

# **Promoting Efficient and Competitive Intra-ASEAN Shipping Services – *Myanmar Country Report***

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## I. MARITIME ADMINISTRATION AND POLICY

### A. CABOTAGE

Given the large coastal trade, cabotage is an important issue. This is controlled by the Ministry of Transport, which also regulates matters such as the minimum pay scale for crew, recruits seamen (approximately 2500 per year), and controls the registration of vessels and registers foreign vessels under the terms for bare boat chartering.

### B. FUTURE PORT DEVELOPMENT

Yangon will always have physical constraints that inhibit efficient shipping operations. Yangon is a river port, which only has a maximum draught of 9 metres. Thus, more dredging is required especially during the dry season. During the rainy season (from May to October) port efficiency is further adversely affected as some of the cargoes (such as rice) are not yet containerized. These problems are exacerbated by bureaucratic process and the difficulties associated with obtaining the resources for further investment in port facilities.

If exports, particularly agricultural exports were able to expand to their full potential there would be a longer-term requirement to consider alternative sites for deep sea commercial ports in Myanmar. There are possible sites. Kyaukpyu in Rakhine State is the most promising<sup>1</sup>. The navigation channel has been estimated to be more than 15 metres and the harbour area has a natural minimum depth of about 18 metres with an anchorage area of 1000 to 3000 metres. However decisions to move port facilities from Yangon would be a major decision that is unlikely under present conditions.

### C. GENERAL COMMENT

There is considerable potential to expand and improve shipping services in Myanmar. However the greatest return will occur if an improvement in the shipping sector is part of a more comprehensive reform of the economy.

On the demand side a liberalisation of the economy would increase both international and domestic trade. There is great potential for expansion of exports, particularly in the agricultural sector. Removal of foreign exchange constraints, which could only occur as part of comprehensive reform, would produce strong growth that would facilitate exports and imports.

On the supply side, reform would promote competition and investment. Given the significant coastal trade, liberalisation of the restrictions on coastal shipping would improve domestic services and lower costs for producers, particularly agricultural producers. Comprehensive reform would also encourage foreign investors, particularly the multilateral financial institutions, who have been reluctant to become involved in the economy.

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<sup>1</sup> There are other possible sites. For example Kalegawk in Mon State, and Dawei in Tanintharyi Division both have suitable sites with minimum depth of 12 metres. Bokpyin also is a potential site.

## II. NATIONAL FLEETS

The major shipping line in Myanmar the State owned Myanmar Five Star Line (MFSL). The company was established in 1959 to cater for the carriage of Myanmar's export and import trade as well as to meet domestic demand for the carriage of passengers and cargo. It operates 26 vessels with a total DWT of 153,635 tons. Table 1 shows the structure of the Myanmar Five Star Line Fleet.

**Table 1: Myanmar: Vessels Operated by Myanmar Five Star Line<sup>2</sup>**

Ocean Going Vessels	Year Built	Country Built	DWT	TEU Capacity
Dawei	1998	China	11,654	382
Kentung	1998	China	11,654	382
Sagaing	1985	Germany	13,055	383
Magway	1985	Germany	13,055	383
Bago	1983	Germany	13,105	383
Mandalay	1983	Germany	13,105	383
Mawlamyine	1979	Germany	11,660	400
Sittwe	1979	Germany	11,660	400
MV Cosmic Master	1991	Japan	10,290	
MV Cosmic Challenger	1990	Japan	8,335	
MV Spring Trader	1989	Japan	8,242	
MV Ocean Brave	1991	Japan	6,950	
Short Sea Trade Cargo Vessels				
Chin Shwe Haw	1996	China	3,300	
Mongla	1996	China	3,300	
Pagan	1979	Norway	2,076	
Hpa-an	1979	Norway	2,076	
Coastal Cargo Vessels				
Loikaw	1978	Myanmar	790	
Lashio	1975	Denmark	700	
Pha Shwe Gyaw Ywa	1964	Denmark	1,575	
Htone Ywa	1961	Germany	1,720	
Shweli	1970	Japan	1,305	
Coastal Passenger-Cargo Vessels				
Thanlwin (Passenger)	2000	China	592	440 Passengers
Chindwin (Passenger)	2000	China	592	440 Passengers
Hakha(Passenger/Cargo)	1979	Norway	948	315 Passengers
Myitkyina (Passenger/Cargo)	1979	Norway	948	315 Passengers
Taungyi (Passenger/Cargo)	1979	Norway	948	315 Passengers
Notes: These vessels are manned by Myanmar certified officers and crew. There is a total of 198 Officers and Engineers plus 916 Crew to operate the vessels Source: Myanmar Five Star Line				

<sup>2</sup> Based on Myanmar Customs Department Statistics there were 17 shipping lines using Yangon Port facilities in 2003-4. They were, Five Star, ACL,Eagle,Hubline,IAL,Premier Spectrum, Total,Premier, Ocean Tanker, Trade Sea, Gulf Agency, MM Shipping, JAC,Prominent and GGH Trading.

### III. PORTS

#### A. YANGON

The main port of Myanmar is at Yangon. The tables below show activity at the Yangon Port. Whilst the majority of traffic is international, there is significant coastal activity. Much of the coastal activity does not use the wharf facilities. The breakdown of trade by commodity shows the reliance for exports on rice and timber. Myanmar trade is characterized by exports of homogeneous and semi finished products that are constrained by vessel weight capacity and imports of finished products that are constrained by volume.

**Table 2: Myanmar: Shipping Handled at the Port of Yangon (tons)**

<b>Movements</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Out shipments</b>					
1 Wharf	2,532,422	3,049,316	3,224,652	4,231,389	4,785,481
a) International	2,446,733	2,888,846	3,046,063	3,962,816	4,623,685
b) Coastal	85,689	160,470	178,589	268,573	161,796
2 Foreshore	143,207	96,911	140,670	150,545	189,828
a) International	1,016	94	13,318	-	-
b) Coastal	142,191	96,817	127,352	15,045	189,828
3 Mid Stream	132,616	30,021	5,227	-	2,761
a) International	40,693	30,021	5,227	-	2,761
b) Coastal	91,923	-	-	-	-
4 Total	2,808,245	3,176,248	3,370,549	4,381,934	4,978,070
a) International	2,488,442	2,918,961	3,064,608	3,962,816	4,626,446
b) Coastal	319,803	257,287	305,941	419,118	351,624
<b>In shipments</b>					
1 Wharf	4,201,774	4,306,529	4,693,106	6,189,952	5,071,784
a) International	4,162,903	4,256,796	4,650,052	6,124,699	5,000,128
b) Coastal	38,871	49,733	43,054	65,253	71,656
2 Foreshore	157,964	103,935	72,733	90,539	126,210
a) International	38,481	528	215	-	36
b) Coastal	119,483	103,407	72,558	90,539	127,174
3 Mid Stream	1,010,084	30,361	21,035	5,820	3,144
a) International	1,009,959	30,361	21,029	5,820	3,144
b) Coastal	125	-	6	-	-
4 Total	5,369,822	4,440,825	4,786,914	6,286,311	5,201,138
a) International	5,211,343	4,287,685	4,671,296	6,130,519	5,003,308
b) Coastal	158,479	153,140	115,618	155,792	197,830

**Table 3: Myanmar: Cargo Commodity Composition (tons)**

<b>Movement</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Out shipments</b>					
Petrol, Oil & Fuels	128,331	101,342	115,466	137,696	68,031
Rice & Rice Products	49,687	132,608	130,933	303,118	947,051
Minerals	25,851	39,802	78,052	97,901	52,026
Timber	535,242	694,474	945,827	1,013,811	807,184
General Cargo	2,069,134	2,208,022	2,100,271	2,829,408	3,103,778
Total (all commodities)	2,808,245	3,176,248	3,370,549	4,381,934	4,978,070
<b>In shipments</b>					
Petrol, Oil	968,996	852,107	897,770	2,125,743	1,132,396
Total (all commodities)	5,369,822	4,440,825	4,786,914	6,286,311	5,201,138

Navigation at Yangon is usually limited depending on the vessel's actual draft and speed in order to clear the two bars. Entry into the inner harbour is restricted to daylight hours. Entry into the port is limited to vessels up to 10,000/15,000 DWT with a maximum draft of 9 metres and a maximum length of 167 metres. The ability of the port to load and unload cargo is also heavily constrained by the season. Key bulk cargoes such as rice are often delayed in the wet season.

Port facilities are largely controlled by the Government. The ports of Myanmar are administered by a single port authority, the Myanmar Port Authority, (MPA), which is responsible for terminal facilities and services for shipping. A summary of port facilities is shown in Table 4 below.

At present there are 11 Myanmar Port Authority owned wharfs, six other government owned wharfs and nine private owned wharfs for international vessels. Sule Pagoda Wharf has seven berths and there are three berths at Bo Aung Gyaw plus the Hteedan Rice Berth. Thilawa, an international multi-purpose port, is fully owned by a foreign private company, Hutchison Port Holdings.

While there are constraints on the ability to expand the available port resources, there are plans for further expansion. These include replacing the Htee Tan Wharf with a bulk handling berth, developing Sule Pagoda Wharf No. 8 as a modern conventional berth and upgrading Bo Aung Gyaw wharf. Details of the Yangon-Thilawa Port Improvement Project Proposal (part of which has been implemented) are provided in Attachment 1.

The constraints on implementing these expansion plans lie in the reluctance of foreign investors to provide funds. None of the Multi-lateral Funding Institutions have lending operations in Myanmar and the ability to finance plans of this magnitude from domestic resources is extremely low.

**Table 4: Myanmar: Yangon Port Facilities**

Berth	Length (m)	Apron (m)	Storage	Owner	Type
Hteedan Berth	180	21	Yard (21738 m <sup>2</sup> )	MEC	General Cargo
Hteedan Rice Berth	139	12.5	Shed (6689m <sup>2</sup> )	MPA	Rice and Rice product
No 1 Ahlone Wharf	208	30.0	Yard (4363 m <sup>2</sup> )	Asia World Port Management	Container and General Cargo
No 2 Ahlone Wharf	150	19.5	Yard (3483 m <sup>2</sup> ) Shed (1859m <sup>2</sup> )	Asia World	General Cargo
Sule Pagoda Wharf (S.P.W)					
No 1	137	12.2	Yard (6968 m <sup>2</sup> ) Shed (5017m <sup>2</sup> )	MPA	General Cargo
No 2	137	12.2	Yard (5574 m <sup>2</sup> ) Shed (5202m <sup>2</sup> )	MPA	General Cargo
No 3	137	12.2	Yard (10684 m <sup>2</sup> ) Shed (3855m <sup>2</sup> )	MPA	General Cargo
No 4	137	12.2	Yard (3251m <sup>2</sup> ) Shed (6689m <sup>2</sup> )	MPA	General Cargo
No 5	160	15.2	Yard (6038 m <sup>2</sup> ) Shed (17595m <sup>2</sup> )	MPA	General Cargo
No 6	160	15.2	Yard (3252 m <sup>2</sup> ) Shed (16062m <sup>2</sup> )	MPA	General Cargo
No 7	158.5	15.2	Yard (1042 m <sup>2</sup> ) Shed (13099m <sup>2</sup> )	MPA	General Cargo
Port Health Jetty	152.4	12.2	Shed (4366m <sup>2</sup> )	MPA	General Cargo
Bo Aung Gyaw Wharf					
No 1	137	15.2	Yard (48000 m <sup>2</sup> ) Shed (4400m <sup>2</sup> )	MPA	GC & Container
No 2	137	15.2	Yard (48000 m <sup>2</sup> ) Shed (4400m <sup>2</sup> )	MPA	GC & Container
No 3	183	30.0	Yard (48000 m <sup>2</sup> ) Shed (4400m <sup>2</sup> )	MPA	Container
Thaketa Wharf					
No 1	106.2	19.5	Yard (16294 m <sup>2</sup> ) Shed (4462m <sup>2</sup> )	MFSL	GC/Coastal/Pas sengers
No 2	106.2	19.5	Yard (16294 m <sup>2</sup> ) Shed (4462m <sup>2</sup> )	MFSL	GC/Coastal/Pas sengers
Thilawa Plot No 4	200	17	Yard (20000 m <sup>2</sup> ) Shed (3000m <sup>2</sup> )	MIL	GC & Liquid Bulk
Thilawa Plot 5-9	1000	30	Yard (500000 m <sup>2</sup> ) Shed (20000m <sup>2</sup> )	MITT	Container & GC
Thilawa Plot 10,11	440	43.9	-	MPA-SMD	General Cargo

Inconvenient routine procedures add to the cost of shipping. In most other ports in the region, the shipping agency services that involve making arrangements for a vessel to visit the port, are carried out by competing private sector organizations. In Myanmar this is done by the state through the MPA



Excessive official routine procedures hinder the speed that both exports and imports can be cleared. For exports a system of export licensing which requires Ministry of Commerce to check all export documents, particularly prices, before the goods are cleared slows down the clearance process. With imports, the foreign exchange control procedures and trade balancing requirements mean that there must be inspection and approval of documents by both the bank and Customs. This can result in considerable delays.

## **B. YANGON-THILAWA PORT IMPROVEMENT/DEVELOPMENT PROJECT**

### **1. Project Objectives and Scope**

Considering recent rapid growth in traffic at Yangon Port, particularly with respect to containerized traffic, the principal objective of the project would be to implement both hardware and software measures to increase Yangon Port's capacity to serve primarily traffic to/from Myanmar and secondarily traffic to/from Yunnan Province.

In the short term, the project would involve the construction of a container terminal, a container freight station, and a mechanical workshop at Thilawa, as well as technical assistance aimed at improving the efficiency of port operations at Yangon. In the medium term, the project would involve the construction of three timber berths and one berth for handling bulk agricultural products at Thilawa. In the long term, 17 berths would be completed at Thilawa, including four container terminals, three timber berths, two berths for bulk agricultural products, and eight general cargo berths.

### **2. Expected Impact and Benefits**

Tangible economic benefits from the project are likely to include reduced navigation time as a result of the removal of a constraint caused by the inner bar of the Yangon River; reduced waiting time due to the extended availability of berths; reduced time at berth because of improved operations; the operation of new lines and services, with new types of vessels calling at Yangon, including bigger specialized container ships requiring fewer trips to carry the same volume of cargo; increased capacity to meet growing traffic; and, with container traffic moved to Thilawa, decongestion at Yangon. Based on these benefits, the Thilawa Port Feasibility Study estimated an economic internal rate of return of 20.2 percent for the construction of a container terminal at Thilawa.

#### IV. INTRA-ASEAN SHIPPING SERVICE

Five Star Line has four main services:

- A "Europe service" - this service does not provide a full service to Europe. Rather, it offers a service between Yangon and West Coast India where cargo can then be transhipped to Europe. It is not a liner service and operates on an inducement basis.
- A South East service to Singapore and Bangkok. This is a dedicated weekly container feeder service from Singapore to Yangon. This service previously operated every three to four days, but now operates weekly. The cost to ship a container from Yangon to Singapore is approximately \$US350 to \$US450 per container with a shipping time of about 3.5 days.
- A Far East service to Japan and China
- A coastal service to the coastal ports of Thandwe, Kyaukpyu, Sittwe, Cocos Island, Mawlamyine, Dawei, Myeik and Kawthaung.

Since 1994 MFSL has also provided a dedicated container feeder service to Singapore.

Container services offered by MFSL are shown in Table 5 below.<sup>3</sup>:

**Table 5: Major Container Services Offered by MFSL**

Region	Detail
Far East:	China, Hong Kong, South Korea Japan
South East Asia:	Singapore, Malaysia, (Penang, Pasir Gudang, Port Klang); Indonesia (Jakarta, Belawan, Padang, Lhokseumawe); Thailand (Bangkok)
South Asia:	India (Mumbai, Mangalore, Calcutta, Tuticorin, Kakinada, Visakhapatnam); Bangladesh (Chittagong, Chalna)
Europe:	Belgium (Antwerp); Netherlands (Rotterdam), Germany (Hamburg); United Kingdom (Hull), with extended services to USA

<sup>3</sup> MFSL also operates tramping services for fertilizer, cement, grain, timber, etc.