



**MAY 2018**



**POWERED BY**  **MMRD**



Check the updates of MMRD Research Division's Syndicated Products at [www.mmrd.com/syndicated-research/](http://www.mmrd.com/syndicated-research/)

## **Disclaimer**

MMRD Research Division produces syndicated products to those needs. All rights reserved. No part of these data or documents may be reproduced or redistributed without the written permission of MMRD Research Division. MMRD Syndicated data/reports can be subscribed subject to the condition that it shall not be resold, lent, hired out or otherwise circulated without the prior written consent of MMRD Research Division.

## **About this publication**

MMRD Research Division offers range of syndicated products with the aim to support the needs of our clients. We are a pioneer in researching logistics industry on a quarterly basis in Myanmar. Our goal is to provide up-to-date information of the logistics sector by producing quarterly reports and data. With that, our objectives are to identify the freight rates in various modes of transport, make quarterly comparison in the freight rates to highlight the trends and changes in the logistics sector, underline the issues experienced by the local transporters and traders in each logistics sector and make quarterly forecast over the potential trends in the Myanmar transport and logistics sector.

# Table of Contents

<b>Abbreviations</b> .....	<b>7</b>
<b>Definitions</b> .....	<b>8</b>
<b>Units of Measurement</b> .....	<b>9</b>
<b>Exchange Rate</b> .....	<b>9</b>
<b>Executive summary</b> .....	<b>10</b>
<b>Trucking Industry</b> .....	<b>14</b>
Comparison of Transport Rates .....	15
Types of Trucks operating in Road Cargo Transport Industry .....	17
Rules and Regulations Updates .....	18
Yangon Intercity Transport.....	20
Operation Costs.....	22
Changes in Market Demand.....	23
Main Issues in Trucking Industry .....	25
The Outlook for Next Three Months (June to August).....	25
Rules and Regulations observed in May Survey .....	26
<b>Inland Water &amp; Coastal Cargo Transport Industry</b> .....	<b>29</b>
Comparison of Transport Rates .....	30
Changes in Market Demand.....	32
Main Issues in Inland Water & Coastal Cargo Transport Industry.....	34
Outlook for the Next Three Months (June to August) .....	34
Tender Information observed in May Survey .....	35
<b>Domestic Air Cargo Transport Industry</b> .....	<b>38</b>
Comparisons of Freight Rates.....	40
Changes in Market Demand.....	43
Main Issues in Domestic Air Cargo Transport Industry .....	43
The Outlook for Next Three Months (June to August).....	44
<b>Rail Cargo Transport Industry</b> .....	<b>46</b>
Types of Freight Trains operating in Rail Cargo Transport Industry .....	47
Comparison of Transport Rates .....	50
Changes in Market Demand.....	51
Main Issues in Rail Cargo Transport Industry .....	52
The Outlook for Next Three Months (June to August).....	53

Tender Information observed in May Study .....	55
<b>Freight Forwarding Industry.....</b>	<b>59</b>
Comparison of Freight Rates .....	63
Outlook for the next three months (June to August).....	66
<b>Customs Clearance Industry .....</b>	<b>69</b>
Comparison of Custom Clearance Rates .....	70
Changes in Market Demand.....	73
The Outlook for the Next three months (June to August).....	75
<b>Warehousing Industry.....</b>	<b>77</b>
The Warehouses in Different Cities.....	78
The Warehouses Rental Rates.....	81
Comparison of Rental Rates .....	82
Changes in Market Demand.....	83
Main Issues in Warehousing Industry.....	84
The Outlook for Next Three Months (June to August).....	84
Tender Information observed in May Study .....	87

# Table of Figures

Figure 1. 1 Comparison for Rates of 12-wheeler truck (17-tonne) by Main Routes .....	16
Figure 1. 2 Comparison of Freight Rates per Tonne/km for 12-Wheeled Trucks by Main Routes .....	16
Figure 1. 3 Comparison of Transport Rates for TEU Containers .....	21
Figure 1. 4 Comparison of Transport Rates for FEU Containers .....	22
Figure 1. 5 Comparison for Operation Cost per 12-Wheeled Truck by Main Routes .....	23
Figure 1. 6 Specification of speed by types of vehicles .....	26
Figure 1. 7 Specification of weigh bridges for trucks .....	26
Figure 1. 8 Tender Information posted by Myanma Railway (I) .....	55
Figure 1. 9 Tender Information posted by Myanma Railway (II) .....	56
Figure 1. 10 Tender Information posted by Myanma Railway (III) .....	57
Figure 2. 1 Comparison for Transport Rates by Main Routes in Inland Water Transport .....	31
Figure 2. 2 Comparison for Transport Rates by Main Routes in Coastal Routes Transport .....	32
Figure 2. 3 Tender Information posted by Myanmar Port Authority (I) .....	35
Figure 2. 4 Tender Information posted by Myanmar Port Authority (II) .....	36
Figure 3. 1 Domestic Air Freight Network .....	40
Figure 3. 2 Comparison of the Airline's Freight Rates .....	42
Figure 3. 3 Comparison of the Agent's Freight Rates .....	42
Figure 4. 1 Comparison of Freight Rates in Rate/kg by Main Routes .....	50
Figure 4. 2 Comparison of Freight Rates in Rate/tonne/km by Main Routes .....	51
Figure 4. 3 Map showing the location of two dry ports to be constructed in Yangon and Mandalay .....	53
Figure 5. 1 Myanmar's Maritime Trade (2017-18 FY) .....	60
Figure 5. 2 Top Maritime Trade Countries (2017-18 March) .....	60
Figure 5. 3 Main Exported Items (2017-18 March) .....	61
Figure 5. 4 Main Imported Items (2017-18 FY) .....	62
Figure 5. 6 Comparison between freight rates for Import .....	64
Figure 5. 7 Comparison between freight rates for Export .....	65
Figure 6. 1 Export Customs Clearance Rates per TEU Container by Custom Clearance (Yangon) .....	71
Figure 6. 2 Export Customs Clearance Rates Per FEU Container by Custom Clearance Companies (Yangon) .....	71
Figure 6. 3 Import Customs Clearance Rates Per TEU Container by Custom Clearance Companies (Yangon) .....	72
Figure 6. 4 Import Customs Clearance Rates Per FEU Container by Custom Clearance Companies (Yangon) .....	72
Figure 6. 5 Monthly trend in 2017-18 in Muse Border Trade .....	74
Figure 6. 6 Monthly trend in 2017-18 in Myawaddy Border Trade .....	74
Figure 7. 1 Comparison of Warehouse Rental Rate/CBM by Main Locations .....	82
Figure 7. 2 The Biggest modernized warehouse at Thilawa SEZ .....	85

# Table of Tables

<b>Table 1. 1 Distance, Rates and Travelling Hours of 12-wheeler truck by Main Routes (May 2018) .....</b>	<b>15</b>
<b>Table 1. 2 Permissible Maximum Gross Vehicle Weight (GVW) by Types of Trucks (Tonne) ..</b>	<b>18</b>
<b>Table 1. 3 The Transport Rates for Yangon Intercity Container Transport (May 2018).....</b>	<b>20</b>
<b>Table 1. 4 The Costs Incurred by Transport Operators (May 2018).....</b>	<b>22</b>
<b>Table 1. 5 Consignments being transport by Main Routes as of May, 2018.....</b>	<b>24</b>
<b>Table 2. 1 Number of Ports and jetties by Major Cities.....</b>	<b>30</b>
<b>Table 2. 2 Comparison of Data by Selected Routes (May 2018).....</b>	<b>31</b>
<b>Table 2. 3 Consignments being transport by Main Routes as of May, 2018.....</b>	<b>33</b>
<b>Table 3. 1 Airlines' Flight Schedule by Main Routes .....</b>	<b>39</b>
<b>Table 3. 2 Types of Aircrafts Used by Airlines.....</b>	<b>40</b>
<b>Table 4. 1 Government's Freight Rates per Wagon of Parcel (2) from Yangon.....</b>	<b>48</b>
<b>Table 4. 2 Government's Freight Rates for Yangon to Other Cities Transport .....</b>	<b>49</b>
<b>Table 4. 3 Distances, Rates and Travelling Hours by Main Routes .....</b>	<b>49</b>
<b>Table 4. 4 Consignments being transport by Main Routes as of May 2018.....</b>	<b>52</b>
<b>Table 5. 1 Main Exported Items by Countries (2017-18 FY).....</b>	<b>61</b>
<b>Table 5. 2 Main Imported Items by Countries (2017-18 FY).....</b>	<b>62</b>
<b>Table 5. 3 Freight Forwarding Rates of TEU and FEU and Travelling Hours by Main Routes.</b>	<b>63</b>
<b>Table 6. 1 Customs Clearance Rates in Yangon (Rate/TEU and FEU Container) in May.....</b>	<b>70</b>
<b>Table 6. 2 Customs Clearance Rates in Yangon (Rate/Case) in May .....</b>	<b>70</b>
<b>Table 7. 1 Warehouse Rental Rates by Main Location .....</b>	<b>81</b>
<b>Table 7. 2 Main Cargo Stored in the Warehouses in Different Location .....</b>	<b>83</b>

## Abbreviations

• ATM	Automated Teller Machine
• FEU	Forty foot container
• GVW	Gross Vehicle Weight
• SEZ	Special Economic Zone
• Ks	Myanmar Kyats
• AIPT	Alone International Port Terminal
• AWPT	Asia World Port Terminal
• BSW	Bo Aung Kyaw Street Wharf
• CBM	Cubic meter
• CFS	Container Freight Station
• DCA	Department of Civil Aviation
• DO	Delivery Order
• DWIR	Directorate of Water Resources and Improvement of River Systems
• ECH	Empty Container Handlers
• FY	Fiscal Year
• GI Sheet	Galvanized Iron Sheet
• GMA	Golden Myanmar Airlines
• GVW	Gross Vehicle Weight
• IWT	Inland Water Transport
• MACCS	Myanmar Automated Cargo Clearance System
• MHC	Mobile Harbour Crane
• MIP	Myanmar Industrial Port
• MITT	Myanmar International Terminal Thilawa
• MMRD	Myanmar Marketing Research & Development
• MNA	Myanmar National Airlines
• MNA	Myanmar National Airline
• MOC	Ministry of Construction
• MoU	Memorandum of Understanding
• MPA	Myanmar Port Authority
• MR	Myanmar Railway
• NDA	Non-disclosure Agreement
• RS	Reach Stackers
• RTAD	Road Transportation Administration Department
• RTG	Rubber Tyred Gantry
• SAD	Shipping Agency Department
• SIA	Social Impact Assessment
• TEU	Twenty foot container
• UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
• USD	United States Dollar
• WMS	Warehouse Management System
• YRTA	Yangon Region Transport Authority

## Definitions

- **Viss:** A Burmese unit of measurement for weight that is equivalent to 1.6 kilograms (3.6 pounds)
- **Transshipment:** Transshipment is the shipment of goods or containers from one method of transport to another method of transport. (E.g. truck to truck, truck to train, truck to vessel, etc.)
- **Tonne:** A unit of mass equivalent to 1,000 kilograms. By common usage it is also known as a ton.
- **TEU:** Twenty-foot Equivalent Container
- **FEU:** Forty-foot Equivalent Container



## **Units of Measurement**

- 1 gallon (imperial gallon) = 4.56 litres
- 1 tonne= 1,000 kilograms
- 1 mile = 1.6 kilometres
- 1 viss = 1.62 kilograms

## **Exchange Rate**

- 1 USD = 1,347 MMK

## Executive summary

MMRD presents the third quarterly study of Myanmar Logistics Sector Report (May 2018). The report covers seven different sub-industries of logistics sector: Trucking, Inland Water & Coastal Cargo Transport, Domestic Air Cargo Transport, Rail Cargo Transport, Freight Forwarding Industry, Customs Clearance Industry and Warehousing Industry. The report well describes the freight rates, changes in trends, issues and market forecast in the respective industries in May 2018.

According to the transporters, the logistics costs were higher due to the higher petrol prices which have not only impacted on the trucking industry but also on vessels in the inland water transport. In Myanmar logistics industry, the transporters still cannot rely on the domestic water ways and railway networks for cargo transportation due to the poor infrastructure development. However, the survey has explored much improvements being carried out by the Ministry of Transport and Communications on inland water and railway sectors.

### **Trucking Industry**

Trucking is the utmost-used transportation mode for moving freight in Myanmar. It accounts for 85% of domestic cargo transportation among other modes. The study has covered the major routes from Yangon, Mandalay, Patheingyi and Mawlamyine transporting freight by trucks. Despite trucking dominates in Myanmar logistics industry, the poor conditions of some routes including the routes in Rakhine State has caused the limited use of road transportation by trucks in rainy season. The study has observed about the trade flows transporting by trucks in two large cross-borders, Muse and Myawaddy. Compared to the previous surveys, the fluctuations in freight rates were observed. For instance, the freight rates were higher on Yangon-Muse, Yangon-Sittwe, Yangon-Myawaddy, Yangon-Myitkyina and Mandalay-Muse, and lower on Yangon-Mandalay and Yangon-Patheingyi. Also, the significant hindrance experiencing in trucking industry was due to the higher logistics costs when compared with other neighbouring countries like Thailand, for instance, the rise of petrol prices which comprised as 60% of overall truck operation costs. New rules and regulations stipulated on permissible loading tonne capacity and access of roads for trucks are also described. The loading capacity for trucks in rainy season was lowered.

### **Inland Water & Coastal Cargo Transport Industry**

Myanmar is blessed with rivers but the use of rivers for water transportation is extremely weak. Despite inland water ways could be advantaged for cargo transportation in rainy season, the country's water routes still need many improvements to facilitate convenient transport flows. Both of the inland water ways and coastal routes were covered in this survey. The rates for Yangon-Mandalay and Mandalay-Bhamo routes were higher in inland water routes while among coastal routes, the Yangon-Dawei route was higher than February. The study has identified the number of vessels for freight transport and the demand condition of inland water transportation while some of the land routes are difficult to reach due to the poor condition in rainy season. The transporters levied higher rates on some routes as cargo were

difficult to transport on these routes during rainy season, especially the Mandalay-Bhamo route. Same as trucking industry, the rise in fuel prices highlighted as the main issues for inland water transporters.

### **Domestic Air Cargo Transport Industry**

Regarding to the air transportation, there are three international airports and 33 domestic airports in Myanmar. The survey has studied about the air cargo transport industry (including its nature, rates, demand and issues) on specific routes. The routes covered in this survey were operating to and from the two main bases: - Yangon and Mandalay. The domestic air cargo transport is the least used transportation mode in the country; besides, the rates are seven to ten times higher than other modes such as trucking and railway. It is only reliable to transport perishable products such as flowers, fruits and vegetables, foodstuffs, banknotes, newspapers and important documents. In terms of freight rates, the data were collected from both agents and airlines and significant rates levied between agents and airlines have explored. Agents are the main pillars in this industry and therefore, all of the required data could be untapped from them. Due to the weather inclement in rainy season, transporting cargo by airways has worsened. The rates were remained stable when compared to the previous surveys in October and February.

### **Rail Cargo Transport Industry**

Railways are less preferable use for cargo transportation in Myanmar. The study has uncovered the nature of rail cargo transport industry in upper and lower Myanmar as rail networks are limited to transport all destinations especially to the country's mountainous areas at the western, northern and southern parts. The rail networks in the country are controlled under the state-owned enterprise, Myanma Railway (MR). Also, the rates levied by agents are based on the rates defined by MR and it changes once per year, usually in October of every budget year. The study encompassed the operations between traders and agents in order to transport the consignments in the industry. The study finds that the Government has started emphasizing on the improvements of railway sector and the complex railway network in the country is assumed to be potential for freight transport. The study revealed the advantages of two dry port projects established along Ywarthaygi (Yangon) and Myitnge (Mandalay) which include the railway network to transport cargo between Yangon's Warden warehouse to Paleik station in Mandalay.

### **Freight Forwarding Industry**

The freight forwarding industry in Myanmar majorly operates for maritime trade which accounts 85 per cent of the country's total trade. The survey has described the official figures of exports and imports throughout the 2017-18 fiscal year (starting from April 2017-March 2018). Myanmar has high connectivity of oversea trade especially with countries in Asian Region. Among them, China topped as the highest destination in both export and import. The freight forwarders in Myanmar mostly undertake for import procedures as Myanmar is an import intensive country. However, as explored in this survey, the country is potential to expand to international market as the Government has exempted on joint venture companies

to export their products including meat, fisheries, pulses and grains, purified water and ice cubes.

### **Customs Clearance Industry**

In this survey, the study on customs clearance industry comprised of three main bases: Yangon for oversea trade while Muse and Myawaddy for border trade. The export and import trends of two major cross-borders, Muse and Myawaddy through the 2017-18 fiscal year. It is observed that Myawaddy border has the higher access of imports whereas Muse is the export intensive cross-border. The rates levied by customs agents in Muse cross-border were higher due to the increase trade flows of export products including sugar and watermelon. The study has identified the differences on conducting customs clearance procedures in oversea trade and border trade. The rates levied by customs agents in Yangon are based on the price floor resulted after the negotiation made by customs agents in Customs Broker Association. However, the rates are varied between agents depending on the additional services they offer for their customers, as explored in this survey. The installment of MACCS in Myawaddy border has been established and the customs agents will be started practicing as of June 2018.

### **Warehousing Industry**

According to the May survey, the demand and rental rates in warehousing industry remained stable. The study has uncovered the nature of warehousing industry in four main hubs: Yangon, Muse, Myawaddy and Patheingyi. More warehouses are found in Yangon out of all other four main hubs. Refrigerated warehouses and warehouses practicing the Warehouse Management System (WMS) can only be found in Yangon. Warehouses in other bases are mostly basic warehouses. The rates were remained unchanged when compared to the previous surveys. The operations of warehouses in Muse cross-border has been suspended due to the armed attack at the moment of the study. The new warehouse development projects in both Yangon and Mandalay were explored in this survey. The largest distribution warehouse in Myanmar has been opened in Thilawa.