government. It identifies self-governing mechanisms of actors”. “Port governance refers to the set of rules and structures available for managing their own strategies; from the administration perspective, governance refers to the set of rules and structures imposed on firms to influence their decisions” (Brooks and Cullinane 2007). According to Talley (2009) , “Port Governance involves ownership, management and control of port operations.”

Port governance model and structure

According to (Brooks and Cullinane (2007), there are 5 different Port Governance

models, depending on the sharing of port ownership between the State and the private sector, the port management: the State manages, controls and owns the port. State-owned port, local government to manage and control the port, the State owns the port, the management and control is the responsibility of the group, the State owns the port and the private administration of the port through transfer contracts, eventually port private ownership, management and control, the division of functions and functions of the port in the same model may be different in each country. However, in general, port ownership and control of assets in the port will be handled by the port authority if the port model is Public services, this function will be transferred to the private sector if it is a privatized port model.

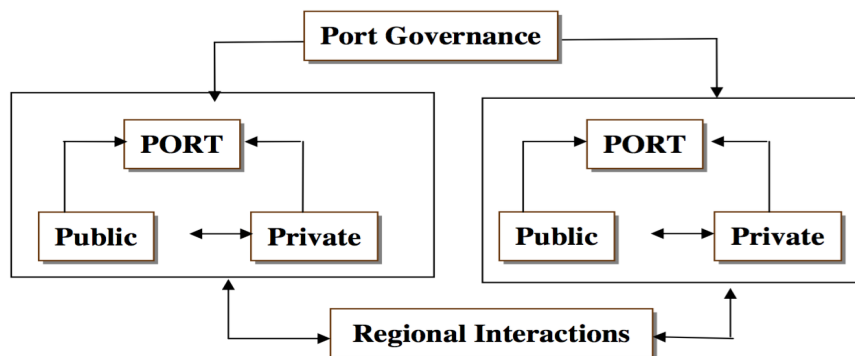


Figure 2. Structure of Port Governance

Source: Adolf K. Y. Ng

According to Geiger (2011), cited in Borges Vieira et al. (2014), any port governance model will consider and answer 3 questions, what is seaport governance, how the port is governed and how to manage seaports. There are three views

directly related to port administration: port governance structure, administrative actions and port administration elements.

Port structure (Figure 2) refers to the legal framework, action is the tool to achieve cohesion in seaports, the elements

of port administration are the agents and relationships with each other.

Within the legal framework of seaport governance, Tall (2009) points out

that: Seaport management involves port ownership, port management and port operation control.

Field of port governance

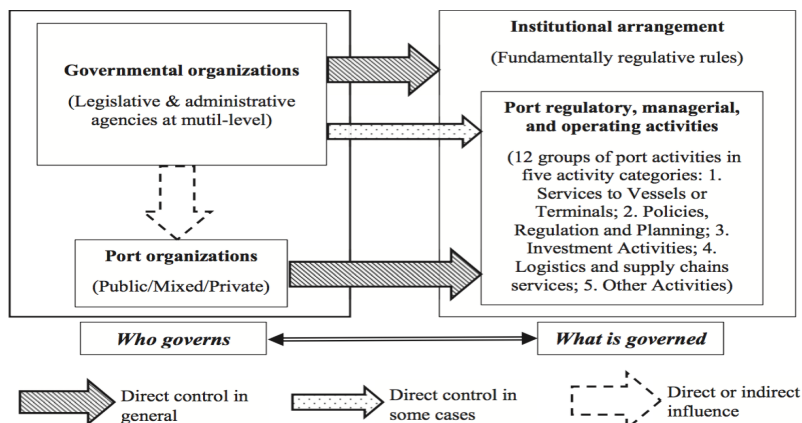


Figure 3. The basic governing actors and governed objects in port governance

Source: G. Zhang et al. 2018

What will Port Governance govern? As we know, government organizations are organizations that focus on issuing legal documents and regulations related to seaports. Meanwhile, the main function of ports is to manage and exploit the port. Government and seaport organizations will create a major port authority. Therefore, the main objective of Port Governance and in a logical and logical way is divided into 2 categories. This also implies the relationship between seaport management agents and governance objectives expressed in the port administration structure or model or port administration tool.

3. PORT GOVERNANCE IN VIETNAM

3.1 Overview of seaport in Vietnam

Port plays an important part in Vietnam's trade and economy. Globalization and integration has driven challenges to

Vietnamese seaport system. Port governance is one of the biggest issues nowadays in Vietnam. This article looks at the current status of port, port governance structure and as well as port ownership of Vietnamese port and changes in national policies on port industry regulated by the Vietnamese government... ect. Literature review shows the port studies have officially focused on port governance and how port governance will become a part of port devolution in the world. The author will discuss and analyze the port governance in Vietnam to investigate the solutions to enhance the port governance in Vietnam in the future.

Vietnam has a long coastline of more than 3260 km, located in an important geopolitical position, 3 sides adjacent to the East Sea, with the Maritime Index 0.01. Currently there are 28 out of 64 provinces and cities in Vietnam with sea. Vietnam is located in the region with

the busiest sea traffic in the world. Most of the world's major seaports are located in Asia, the world's main shipping routes all pass through this sea area. with the favorable geographical position, it can be one of the driving forces for seaport development, developing Vietnam's maritime economy in the future.

Vietnam currently has totally 44 seaports (17 seaports of type I and IA, 14 seaports of type II, 13 seaports of type III, and offshore oil ports (Decision No. 2013, 2013), divided into 6 groups of seaports stretching from north to south:

- Group 1: In the North from Quang Ninh to Ninh Binh provinces;
- Group 2: In the North Central Coast from Thanh Hoa to Ha Tinh provinces;
- Group 3: In the Central Coast from Quang Binh to Quang Ngai provinces;
- Group 4: In the South Central Coast from Binh Dinh to Binh Thuan provinces;
- Group 5: In the southeast of Ho Chi Minh City;
- Group 6: In the Mekong Delta River (including Phu Quoc Island and islands in the southwest);

Table 2. Characteristics of 6 seaport groups in Vietnam

Seaport Group	Ship DWT (Max)	Total Length (m)	Total Capacity	
			Ton	Teu
Group 1	53.000	12.920	62.595.000	2.231.000
Group 2	82.295	2.672	135.900.000	-
Group 3	45.000	5.790	33.978.000	-
Group 4	50.000	5.494	39.365.000	290.000
Group 5	160.000	29.422	84.412.375	11.485.000
Group 6	20.000	3.035	15.815.508	16.000

Source: Vietnam Maritime Administration

3.2 Growth of cargo throughput through seaport system in Vietnam

In the period of 12 years, the total cargo throughput in Hai Phong port, Ho Chi Minh Port and in Vietnam seaport system climbed up dramatically. Hai Phong port witnessed the increase from 13.5 million tons in 2005 to 78.13 million tons in 2016. The annual average growth was about 14%. Whereas, Ho Chi Minh port, the biggest port in Vietnam, the total cargo throughput increased from 71 million tons to 111 million tons in 2016. However, the

total volume of cargo declined to 80.7 million tons and 79.2 million tons in 2010 and 2011 respectively before it rose again in the next years. The total cargo volume through Ho Chi Minh reached at the peak of 111 million tons in 2016. Finally, the total cargo through put in the seaport system in Vietnam increased stably from 140 million tons to 459 million tons in the 12-year period with the average growth of approximately 20% annually. (see Figure 4)

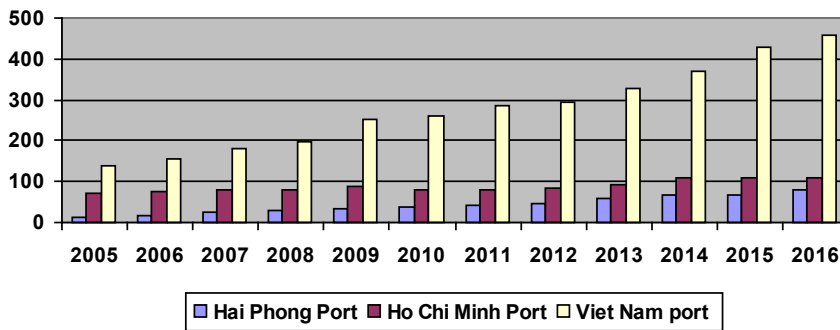


Figure 4. Cargo throughput from 2005 to 2016 in Hai Phong, Ho Chi Minh and Vietnam seaport

Source: Compiled from Vietnam Maritime Administration

3.3. Port Ownership and management

Vietnamese seaports are now owned and managed by various ministries and agencies: Ministry of Transport (most major seaports in Vietnam), Ministry of Industry and Trade (Cam Pha coal port), Ministry of Commerce, Ministry of Defense. Vietnam National Shipping Lines, a representative of the State-owned corporation, currently owns and manages most of the ports of type I and IA in Vietnam.

There are over 100 port companies in Vietnam. These seaport enterprises now operate under a joint stock company model. Major ports in the North, Central and South have issued shares to the market and listed on stock markets in Vietnam. Type I and IA seaports in 3 regions have a ratio of more than 50% of shares held by the State. Especially, over 90% is the percentage of shares in Hai Phong Port Joint Stock Company held by the State.

A number of ports are now established based on cooperation with foreign partners such as Lao - Vietnam port, a joint venture with Laos or Cai Lan international container

port joint stock company, Quang Ninh with a joint venture with the US.

3.4. Port Governance Model and Structure

Currently, there are 4 popular port management models in the world. However, at present, Vietnam's seaport is applying the model of public service port and this model is in the process of transforming into another one in the future. Major seaports' infrastructure and some seaports' superstructure are invested by the State and the State assigns them to enterprises or corporations and State owned companies on behalf of the State conduct management and operations of ports. However, according to the privatization trend, Vietnam now has new more models for private and domestic port operators to lease infrastructure to operate ports under a lease contract within about 30 years with conditions that such port operators invest in equipment for loading and unloading, and hiring labor in ports. However, this model differs from the fully privatized model in the world, which is the state's surface water and land ownership while the world belongs to the private enterprises.

3.5. Laws / Legal documents in Vietnam

Currently in the world, most countries have a Act or Law on seaports. However, in Vietnam, regulations on seaports are issued in one chapter of the Vietnam Maritime

Code. Before 1990, Vietnam Maritime Code was not issued and there was only one maritime decree. In 1990 there was the first Maritime Code, 2005 revised and supplemented; 2015 is the next revised and effective from 1.7.2017.

Table 3. Legal documents relates to port in Vietnam

Areas	Legal Documents/Laws
Port investment	Investment Law; Article 83, Vietnam Maritime Code 2015
Port management and operations	Article 87, Vietnam Maritime Code 2015
Port service prices and charges, fees	Article 90, Vietnam Maritime Code 2015
Conditions for seaport business operations	Decree No. 37/2017 / ND-CP on conditions for seaport business operations in Vietnam

4. CONCLUSION

The research has achieved some following results that are to systematize the theoretical basis of Port Governance, such as the concept and content of Port Governance and detail the contents of Port Governance; synthesize researches on Port Governance in the world in recent time and to study Port Governance status in Vietnam, then analyze the advantages and disadvantages, the causes and suggestions to improve Port Governance at Vietnam's seaport system.

Institutions (regulations, laws, policies) on seaports such as models of management and operations, seaport investment and general port business conditions have been established. Decrees on business conditions for some types of seaport services were also issued. The state also issued a container handling service price framework to ensure stability and unequal competition. Port ownership also becomes more diversified. In

addition to state-owned enterprises, private owners can also own seaports in the form of buying shares or investing in seaports. However, at present, large seaports are still owned and managed by the State or State-owned enterprises. Thus limiting competition and the development of major seaports in Vietnam.

The model of the Port Management and Operations Board has not been detailed with specific Decrees and sub-law documents guiding the implementation of the Decree.

The conditions for seaport operations business were issued in 2017, but there are still some unreasonable points. In the opinion of some experts, it lacks practicality and hinders business and seaport operations. For example, a minimum of 5 years of working experience is not reasonable. Businesses have the right to recruit personnel and train them to suit their positions at seaports.

Another unreasonable provision is that the regulations on the condition of machinery and equipment for loading and unloading must be adequate. Depending on each task, each type of service and the objects arriving at the port, port enterprises can invest so as to effectively avoid waste.

In order to improve Port Governance, Vietnam Government should find out and apply the right Port management and ownership model and have suitable and effective seaport development policies, seaport business conditions .

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