



AUGUST 2018



POWERED BY  **MMRD**



Check the updates of MMRD Research Division's Syndicated Products at www.mmrdrs.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

Abbreviations	7
Definitions	8
Units of Measurement	9
Exchange Rate	9
Executive Summary	10
Trucking Industry	14
Industry Overview	14
Types of Trucks operating in Road Cargo Transport.....	15
Rules & Regulations Updates	16
Comparison of Transport Rates (May VS August).....	17
Yangon Intercity Transport.....	19
Operating Costs.....	23
Changes in Market Demand.....	25
Main Issues	26
Outlook for the Next Three Months (September to November)	29
Inland Water & Coastal Cargo Transport Industry	32
Industry Overview	32
Types of Vessels operating in Inland Water and Coastal Cargo Transport Industry	34
Comparison of Transport Rates (May Vs August)	35
Changes in Market Demand.....	37
Operation Costs.....	38
Main Issues	39
Outlook for the Next Three Months (September to November)	39
Domestic Air Cargo Transport Industry	41
Industry Overview	42
Comparisons of Freight Rates (May VS August)	43
Changes in Market Demand.....	45
Main Issues	47
The Outlook for Next Three Months (September to November).....	47
Rail Cargo Transport Industry	49
Industry Overview	49
Types of Freight Wagons operating in Rail Cargo Transport Industry.....	50

Wagon Auction Market Condition.....	50
Comparison of Transport Rates (May Vs August)	53
Changes in Market Demand.....	54
Main Issues in Rail Cargo Transport Industry	55
The Outlook for Next Three Months (September to November).....	55
Freight Forwarding Industry.....	59
Industry Overview	59
Comparison of Transport Rates (May Vs August)	63
Main Issues	66
Outlook for the Next Three Months (September to November)	66
Customs Clearance Industry	69
Industry Overview	69
Comparison of Custom Clearance Rates (May Vs August).....	70
Changes in Market Demand.....	72
Main Issues	74
The Outlook for the Next three months (September to November).....	74
Warehousing Industry.....	76
Industry Overview	76
The Warehouses in Different Cities.....	77
Comparison of Rental Rates (May VS August).....	80
Changes in Market Demand.....	81
Main Issues	82
The Outlook for Next Three Months (September to November).....	83

Tables

Table 1. 1 Permissible Maximum Gross Vehicle Weight (GVW) by Types of Trucks (Tonne).....	16
Table 1. 2 Permissible Maximum Gross Vehicle Weight (GVW) by Types of Trucks (Tonne) for Mandalay-Bhamo-Myitkyina and Muse-Namkham routes.....	16
Table 1. 3 Distance, Rates and Travelling Hours of 12-wheeler truck by Main Routes (August 2018)	17
Table 1. 4 The Transport Rates for Yangon Intercity Container Transport (August 2018)	20
Table 1. 5 The Costs Incurred by Transport Operators (August 2018).....	24
Table 1. 6 Consignments being transport by Main Routes as of August, 2018	25
Table 1. 7 Suspension Period of Roads due to Poor Road Condition.....	27
Table 2. 1 Total Operation Routes and Length of Inland Water Transport.....	33
Table 2. 2 Permissible Maximum Deadweight Tonnage by Types of Vessels transporting along Coastal Routes	33
Table 2. 3 Comparison of Data by Selected Routes (August 2018).....	35
Table 2. 4 Consignments being transport by Main Routes as of May, 2018.....	37
Table 2. 5 Fuel Consumption by Main Routes in Mandalay.....	38
Table 3. 1 Airlines' Flight Schedule by Main Routes (Updated in August Survey).....	42
Table 3. 2 Types of Aircrafts Used by Airlines (Updated in August Survey).....	42
Table 3. 3 Transportation Rates, Distance and Travelling Hours by Main Routes.....	44
Table 4. 1 Government's Freight Rates per Wagon of Parcel (2) from Yangon	51
Table 4. 2 Government's Freight Rates for Yangon to Other Cities Transport	51
Table 4. 3 Distances, Rates and Travelling Hours by Main Routes, August 2018	52
Table 4. 4 Consignments being transport by Main Routes as of August 2018	54
Table 5. 1 Main Exported Items by Countries (2018-19, June)	62
Table 5. 2 Main Imported Items by Countries (2018-19 up to June 2018)	63
Table 5. 3 Freight Forwarding Rates of TEU and FEU and Travelling Hours by Main Routes.....	63
Table 6. 1 Customs Clearance Rates in Yangon (Rate/TEU and FEU Container)	70
Table 6. 2 Customs Clearance Rates in Border Gate (Rate/Case)	71
Table 7. 1 Warehouse Rental Rates by Main Location, August 2018	80
Table 7. 2 Consignments being stored by Main Locations as of August 2018.....	82

Figures

Figure 1. 1 Comparison of Transport Rates for 12-wheeler truck (17-tonne) by Main Routes.....	18
Figure 1. 2 Comparison of Transport Rates per Tonne/km for 12-Wheeled Trucks by Main Routes	19
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 Operation Costs for 12-Wheeled Trucks by Main Routes	23
Figure 1. 6 Lead Time Difference between Seasonality by Main Routes	24
Figure 2. 1 Comparison of Transport Rates by Main Routes in Inland Water Transport	36
Figure 2. 2 Comparison of Transport Rates by Main Routes in Coastal Routes Transport.....	36
Figure 2. 3 Operation Cost per Vessels by Main Routes	38
Figure 3. 1 Domestic Air Freight Network	43
Figure 3. 2 Comparison of the Airline's Freight Rates	45
Figure 4. 1 Comparison of Freight Rates in Rate/kg by Main Routes	53
Figure 4. 2 Comparison of Freight Rates in Rate/tonne/km by Main Routes	53
Figure 5. 1 Myanmar's Maritime Trade (2018-19 FY).....	60
Figure 5. 2 Top Maritime Trade Countries (2018-19 June).....	61
Figure 5. 3 Main Exported Items (2018-19 June)	61
Figure 5. 4 Main Imported Items (2018-19, up to June 2018).....	62
Figure 5. 5 Comparison between freight rates for Import	64
Figure 5. 6 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 2018-19 in Muse Border Trade	73
Figure 6. 6 Monthly trend in 2018-19 in Myawaddy Border Trade.....	73
Figure 7. 1 Comparison of Warehouse Rental Rate/CBM by Main Locations	81

Abbreviations

• AOC	Air Operator's Certificates
• CBTA	Cross-border Transport Agreement
• FEU	Forty foot container
• GDP	Gross Domestic Product
• 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
• DCA	Department of Civil Aviation
• FY	Fiscal Year
• GMA	Golden Myanmar Airlines
• GVW	Gross Vehicle Weight
• ICAO	International Civil Aviation Organization
• IICBTA	Initial Implementation of a Cross-border Transport Agreement
• IWT	Inland Water Transport
• LPI	Logistics Performance Index
• MACCS	Myanmar Automated Cargo Clearance System
• MIP	Myanmar Industrial Port
• MITT	Myanmar International Terminal Thilawa
• MMMDA	Myanmar Mercantile Marine Development Association
• MNA	Myanmar National Airline
• MOC	Ministry of Construction
• MoU	Memorandum of Understanding
• MPA	Myanmar Port Authority
• MR	Myanma Railway
• RO	Release Order
• RTAD	Road Transportation Administration Department
• RTG	Rubber Tyred Gantry
• SAD	Shipping Agency Department
• TEU	Twenty foot container
• UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
• USD	United States Dollar
• WHO	World Health Organization

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
- **Cargo Vessel:** A cargo ship or freighter ship is any sort of ship or vessel that carries cargo, goods, and materials from one port to another.
- **Cargo Barge:** Designed to carry freight such as coal, finished steel or its ingredients, grain, sand or gravel, or similar materials.
- **Freight Rates:** The price depends on the form of the cargo, the mode of transport (truck, ship, train, and aircraft), the weight of the cargo, and the distance to the delivery destination.

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 = 1,473 MMK

Executive Summary

The Myanmar logistics industry faces challenges and these look to escalate in the future. Infrastructure development and management fortitude are sorely needed

Trading is growing between neighbouring countries including Thailand and China, cross border trading activities through Myawaddy and Muse borders have grown significantly.

The Yangon-Mandalay road serves as the epicentre for the flow of domestic trade. Water routes along Ayeyarwaddy River and the rail networks can play an increasing role and it is vital to develop infrastructure for smooth cargo transportation.

Due to lagging infrastructure, logistics costs remained highest at its peak. In order to reduce the transportation expense by 30%, the investment of \$45 to \$60 billion would require for infrastructure development, according to official from the Ministry of Transport and Communications (MOT). Concurrently, the reduction in transportation expense along and the burgeoned use of roads and rail networks will accelerate the country's GDP.

Trucking Industry

Roads are the predominant mode of transportation around the country, contributing up to 85% of the cargo moved. The survey was conducted in the peak of rainy season, because of the poor infrastructure this adds to the challenges and costs of road freight.

The industry suffered cargo delays, blocked roads and restrictions on certain vehicle types to operate during the period. Studies revealed that these factors have a significant effect on the roads in Myawaddy, Sittwe and Mawlamyine. The operations costs continued to rise encouraged by increased fuel prices compared to the last quarter. Consequently, the freight rates and transportation charges were higher. One-third of cargo transported via Yangon routes declined due to reduced demand in rainy season. However, traffic remained consistent for refrigerated containers, transporting frozen meat. Sugar transportation demand rose at the Yangon ports after the Government's suspension on the re-export of sugar.

Inland Water & Coastal Cargo Transport Industry

The studies observed fluctuations in transportation rates due to seasonal effects, i.e. the charges were higher during peak season and lower during the monsoon season. Lacklustre demand on coastal routes was observed and conversely, inland water routes were in demand. The hike of fuel charges impacted on the vessels' operation costs, albeit fuel consumption is lower in monsoon than the peak season. Transporters suffered due to new rules and regulations stipulated for transport along Ayeyarwaddy and Chindwin Rivers. The construction of Mandalay Port Development Project will commence at the end of 2018.

Domestic Air Cargo Transport Industry

In the aviation sector, four out of 10 domestic airlines suspended their operations. FMI and Air Mandalay were suspended during the study in August; after Air Bagan and Apex had returned their flying permits during the same period. Due to the heavy flooding on the roads in the rainy season, some flight schedules were increased including the Yangon-Mawlamyine and Yangon-Dawei routes. On the other hand, some airlines reduce their flight schedules as demand fell on some routes. For instance, Asia Wings halted its flight services on Yangon-Nyaung U and Yangon-Lashio-Myitkyina-Tachileik air routes. The declined in business resulted in Yangon agents reducing their cargo transport operations.

Rail Cargo Transport Industry

Transport rates remained stagnant compared to the previous survey. Transport rates incurred by the transport operators were based on regulation from Myanmar Railways which changes the rates annually, every October. Damage occurred on the rail tracks at different times, halting cargo transportation on Yangon-Mandalay, Yangon-Myitkyina, Yangon-Mawlamyine routes. Two major dry ports connecting Ywarthargyi, (Yangon) and Myitnge, (Mandalay) were under construction and intended to complete in April 2019. Another dry port construction was being started in Palate, Mandalay.

Freight Forwarding Industry

Business for freight forwarding the industry results mainly from the maritime trade. Myanmar's freight forwarding industry heavily depends on imports and less so on exports. The development in the port infrastructure and increased capacity of ports handling containers were observed. Nevertheless, the freight forwarding industry was declining at the moment of the survey. Numbers of ships operating in the industry were reduced due to the seasonal decline of cargo transportation in rainy season. Forwarders were struggling to consign fully loaded container. Also, competition between forwarders increased due to a stagnant customers base in the market.

Customs Clearance Industry

After Yangon, Myanmar Automated Cargo Clearance System (MACCS) was introduced for customs clearance in Myawaddy trade zone from June 2018. The rates increased fourfold due to the change in trend of customs clearance after MACCS implementation. A rise in rates were also observed at the Muse border due to the accelerated trading of cattle and sugar. Mid-August 2018, the Government suspended the re-export of sugar to counter the dollar appreciation. A backlog resulted, and there were over 1,600 sugar containers sitting at Yangon ports awaiting transport to the Muse border. Trade remained constant in the Muse border. Conversely, the rates occurred by customs agents in Yangon remained flat.

Warehousing Industry

The largest new warehouse located in Thilawa, Yangon became operational in August. The study observed the warehouse's one of a kind services and rates levied by its specific categories. Consignments were stockpiling in Myawaddy borders due to the poor road condition, delaying cargo transportation. Likewise, the lagging trade demand for rice, maize and onion caused stockpiling in Muse warehouses. Rentals tend to be long term, indicative of the lack of changes in rental terms observed in Yangon.