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## An issue of the out-of-date container in the Vietnamese port: Solutions and environmental impacts

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### Abstract

According to the Vietnam Maritime Administration, currently the number of containers declared as scrap being stored at seaports is 13,737 containers, down 7,217 containers compared to the end of 2018. Of which, 5,150 containers are kept at the port for less than 30 days, 3 containers kept from 30 days to 90 days. The number of containers left over 90 days is still 8,584 units. The number of containers left over 90 days after the above date has been widely announced, but so far, no import unit has come to receive them yet. Previously, a number of urgent measures to strengthen the management of the import and use of imported scrap as raw production materials. Recently, Vietnam Maritime Administration has sent in writing to shipping lines to report on the owners of the consignments of scrap cargo in stock at ports; inventory and classify outstanding goods containers, clarify the reasons for taking remedial measures. At the same time, it is required that the port business enterprise resolutely not allow cargoes to be unloaded into Vietnam's seaport when the ship owner or the owner of the air cargo must present a certificate of eligibility for environmental protection, import quotas and not yet deposit imported discarded materials as prescribed.

**Keywords:** Port, backlog container, logistics, environmental protection

### 1. Introduction

Compared to the end of 2018, the total number of backlog containers at Vietnamese seaports has decreased by nearly 9,500 containers. In July alone, the number of unsold containers decreased by more than 2,200 containers compared to the previous month. Implementing the Prime Minister's directive on urgent measures to strengthen the management of the import and use of imported scrap as raw production materials, the Vietnam Maritime Administration is now asking businesses (enterprises) seaports are determined not to let goods unloaded into Vietnamese seaports when ship owners and cargo owners fail to produce certificates of eligibility for environmental protection and import quotas and have not yet made scrap deposit import according to regulations. The Vietnam Maritime Administration also requested seaport enterprises to urge shipping lines to report information about the owners of the shipment of scrap cargo at port; inventory and classify outstanding goods containers, clarify the reasons for taking remedial measures. At the same time, it proposed the policy of exemption and reduction of container storage and storage services for import goods owners. In order to release the residual amount of scrap container at the seaport, the Ministry of Finance has reported to the Government the proposal to set up a Goods Handling Council according to two options. For consignments which are hazardous wastes and discarded materials that fail to meet environmental standards, the customs office shall request shipping lines to carry out transportation out of Vietnam's territory within 30 days after receiving them notification. If past the deadline, the shipping line has not yet carried the shipment out of the territory of Vietnam, the Council will decide to handle it in the form of destruction. There are thousands of backlog containers at seaports nationwide, concentrated in Ho Chi Minh City, Hai Phong, Quang Ninh, Da Nang and Ba Ria - Vung Tau. Among them, Hai Phong Port has the largest backlog of containers, with 3,845 containers overdue for customs clearance (more than 90 days) by the end of March 2016. The General Department of Customs said that most of the goods in Hai Phong's backlog containers were from August 2014 and earlier, overdue for 90 days or more, focusing on scrap cargo groups and in the form of temporary import to

re-export to China. At Chua Ve Port (Hai Phong), about two years now, he has been reluctant to manage a number of unclean stinking containers because no cargo owner has come to open a customs declaration for re-export procedures. Meanwhile, storage costs, including electricity for cooling systems for these companies, amounted to billions. But, Chua Ve Port is in fact only a holding unit, so it is not possible to open the clamp for inspection. These are mostly containers of temporary import for re-export (TNTX) and for many reasons, the person in charge of the buyer refuses to receive the goods. In addition, there is a lack of a legal basis to determine exactly who is the owner of the cargo, so the liability can only be attributed to the carrier that is the foreign owner. An employee working in the logistic field has been analyzing for a long time, the

cause of unsolved containers at the seaport has not been solved by the Ministry of Finance issued Circular No. 203/2014 instructing and regulating cargo handling. The backlog belongs to the area where Customs operates. The backlog of goods in seaports involves two types. If the goods in the container show signs of tax evasion, the customs office is in charge, because this agency has the function of controlling imported goods. The second type of cargo involving ship owners, port owners and forwarders is normal civil relations and leads to unsold goods and unclaimed goods. This case should be assigned to port enterprises to handle, but Circular 203 is assigned to the Customs, so it is very difficult to solve because the budget will have to spend a large amount of money without knowing it will arrange source from.



**Fig.1:** Empty container in all ports

In fact, the container backlog at the seaport is mostly imported scrap such as: Tires of cars, old batteries damaged ..., prohibited from importing and hiding TNTX goods to enter our country. Commenting on this issue, Mr. Vu Vinh Phu, former Deputy Standing Chairman of Hanoi Steering Committee on smuggling and trade fraud said, the only solution is to tighten regulations on self-created experiments to limit waste discharging industrial waste of TNTX balloon into our country. The fact also shows that TNTX is a type of activity with many tax policy incentives, so many businesses have taken advantage to smuggle and illegally transport goods across borders. Over time, the Anti-Smuggling Investigation Department (General Department of Customs) has discovered and arrested large-scale smuggling cases using TNTX. It is worth mentioning that many shipments of goods to Vietnam in this category are prohibited from import, such as industrial waste, frozen food, which are likely to cause high environmental pollution ... If there is no management measure strictly, these consignments will be "rejected" and turn seaports into industrial waste. According to the guidance of the Ministry of Finance, until the end of April 2016, if the remaining containers cannot be handled, the authorities will establish the state ownership to finish. It is known that 1,272 containers of backlog were handled by Hai Phong Customs in accordance with Circular 203, of which many used goods were banned from import or conditional import. In which, there are 28 consignments (including 34 containers

and 14 retail lots) that have been established State ownership for auction, directly as prescribed with a total value of nearly VND 24.6 billion. 29 lots (including 126 containers and 2 odd lots) have been processed to destroy. In addition, Hai Phong Customs Department also proposed Hai Phong City People's Committee to confiscate 16 shipments of 22 old clothes containers worth VND 2.4 billion. After implementing measures to handle backlogs and announcing widely, many businesses have come to the port to receive 976 containers of inventory, thereby reducing pressure on the Customs. Obviously, tightening the management of cargos and applying strong measures will help the Customs sector prevent derelict shipments at seaports, limit stealthy industrial waste imported into Vietnam and cause unintended consequences.

## **2. The impacts of backlog container on economic development**

The slow clearance of these shipments, businesses must pay about 40-50 USD / container / day for storage, with 16,605 containers (from 30-90 days being kept), causing damage. For businesses from 600,000 to 800,000 USD / day. In addition, many businesses have to reduce capacity, leave workers, cancel contracts, scrap carriers refuse to deliver goods or increase 1.5 times of freight rates because owners believe that goods return to Vietnam. Men have difficulty in clearing customs. In 2019, it must break through, be more efficient, reform more substantially than

in 2018, cut down all barriers and sub-licenses, creating unnecessary costs for businesses. Stating the need to protect the environment, do not take that reason to create additional barriers, unreasonable costs for businesses. If they are consignments of polluted and derelict garbage lots, they must be determined to prevent and treat them, but if they are lots of scrap as raw materials that meet all conditions and ensure environmental safety, they must be cleared from customs affect production. Before this situation, the press questioned the responsibilities of organizations and individuals and remedies. The Government has drastically directed, in the coming time, to amend the state inspection regulations on the quality of imported scrap in the direction of increasing post-inspection responsibilities of local natural resources and environment agencies instead of pre-clearance inspection. Clearance will be based on a certificate of conformity assessment of independent auditing organizations. From this fact, we find that the impact assessment of legal documents in areas needs to be made more in-depth, dealing with obstacles and sensitive changes in regulations. There is the cooperation of related agencies. More than 24,000 containers of imported scrap in stock at ports across the country are very large numbers. If customs clearance is good, it will have a positive impact and timely supply raw materials to factories, mainly small and medium enterprises. And if the customs clearance is delayed, in addition to paying fines, businesses also do not have raw materials to produce, reduced capacity, workers have to quit their jobs, be cut by contracts by partners, and also affect shipping lines. From the perspective of 11 firms participating in the market, the potential for global exchange as a percentage of the imbalance ranges from 25% - 52%, with an average of 3%. (Regional exchange potential does not include shipping opportunities between shipping lines due to container redundancy and therefore less in all cases than the global average for 11 carriers.) There are many other causes leading to this

situation such as many businesses are ineffective, unprofitable, tax debts, fleeing the business registration address resulting in abandonment of goods after being imported. port; a number of individuals and units importing goods are not eligible to import into Vietnam when knowing that they cannot carry out import procedures, they will give up goods. Some cases of importing rubbish, scrap, and waste from foreign countries then abandoning goods; overseas enterprises send the wrong goods to Vietnam and refuse to re-import the goods to the host countries. In addition, it is also caused by the fact that many export goods shipments to foreign countries are returned due to not meeting the quality standards of the importing country, domestic enterprises abandoning goods. Undeniable, the positive side of the collection and recycling of scrap is contributing to cleaning the environment, making use of waste products, saving resources; at the same time create jobs for workers. However, with the profit motive of some businesses and fragmented practices of the people and the lack of a master plan, the import of scrap is becoming a risk. The most obvious is the backlog of imported scrap containers at seaports, affecting the production and business activities of the ports, slowing down the circulation of goods, reducing the capacity of container yards, affecting customs operations as well as shipping lines' operations, increasing costs for businesses. In the long term, the import of non-regulated waste has the potential to cause epidemics, seriously affect the environment, even with imported toxic wastes affecting human health. In the long term, the import of non-regulated waste has the potential to cause epidemics, seriously affect the environment, even with imported toxic wastes affecting human health. The system of seaports nationwide is storing nearly 11,000 scrap containers. In case the container stays at the port for less than 90 days, enterprises are still carrying out customs procedures for customs clearance according to regulations. However, there are still 3,085 containers out of date but no one has arrived yet.

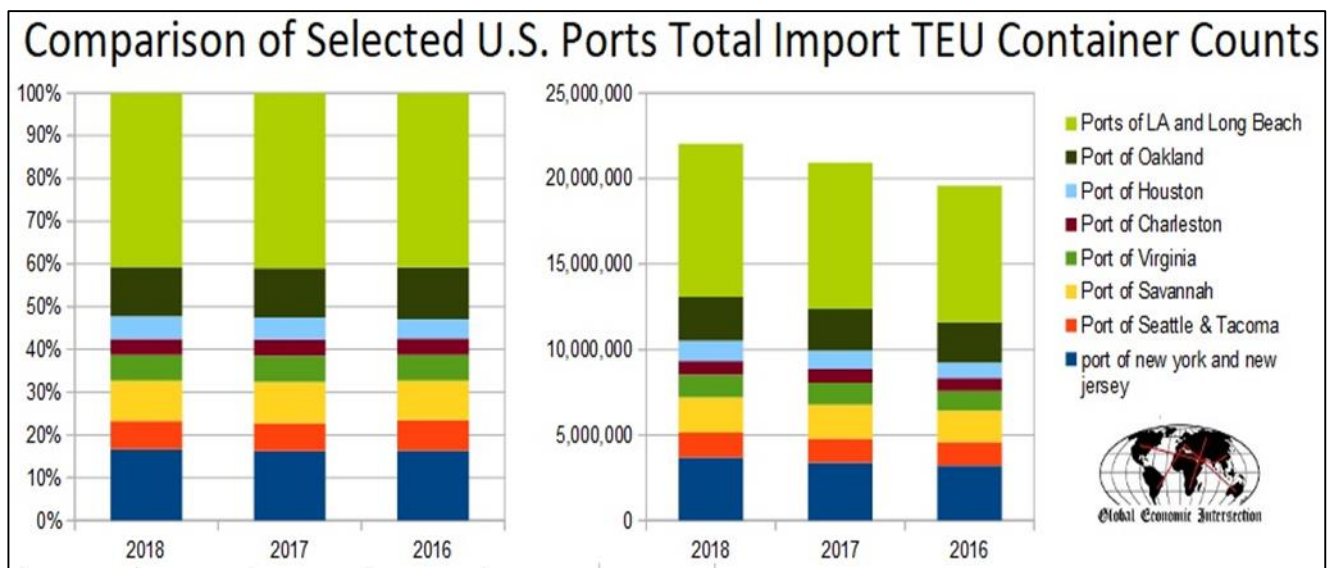


Fig.2: Import TEU container in USA

The system of seaports nationwide is storing nearly 24,200 containers of scrap. In case the container stays at the port for less than 90 days, enterprises are still carrying out customs procedures for customs clearance according to

regulations. However, there are still 3,085 containers out of date but no one has arrived yet. This greatly affects production and business activities, receiving goods of seaport enterprises. This port has approximately 2,000

containers in stock for several years. This container not only stops the cargo handling activities but also causes the port enterprises to incur large costs when they have to transfer a part of the remaining container to the next Nam Hai ICD to maintain trade activities in the port area. If shippers continue to "abruptly abduct", the risk of losing all the expenses spent is inevitable. Not to mention, before the large amount of backlog containers, warehouses in the area began to refuse to receive more goods. Port enterprises have to fall into the burden of "oh my God", just lost the area of exploitation in the port to accommodate the containers "no appointment to return". Some shipping lines are also sitting idle, while the cost of renting containers is still payable, while the cargo is unclaimed. In transport activities, all shipping lines are required to hire containers to pay daily and annual depreciation of containers. A container worth USD 10,000 has a life of 10 years, depreciation is set at 10%/year, within the first 5 years, which means that each year the carrier has to pay USD 1,000 for leasing containers. The longer the container is located, the more costs will be incurred. This greatly affects production and business activities, receiving goods from port enterprises. The system of seaports nationwide is storing nearly 11,000 scrap containers. In case the container stays at the port for less than 90 days, enterprises are still carrying out customs procedures for customs clearance according to regulations. However, there are still 3,085 containers out of date but no one has arrived yet. This greatly affects production and business activities, receiving goods from port enterprises. In transport activities, all shipping lines are required to hire containers to pay daily and annual depreciation of containers. A container worth USD 10,000 has a life of 10 years, depreciation is set at 10% / year, within the first 5 years, which means that each year the carrier has to pay USD 1,000 for leasing containers. The longer the container stays, the more costs will be incurred. Because of the high cost of container storage and the depreciation of the container, the shippers often leave the port without receiving the goods due to the high cost. In addition to losing container rents, the single-seat container also makes shipping lines lose business opportunities and the ability to turn around. The instability of policies on imported scrap goods as well as serious container backlog in one locality has led to the fact that many shipping lines have refused to transport some scrap goods to Vietnam. Currently, port enterprises still have to pay billions of dong/month for ownerless container storage charges for Nam Hai ICD. If the owner continues to not contact, the risk of losing all the costs spent is inevitable. Not to mention, due to a large number of backlog containers, warehouses in the area began to refuse to receive more goods. Port enterprises have to fall into the burden of extremely large debts and loss of operating area in the port to accommodate derelict containers. Some shipping lines are also sitting idle, while the cost of renting containers is still payable, while the cargo is unclaimed. The backlog of containers is occupying a large area in the ports, making it difficult for ports to receive containers from ships. In addition, this also consumes a huge source of cost for port businesses. Some businesses, due to insufficient space to receive containers, have been forced to rent outside ICD yards for temporary containers. This costs a lot of money and most of these containers are either derelict or abandoned by shippers, leaving the money for

container storage as well as other additional costs. Currently, at Cat Lai Port, there are about 9,000 TEUS of paper and plastic scrap, accounting for nearly 20% of the capacity of Cat Lai port, greatly affecting the cargo handling activities of the port. However, through a number of investigating and handling cases, the Customs authorities discovered a number of enterprises having import licenses but not producing or even not having production workshops and machines. Besides, the licensing for each shipment is eligible for import but the actual shipment does not meet the standard. Up to now, the customs authorities have prosecuted more than 10 cases involving smuggled scrap. This is a tough and deterrent measure for businesses that are intending to import scrap materials into Vietnam. There is still a situation in which enterprises import scrap goods but do not immediately withdraw from the port but take advantage of the port as a warehouse and wait to sell new goods to continue collecting scrap at the port for production. In addition, many scrap containers arriving at Vietnamese seaports were discovered as scrap, not on the list of goods allowed to be imported, so owners refused to pull goods out of ports. These are the reasons why thousands of containers are still standing in ports. In the coming time, the port authorities and customs authorities need to have the data connection to track the import of scrap of businesses, take measures to promptly handle these companies and goods at the port cause sea congestion. And in order to make this possible, teams for dealing with backlogs were set up. The main objective of this working group is to strictly control the shipment of scrap as raw production materials brought back to Vietnam, to inventory and classify outstanding goods, to urge shipping lines to report information on the owners of the scrap cargo lots exist at the port to take timely measures. Recently, in order to effectively manage imported waste, the General Department of Vietnam Customs has asked the provincial and municipal Customs Departments to strictly control if it is suspected that the agency's waste is suspected. The Customs conduct the search and enforce the coercion with the shipping companies and force re-export. At the same time, continue to strictly manage discarded goods and used goods with characteristics of scrap left in the customs operation area, strictly handle violations; strictly control these goods before importing them into Vietnam. The most important point in dealing with imported scrap is how to remove waste and trash from Vietnam. It is very common for developing countries to import scrap materials to recycle finished products. However, many businesses in Vietnam are taking advantage of this problem to import scraps and illegal waste into Vietnam. In addition, many businesses also take advantage of warehouses at the port to store goods, causing seaport enterprises to lose an area as well as a lot of economic losses. Therefore, the disposal of scrap containers and derelict containers at the port is an urgent task to ensure social welfare as well as environmental protection of the area. The introduction of solutions to solve this problem is still temporary, requiring more drastic measures from relevant departments such as Customs, and the Government of Vietnam also needs to enact stricter policies. For the import of scrap, to avoid businesses bypassing the law, causing difficulties in the handling and handling of scrap containers for the Customs as well as causing damage to the seaport enterprises

### 3. Conclusion

The cargo owners, industry associations (paper association, plastic association, steel association ...) actively coordinate with shipping lines, shipping lines' agents, port enterprises to review, make statistics and classify scrap containers currently in stock at ports of duty exemption or reduction of container and yard storage charges. On that basis, the relevant units complete the documents to complete the procedures, report the proposal of container and warehousing service exemption and reduction for shipper businesses for each shipment in accordance with the actual conditions and applicable law. Currently, most of ports and shipping lines are willing to reduce the warehousing fee for businesses, shippers from 70-90% for each specific shipment of enterprises with container storage time from 2016, 2017 to present. Regarding the plan for exemption and reduction of storage charges at ports and ports, it is necessary to base on the value of goods and the shippers' wishes to build specific reduction rates. It is advisable to set a container reduction charge for shipping lines based on the revenue contributed by shipping lines to the port. The shipping lines with less containers coming to port, the reduction will not be high. It is impossible for a company to import 5 containers, of which 1 container has problems and catch 4 other containers waiting along. That will cause difficulties in production materials for businesses.

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