



# MYANMAR LOGISTICS SECTOR REPORT

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## **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.

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## Abbreviations

### Trucking Industry

- ACMECES Ayeyarwaddy-Chao Phraya-Mekong Economic Cooperation Strategy
- AH Asian Highways
- BIMSTEC Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
- FEU Forty foot container
- FTL Full Truck Loads
- FY Fiscal Year
- GMS Greater Mekong Subregion
- GVW Gross Vehicle Weight
- HD High Density
- LD Low Density
- LPG Liquefied Petroleum Gas
- LTL Less than Truckloads
- MOC Ministry of Construction
- MMK Myanmar Kyat
- SAARC South Asian Association for Regional Cooperation
- TEU Twenty foot container

### Inland Water & Coastal Transport Industry

- DWT Deadweight tonnage
- GRT Gross Registered Tonnage
- IWT Inland Water Transport
- MPA Myanmar Port Authority
- PPP Public-private partnership
- SEZ Special Economic Zone

### Domestic Air Cargo Transport Industry

- CBM Cubic meter
- DCA Department of Civil Aviation
- DWT Deadweight tonnage
- EOI Expressions of Interests
- FIL Foreign Investment Law
- GRT Gross Registered Tonnage
- IWT Inland Water Transport
- Air KBZ Air Kanbawza
- MIC Myanmar Investment Commission
- MPA Myanmar Port Authority

- MNA Myanmar National Airline
- PPP Public-private partnership
- SEZ Special Economic Zone

### **Rail Cargo Transport Industry**

- DMU Diesel Multiple Unit
- JICA Japan International Cooperation Agency
- MR Myanma Railway
- ODA Official Development Assistance
- YBS Yangon Bus Service

### **Freight Forwarding Industry**

- AIPT Alone International Port Terminal
- AWPT Asia World Port Terminal
- BSW Boaungkyaw Street Wharves
- CMP Cut-Make-Pack
- MEC Myanmar Economic Corporation
- MEH Myanmar Economic Holdings
- MIP Myanmar Industrial Port
- MIPL Myanmar Integrated Port Limited Terminal
- MITT Myanmar International Terminal Thilawa
- SPW Sule Port Wharves
- UMEH Union of Myanmar Economic Holdings

### **Customs Clearance Industry**

- AEO Authorized Economic Operators
- BL Bill of Lading
- CIQ Customs, Immigration, and Quarantine
- CIS Customs Intelligence System
- CO Country of Origin
- CUSDEC Customs Department under the Import Declaration Form
- DO Delivery Order
- ED Export Declaration
- FDA Food and Drug Admission
- ID Import Declaration
- MACCS Myanmar Automated Cargo Clearance System
- MCIS Myanmar Customs Intelligence System
- MOC Ministry of Commerce
- NACCS Nippon Automated Cargo and Port Consolidated System
- OGA Other Government Associations/Agencies
- PRB Pesticide Registration



- SEZ Special Economic Zone
- SPCD Strategic Plan of Customs Development
- SSI Single Stop Inspection
- THC Terminal Handling Charges
- UMFCCI Union Myanmar Federation of the Chambers of Commerce
- WT Withholding Tax

### **Warehousing Industry**

- ATM Automated Teller Machine
- CBM Cubic Meter
- GI Sheet Galvanized Iron Sheet
- INGO International Non-Governmental Organization
- MoU Memorandum of Understanding
- WMS Warehouse Management System

## Definitions

- **Viss:** A Burmese unit of measurement for weight that is equivalent to 1.6 kilograms (3.6 pounds)
- **Trucking Gates:** A consortium of SME independent transport companies that have come together to establish a cooperative style of pooling arrangement on a particular transport route. There is a gate “in each major city and each gate specialises on one trunking route (i.e. Yangon-Mandalay). Every gate has a pool of operators. Newer and larger operators do generally not participate in the gate system. The gate manager has also the task of consolidating loads. The consolidated cargo is transhipped at a truck park adjacent to the office area. Full truck loads are collected directly at the shipper’s (e.g. factory) premises and do not go through the gate area<sup>1</sup>.
- **Gross Vehicle Weight:** Maximum operating weight/mass of a vehicle including the vehicle's chassis, engine, fuel, accessories, driver, passengers and cargo but including any trailers.<sup>2</sup>
- **Gross Registered Tonnage:** The volume of space within the vessel body and enclosed space above the deck of a merchant ship which are available for cargo, stores, fuel, passengers and crew.<sup>3</sup>
- **Drayage:** The trucking service from a sea/river port to the warehouse or other destination.
- **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
- **Customs-bonded Warehouse:** A building or other secured area where dutiable cargo may be stored or manipulated, or may go through manufacturing operations, regardless of duty payment.
- **Forklift:** A vehicle with a divided device in in front to lift and carry heavy loads of cargo.

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<sup>1</sup> [Myanmar Transporters](#)

<sup>2</sup> [Gross Vehicle Weight](#)

<sup>3</sup> [Gross Registered Tonnage](#)

## Units of Measurement

- 1 gallon (US) = 4 litres
- 1 tonne= 1,000 kilograms
- 1 tonne = 600 viss
- 1 viss = 1.6 kilograms
- 1 mile = 1.6 kilometre

## Exchange Rate

- 1 USD = 1,320 MMK

## Executive Summary

Despite Myanmar is geographically positioned in the strategic location of South-East Asia, there are still so many unexplored industries in the country. Logistics is one of the industries which remain largely undiscovered in Myanmar. Logistics contributes 12.24% of the country's GDP. The country has a well-structured network of domestic freight transport. Consignments are transported by road, rail, flight, river and coastal transport services. The country has good maritime trade routes with the West and Southeast Asia. Nonetheless, the information on the country's logistics sector is still very limited.

Against this backdrop, the goal of the study is to provide industrial-wide overview of each transport and logistics industry in Myanmar. The study focuses on the domestic freight transport by observing road, air, rail, river and coastal transport services in the country. The study also investigates the maritime transport routes to and from Myanmar by looking inside the country's freight forwarding services. Furthermore, the study explores the procedure, norms and rates in customs clearance for import and export. The study also highlights the locations and the rates of the warehouses across several regions/states of the country with the aim to support the businesses in navigating the places to store their cargo.

The objectives of the study 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 logistics sector
- Underline the issues experienced by the local transporters and businesses in each transport and logistics sector
- Make quarterly forecast over the potential trends in the Myanmar transport and logistics sector.

### Trucking Industry

Trucking dominates the domestic freight transport and it accounts for 85% of the overall freight transport. The total length of road network in Myanmar is about 136,102 km long. This is well above the regional counterparts such as Lao, Cambodia, Philippine, Singapore and Brunei. However, it is behind Indonesia, Vietnam, Thailand and Malaysia. Yangon – Mandalay, Yangon – Myawaddy and Mandalay – Muse are the main transport routes in the country. Essentially, the traffic on the routes is driven by the trade at the borders. Muse and Myawaddy have the largest border trade volumes and thus, the routes which are connected to these border trade posts are most congested in terms of traffic. The demand on trucking vary by different seasons and can be highest during winter and summer (October to April) when the road conditions are better than during the raining season.

There is a limited use of container trucks, except on Yangon – Mandalay and Yangon – Myawaddy routes, due to the restrictions in the road infrastructure of the country. The government has focused on road renovation programs such as upgrading 66.4 kilometre

section of a two-lane road between Eindu and Kawkareik townships in Kayin State, which is on the Greater Mekong Sub-region's East-West Corridor. However, road renovation is still necessary in the remote parts of Myanmar, mainly in Rakhine State, Kachin State, Chin State and Sagaing Region. These areas are typically mountainous and sparsely populated, the cost of developing such infrastructure is high, and the economic returns and revenues are low.

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

Myanmar has both river and coastal transport systems. The country has 5,000 kilometres of navigable waterway of which 2,400 km consist of the main inland network. The Ayeyarwaddy River is the main artery for inland water transport, which stretches from Yangon and Ayeyarwaddy Regions to Kachin State in the north of the country. The coastal lines operate from Yangon to Rakhine State and Thanintharyi Region. The state-owned enterprise, Inland Water Transport (IWT) under the Ministry of Transport and Communications, oversees the movement of passenger and freight by inland waterways, whereas the movements of vessels on coastal waterways are privately managed by local transporters. The freight transport via inland water & coastal is the cheapest option in the country. However, there are restrictions in this mode of transport. The rivers are not navigable in all seasons, the jetties are still to be upgraded and the average age of the vessels are 50 years old.

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

Myanmar has 69 airports in total of which 32 are currently in use. Yangon and Mandalay are the two major bases for domestic air transport. Transporting freight by air is not the most popular form of transport in the country due to very high costs comparing to other modes of transport. Typically, the rates are 7 to 10 times higher than other modes of transport. Perishable products such as flowers, fruits and vegetables, foodstuffs and medicine are transported by air. This mode of transport is in high demand by hospitality industry which requires speedy delivery services. The air freight transport is offered by local airlines themselves and airline agents. However, due to the advantages in service offerings, the airline agents are preferred by customers. The main limitation in this mode of transport is the availability of daily flights to all destinations. Moreover, the mechanical handling equipment is not installed in all domestic airports. However, there is some potential by upgrading and expanding the current airports in Thanintharyi Region, Rakhine State and Shan State.

### **Rail Cargo Transport Industry**

The railway network in Myanmar is managed by Myanma Railway, the state-owned agency. The country has the longest railway network among ten countries in South-East Asia with 5,844 km in total followed by 4,861 km in Indonesia and 4,034 km in Thailand respectively. In 1877, a private company called the Irrawaddy Valley State Railway launched the first rail line in Myanmar linking between Yangon and Pyay with 263 km. Myanmar has 960 stations, 412 locomotives, 3384 wagons and 1375 passenger coaches. Yangon and Mandalay are the main bases of the rail transport. The freight rates by the rail transport are similar to the road transport. However, the rail transport is less preferred as there are additional costs incurred by

the customers. It is mostly used when the railway stations are located near the delivery destination. Otherwise, there will be additional charges for transporting cargo to the destination from the railway stations. Moreover, railway lines are not present for transporting to all destinations. The country's mountainous areas at the western, northern and southern parts of Myanmar are still heavily dependent on the road transport as the main logistics solution.

### **Freight Forwarding Industry**

Myanmar has very high overseas trade with the countries in the Asian Region and it is the import intensive country. According to the figures in 2017 – 2018 (April to October), Thailand topped Myanmar's overseas import with \$1.4 billion, followed by Singapore, Japan, India and China. For import to Myanmar, China peaked with \$ 2.4 billion, followed by Singapore, Thailand, Japan and Malaysia. With that, the Myanmar's maritime transport is highly oriented to Asian countries, and it has much less transportation routes with the countries in the America and European region. All the freight forwarding routes are connected to and from the 7 major ports in Yangon. Among these ports, 6 are located in the downtown Yangon City on the banks of Yangon River, whereas Myanmar International Terminal Thilawa (MITT) is located 25 km from the city in Kyauktan Township. According to the study in October 2017, there was a slow market in the freight forwarding due to suspension of beans and pulses export to India. However, the freight forwarding industry is expected to rebound in 2018 with the export of rice to China and Sri Lanka under G-to-G agreement. There is also a high potential of beans and pulses export to Pakistan, Bangladesh, Sri Lanka and Nepal which is likely to revitalize the freight forwarding.

### **Customs Clearance Industry**

There has been a recent development in the Myanmar customs clearance system. The newly developed Myanmar Automated Cargo Clearance System (MACCS) is based on NACCS (Nippon Automated Cargo and Port Consolidated System) and CIS (Customs Intelligence System). Japan International Cooperation Agency (JICA) funded about \$360 million (4 billion Yen) and offered technical support to develop the system. MACCS aims to overcome the difficulties such as time consuming procedure, extra costs, inaccuracy in the calculations and corruption in the current Myanmar's customs clearance system. MACCS has been implemented in the ports in Yangon and it will be available in Myawaddy (the main border town with Thailand) in June 2018. The system has somewhat streamlined the customs clearance procedure. Moreover, there will be more upcoming initiatives\_ Authorized Economic Operators (AEO) programme, Customs, Immigration and Quarantine (CIQ) system and the Single Stop Inspection (SSI) system\_ to be implemented by the government in 2018.

### **Warehousing Industry**

The study explores the warehouses in the 6 major trade hubs\_ Yangon, Mandalay, Muse, Patheingyi, Mawlamyithar and Myawaddy. According to the study, the uses of sophisticated warehouses with Warehouse Management System (WMS) are still very rare. Compared to

other cities, Yangon has more variety of warehouses, from refrigerated to standard warehouses. The refrigerated warehouses in Yangon have insulation walls at interior to control temperature. Most of the warehouses in other cities are the standard or basic conditions. The standard warehouses are constructed with GI sheets for roofs and partition, and concrete for floors. Normally, a standard warehouses has 80 to 100 ft in length and 60 to 80 ft in width. Shelves will be installed in the standard warehouses for stacking the cargo. Such standard warehouses have common to have security guards. There are also other warehouses which have more basic forms without security guards and shelves. There is a stark difference between the rental rates in Yangon and in other cities. Generally, the rates in Yangon are 5 to 8 times higher.