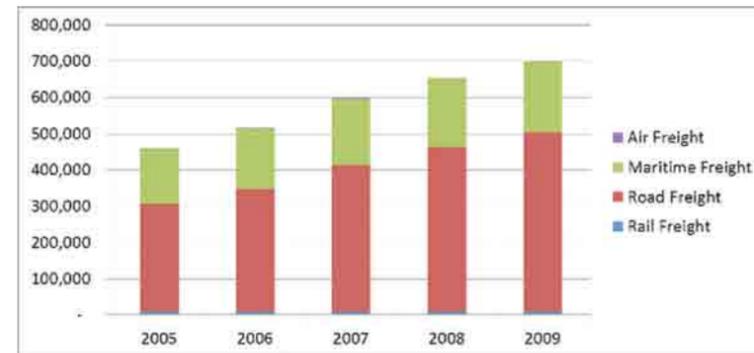


# WHICH ROAD AHEAD FOR VIETNAM'S ROAD FREIGHT INDUSTRY?

By Damien Duhamel, Managing Partner Asia Solidiance

Road freight holds a natural advantage in Vietnam's USD 3 billion dollar logistics industry. Vietnam's unique geography stretches almost 2,000 km from the North to South. With almost no air freight, limited rail freight, humble maritime freight, road freight represents about 75% of freight volume in Vietnam.



Volume of freight (thousand tons)

	2005	2006	2007	2008	2009
Air Freight	111	121	130	131	138
Maritime Freight	153,197	165,678	184,260	188,724	196,955
Road Freight	298,051	338,623	403,362	455,898	494,650
Rail Freight	8,787	9,153	9,050	8,481	8,068

(Source: Government Statistics Office of Vietnam)



Transporting goods by road in Vietnam takes only 1-2 days compared to maritime freight which takes up to 4-5 days. Weak infrastructure, administrative red-tape and stormy weather pose further delays at the ports. Furthermore, Mr Nguyen Huu Duy from NOL estimates that "shipping a 20 foot container from Da Nang to Ho Chi Minh City can be USD 100-200 more expensive compared to road freight".

David Stenberg, the General Manager of TNT's award-winning Asia Road Network sees a great deal of potential for road freight in Vietnam. When compared with air freight, road freight on the Asia Road Network is, on average, 30% cheaper. Transportation on the Asia Road Network is also three times faster than sea freight. Integrated road freight solutions that link up with air or sea freight are becoming increasingly attractive to companies entering Vietnam.

Identifying Vietnam as a strategic link to China, TNT has opened a new regional hub outside of Hanoi and may expand its network in Da Nang and Ho Chi Minh City.

**Number of enterprises**

	2000	2008
Air transport	4	13
Maritime transport	322	958
Land transport, transport via pipelines	1,002	4,890
Supporting and auxiliary transport activities	455	2,805

(Source: Government Statistics Office of Vietnam)

Local companies have caught on the wave of development. Over the last decade, the number of transportation enterprises increased by almost five-fold according to the Government Statistics Office of Vietnam. Most of these new enterprises are small to medium sized, and the bulk of logistics business still goes to the bigger multinational companies.

Traffic congestion gravely affects urban areas and important industrial zones. Mr. Nguyen Huynh Phuong Nam, the transportation superintendent from Holcim Concrete observes a traffic bottleneck, "Our National Road has only four lanes for all types of vehicles; motorbikes, cars, trucks, containers. The road that leads to Cat Lai Port, one of the biggest container ports in Vietnam, has only two lanes. This is why traffic jams happen every day."

"Road and traffic condition are certainly challenging in Vietnam, especially in the major cities where congestion often occurs. TNT's vehicles mainly travel at night so we can avoid the congestion."

**David Stenberg, General Manager, Asia Road Network, TNT**

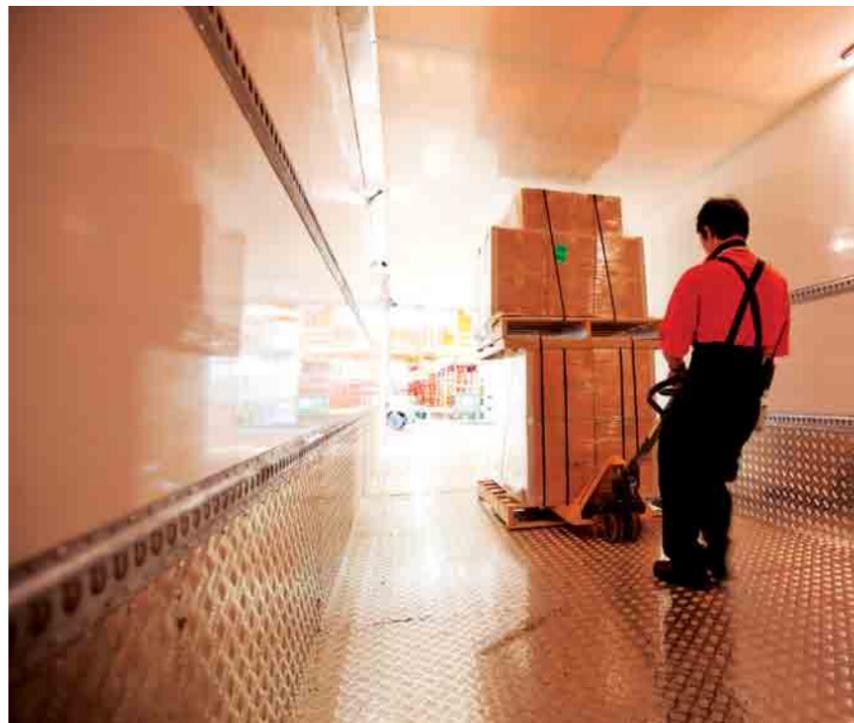
Nam points out, "Vietnam is now scrambling to develop infrastructure to keep up with its growth."

So, what will it take to resolve road freight challenges in Vietnam?

Firstly, without the urgent expansion and upgrading of road facilities, Vietnam will not be able to face its export appetite and boom in foreign direct investment, Damien Duhamel the Managing Partner of Solidiance says.

However, as road freight is part of a wider logistics network, Duhamel foresees that over the next 10-12 years, Vietnam's authorities will also need to focus on upgrading ports, soft skills and technology to ease logistic bottlenecks.

Nearly 75% of the current import and export shipments transit via Ho Chi Minh City's ports, and this is not sustainable given the projected trade growth. The government needs to join forces with the private sector to build new ports, and expedite the process of putting them into use. Some ports are built, but the roads leading to the ports are not. Phu Huu and Hiep Phoc are two such cases.



Thirdly, drivers and logistics service suppliers need to be trained. Good roads with bad drivers are an equally bad proposition. There is a serious lack of soft skills at all levels which hurts the logistics industry and third party logistics companies alike.

Last, there is a lack of technology integration in the road network in Vietnam. Logistics companies need to either build or upgrade their information sys-



tem. There is not enough information sharing between the multitudes of logistics players. Freight forwarders, warehouse operators, fleet operators and integrated logistics companies are fragmented and poorly integrated, which results in duplication of efforts, drives higher costs and extends lead times.

If all of these issues can be solved or partly addressed, road freight will be well on its way to fully realizing it's potential.

*Damien Duhamel is the Managing Partner Asia at Solidiance. He has more than 18 years of strategy consulting related experience in Asia Pacific. Previously, he was the Asia Pacific Managing Director of the consulting arm of a London-listed Aegis PLC. Based in Singapore he managed the whole unit comprising 15 offices in Asia. Damien has worked on multiple Fortune 500 and Government organizations projects. Based in Singapore he managed the whole unit comprising 15 offices in Asia. Damien has worked on multiple Fortune 500 and Government organizations projects. Damien has studied, lived and worked in Vietnam for over six years where he advised MNCs on go-to-market strategy. Damien is a recognised competitive strategy and Vietnam expert.*

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