



THE  
BUSINESS  
CENTRE



# AVIATION REPORT

## MAR 2020

*Prepared by Business Centre  
British Business Group Vietnam*

December, 2019



British  
Chambers of  
Commerce

International Affiliate

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# OUR TEAM



## what we do ?

The British Business Group Vietnam (BBGV) was officially established in Ho Chi Minh in 1998 with its Ha Noi branch founded in 2007. BBGV aims to support and develop Vietnam-UK business links while raising the profile of Vietnam in the British business community and vice versa. As an accredited British Chamber, BBGV in association with the Department for International Trade (DIT), is committed to promote strong business links between Vietnam and the UK.



### BUSINESS MATCHING:

Partner search and one-to-one meetings with potential clients, agents/distributors or outsourcing partners



### BUSINESS DEVELOPMENT REPRESENTATIVE:

Provide a professional business development representative to act locally on your behalf, strengthen existing engagements with the Vietnam market on a long term basis and develop further business relationships within the market.



### BUSINESS REGISTRATION:

Offer step-by-step support to setting up and registering a company in Vietnam



### BUSINESS SERVICES EVENTS:

Organise trade missions, product launches and seminars/workshops



### MARKET STUDIES:

Sector reports, competitor analysis and local prospect background research



### EXPORT OPPORTUNITIES:

Explore your export opportunities to Vietnam through DIT's portal [opportunities.export.great.gov.uk](http://opportunities.export.great.gov.uk)

## CONTACT US

### BBGV BUSINESS CENTRE

W: [www.bbgv.org/the-business-centre-about](http://www.bbgv.org/the-business-centre-about)

F: [www.facebook.com/bbgvietnam](https://www.facebook.com/bbgvietnam)

T: [www.twitter.com/bbgv](https://www.twitter.com/bbgv)

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# OUR ADVOCACY WORKS



The BRITISH ADVOCACY COMMITTEE, comprising of the Heads of some of the largest British companies operating in Vietnam, continue to provide support to BBGV in its engagement of key business issues and was instrumental in the support to gain the full VBF membership.



**BRITISH EDUCATION BUSINESS GROUP**  
– BEBG is a proposed working group of BBGV and its British Advocacy Committee, to work alongside the British Embassy, Department for International Trade and British Council.

## Members

**DIAGEO**



## Founding Members



# VIETNAM ECONOMY: A QUICK REVIEW

## AS OF FEBRUARY 2020

urban population: 36.6% of  
total population (2019)

rate of urbanization: 2.98%  
annual rate of change

POPULATION

97M

Middle and Affluent Class  
(MAC) is rising and  
projected to reach 33  
million in 2020

GDP GROWTH RATE

7.02%

GDP PER CAPITA

£ 1,985

### LABOUR FORCE

35%

Agriculture

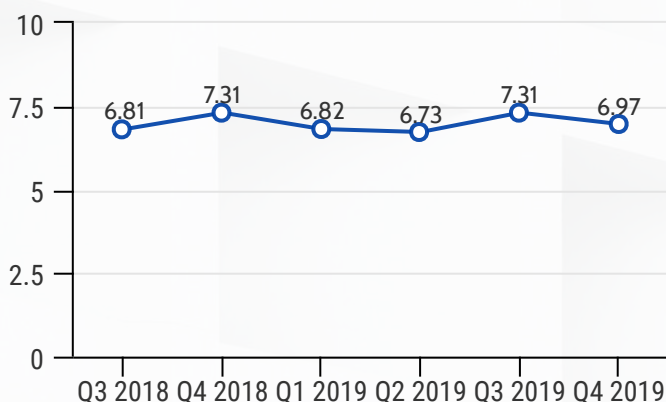
29.2%

Industry

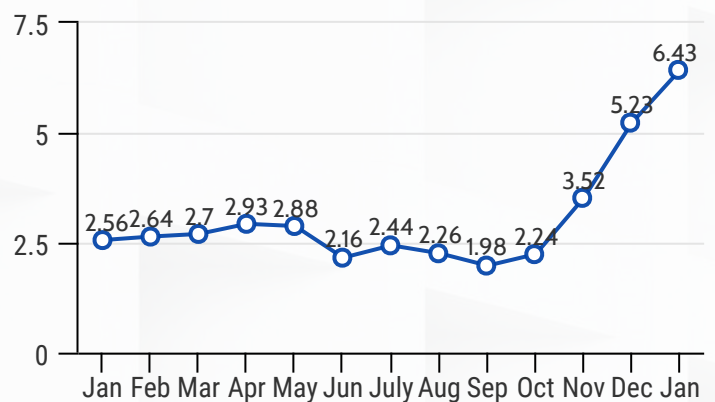
35.8%

Services

### VIETNAM GDP GROWTH RATE (%)



### VIETNAM INFLATION (%)



(Unit: Million £)



# AVIATION SECTOR OVERVIEW



**221**<sup>7</sup>



NUMBER OF REGISTERED  
AIRCRAFTS

**138**<sup>6</sup>

INTERNATIONAL ROUTES

**50**<sup>6</sup>

DOMESTIC ROUTES

**72**

FOREIGN AIRLINES

**05**

DOMESTIC AIRLINES

**11**

INTERNATIONAL AIRPORTS











**12**

DOMESTIC AIRPORTS

# AVIATION SECTOR OVERVIEW

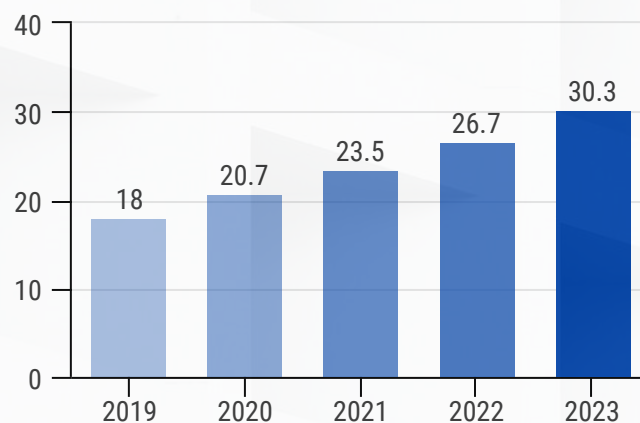
## TOP 10

### FASTEST GROWING COUNTRIES FOR PASSENGERS 2017-2040 (Over 50 million passengers per annum)

Vietnam	1		7.8%
India	2		6.8%
Saudi Arabia	3		6.2%
United Arab Emirates	4		5.7%
China	5		5.5%
Philippines	6		5.4%
Indonesia	7		5.4%
Colombia	8		5.4%
Mexico	9		5.4%
Malaysia	10		4.8%



The growth rate of Vietnam's aviation industry (AAGR) is the highest in Asia - Pacific region with an average increase of 14% from 2018-2023 compared to 5.5% of the whole region.



Vietnam ranks among the top 3 countries with the highest aviation average annual growth rate (AAGR) in the Asia-Pacific region.

1	Vietnam	+ 14%
2	Papua New Guinea	+ 12.7%
3	Laos	+ 12.3%

# MARKET SHARE OF CURRENT DOMESTICS CARRIERS 2019<sup>11</sup>



- Vietnam's first low-cost airline
- 70% owned by Vietnam Airlines and 30% by Qantas.
- International Operational Safety Audit (IOSA) certificate granted by IATA (USA)
- Aircraft In Service: 20
- Operating 13 international flight routes, 23 domestic flight routes

- Vietjet Air is a low-cost airline that began operations in December 2011.
- International Operational Safety Audit (IOSA) certificate granted by IATA (USA)
- It was the first privately owned airline in Vietnam
- Aircraft In Service: 67
- Aircraft On Order: 312
- Operating 96 international flight routes, 35 domestic flight routes

- National flag carrier and is wholly owned by the government
- Full service airlines, member of the Sky Team alliance, Skytrax 4 star
- Aircraft In Service: 92
- Aircraft On Order: 21
- Operating 60 international flight routes, 33 domestic flight routes

- Vietnam's first hybrid airline, debuted in Jan 2019
- Bamboo Airways is owned by FLC Group
- Aircraft In Service: 10
- Aircraft On Order: 77
- Has 1 operated international flight routes, 22 domestic flight routes

- Fully owned subsidiary of Vietnam Airlines
- Provide passenger flights, charter flights, medical evacuations, SAR operations, oil platforms flights, and other aviation services
- Operating 9 domestic flight routes
- Aircraft In Service: 6



# AVIATION PERFORMANCE INDEX 2019

**78M** passengers carried

**11.8%** INCREASE

**11%** Y-O-Y domestic  
passengers volume growth rate

tones of cargoes carried

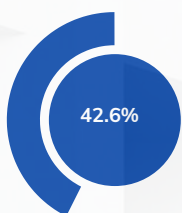
**1.25M**  
INCREASE **3%**

Y-O-Y international  
passengers volume growth rate **14%**

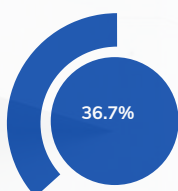
**326,680**  
TOTAL FLIGHTS



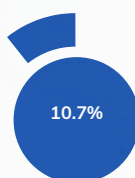
**282,190**  
FLIGHTS ON TIME



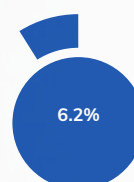
Vietjet Air



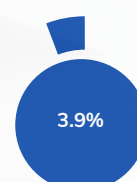
Vietnam Airlines



Jetstar Pacific

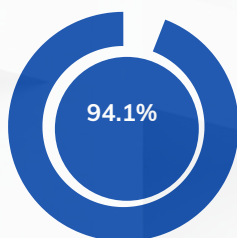


Bamboo Airways

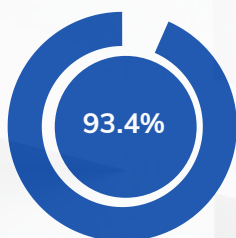


VASCO

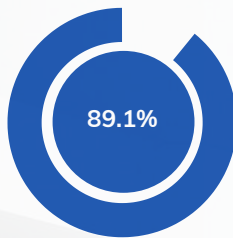
Flights Donut Chart of 5 Airlines



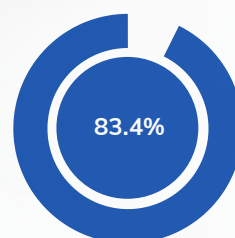
Bamboo Airways



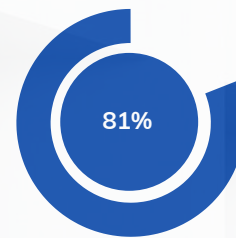
VASCO



Vietnam Airlines




Vietjet Air



Jetstar Pacific

On-Time Performance Donut Chart of 5 Airlines



 **Planned Capacity**

 **Actual Capacity**




## VAN DON INTERNATIONAL AIRPORT

Was built by **Sun Group** and is located about 50 km (31 mi) away from the famous World Heritage **Ha Long Bay, Quang Ninh** province


**Expected Capacity:** 5 million passengers per year


## Noi Bai - Hanoi

 25,000,000

 25,900,000

## Da Nang

 10,000,000

 13,200,000

## LONG THANH INTERNATIONAL AIRPORT

is located in **Dong Nai Province** (30 km from Ho Chi Minh City) with expected operation in 2025.


### Expected Capacity:

**Phase 1 (2025):** 1 runway and passenger terminal capable of handling 25 million passengers and 1.2 million tons of cargo per year.

**Phase 2 (2035):** second runway and passenger terminal to raise capacity to 50 million passengers and 1.5 million tons of cargo per year.

**Final phase (2050):** 100 mil passengers and 5 million tons of

## Tan Son Nhat - HCMC

 28,000,000

 38,400,000



# AVIATION SECTOR REGULATIONS AND LEGAL UPDATES



## Important Aviation Sector Legislation Documents

The main pillar of the legal framework that governs Vietnam's aviation sector is the Law on Vietnam Civil Aviation dated June 29, 2006 and Law on amendments to a number of Articles of Law on Vietnam Civil Aviation dated November 21, 2014. The provisions of this Law provide a legal basis to promote the development of Vietnam's civil aviation industry and join hands in building a healthy international aviation environment.

There are also some important legal documents in civil aviation sector:

- Decree 44/2018/ND-CP regulation on the management, use and exploitation of aviation infrastructure
- Decree 66/2015/ND-CP defining the aviation authorities
- Decree No. 125/2015/ND-CP of the Government stipulate in detail air traffic management
- Decree 92/2015/ND-CP on aviation security
- Decree 30/2013/ND-CP on air transportation business and general air operation
- Decree 92/2016/ND-CP providing for conditional business sectors or activities in the civil aviation industry
- Decree 89/2019/ND-CP amending Decree 92/2016/ND-CP and Decree 30/2013/ND-CP
- Circular 53/2019/TT-BGTVT on price and price range of aviation-related at airports and airdromes of Vietnam
- Circular No. 36/2015/TT-BGTVT on management of domestic air transport freights and aviation service prices



## Legal Updates: Government Loosens Aviation Business Conditions<sup>13</sup>

**Highlights in the recent legal updates Decree 81/2019:** The Government has issued a new decree which comes into effect on 01 Jan, 2020 to change air transport business requirements with a view to creating favourable conditions not only for enterprises to set up airlines but also for investing in airports.

- Regulations on foreign ownership of any airlines established in Vietnam are loosened by increasing the limit of foreign ownership cap from a previous 30 per cent to 34 per cent.
- Airlines shall meet a minimum capital, including equity and loan capital, of VND300 billion (\$13 million), VND600 billion (\$26 million), VND 700 million (\$30 million) for operating up to 10 aircraft; 11 to 30 aircraft; and over 30 aircraft respectively. Such new regulation not only lowers the requirement on capital but also removes previous difference regarding capital conditions between international and domestic aviation transportation
- A requirement that stakes in foreign-invested airlines must be transferred to foreign investors two years after these airlines get their air transport licenses is now abolished.
- Regarding the conditions for granting an airport business license, Decree 89 stipulates that the minimum capital level to be selected is VND100 billion (\$4.35 million), and foreign investors cannot hold more than 30% of the charter capital.
- The new regulation also sets the age limit for used aircraft imported into Vietnam.

# AVIATION SECTOR REGULATIONS AND LEGAL UPDATES

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# AVIATION SETOR: OPPORTUNITIES AND CHALLENGES

## OPPORTUNITIES FROM THE NATION'S MASSIVE GROWTH IN THE TOURISM INDUSTRY

2019 was a fruitful year for Vietnam's tourism industry where the number of foreign tourists reached an all-time high of 18 million, up 16.2 percent year-on-year in addition to the impressive number of 85 million domestic tourists that it catered for. The Vietnamese government believes that the numbers will keep growing and by 2025 it is expected to serve more than 160 million visitors, both foreign and domestic, which means undoubtedly great growth and development prospects for the Vietnamese aviation sector. The International Air Transport Association estimate that in 2020 passenger transportation in Vietnam is going to rise by 16 percent, and between 2020 to 2030, the growth in the sector is forecast to grow by 8 percent per year. To better accommodate that volume, within the next few years Vietnam is expected to have 23 airports serving an annual traffic figure of 144 million passengers.

## NEW PLAYERS AND MORE ROOM FOR COMPETITION

The recently impressive boom of low-cost carriers (LCC) has become a trend of Vietnamese and international passengers thanks to low fares and improved service quality as low-cost carriers (LCC) and Full-services carriers (FSC) are striving to increase their competitiveness and position in the industry. Ever since the introduction of the first low cost airline Jetstar into Vietnam aviation market and later the appearance of Vietjet Air in late 2011, low-cost sector has indeed risen and consolidated its position, making Vietnam aviation market among the fastest growing groups in the world in both domestic and international markets. The latest new comer who made its debut in the early 2019 is Bamboo Airway, owned by FLC Group. FLC has positioned Bamboo Airways as a hybrid airline, blending low-cost traits with those of traditional or full-service carriers to meet the demands of every market segment. With the new wings of Bamboo Airways, Vietnam now currently has five licensed commercial airlines.

However, more airlines have been proposed and are in the wait to be launched in 2020 as well including Vietstar Airlines, KiteAir (Thien Minh Group) , Vietravel Airlines (Vietravel). The Civil Aviation Authority of Vietnam believes that these new airlines will help diversify the market, boost competitiveness and offer consumers more options, benefits and improved quality of service.

## BIGGEST CHALLENGE SO FAR: OVERLOADED INFRASTRUCTURE AND SHORTAGE OF HUMAN RESOURCES

Rapid growth, however, has created numerous difficulties and challenges for the industry, especially in keeping up with demand for infrastructure, said Vietnam Airlines CEO Duong Tri Thanh. According to aviation experts, aviation is a very special sector that has very high standards for safety, security, and national defense. The new players are expected to benefit customers, but also make it more difficult for authorities to deal with overloaded airports, especially Tan Son Nhat International Airport. In 2018 , 38 million travelers passed through this airport, while its designed capacity is only 25 million.

# AVIATION SETOR: OPPORTUNITIES AND CHALLENGES

The country's shortage of flight safety officers, technicians, and especially, well-trained pilots is also an on-going issue. The Civil Aviation Authority of Vietnam (CAAV) might have to limit fleet expansion among domestic airlines due to the lack of flight safety officers according to Mr. Vo Huy Cuong, CAAV deputy head. Currently around 70% of pilots working in Vietnam's airlines are foreigners, mostly from Australia, the United States and European countries. In order to meet the growing demand of professional pilots, the country's aviation industry will have to come up with new strategies to recruit the qualified pilots it needs. However, the lack of qualified local pilots is going to remain as one of the biggest challenges in the Vietnamese aviation industry in 2020 as well as in the upcoming years.

## THE EFFECTS OF COVID-19 OUTBREAK ON THE AVIATION SECTOR:

The Covid-19 epidemic appears in more than 100 countries and territories after its onset in Wuhan, China in December 2019. Vietnam declared a public health emergency over the epidemic on 01 Feb, 2020 and banned all flights to and from China, as also limited travel between Vietnam and Macau and Hong Kong. On Feb 12, 2020, the Vietnamese government said the virus has already cost Vietnamese airlines about VND10 trillion in lost revenues, the equivalent of US\$430million.<sup>17</sup> It is not just international traffic between the two countries that is suffering. Vietnam Airlines reports a 20-30% drop in passengers on domestic routes in the first two weeks of February.<sup>18</sup> Airlines also have to bear the additional cost of sanitising their aircrafts to constrain the coronavirus spread, while CAAV pays the cost for sanitising 23 airports. With the complicated situation of the outbreak showing no sign of stopping, the global as well as Vietnamese aviation sector is expected to face more and more impact in the next months of 2020 to come.

## OBJECTIVES GOING FORWARD

### - *Sustainable development*

According to economist Le Dang Doanh, in terms of sustainable development, the aviation and tourism industries need to establish more collaboration to better apply digital economy principles and information technology. In addition, there should be specific solutions to solve the transport infrastructure from the airport to the city center and to tourism destinations. The Civil Aviation Authority of Vietnam believes that in order for Vietnam's aviation sector to develop sustainably, the best safety and security standards must be ensured. Infrastructure bottlenecks such as the overloading Tan Son Nhat airport and the lack of human resources is being dealt with gradually with projects to build Terminal 3 station, Long Thanh airport or the establishment of airlines' training centers.<sup>20</sup>

# AVIATION SETOR: OPPORTUNITIES AND CHALLENGES

## **- *Healthy competition:***

According to Mr Pham Van Hao, Deputy Director of the Civil Aviation Authority of Vietnam, the aviation sector's aim for fair competition in aviation would create benefits for both the community and the nation's reputation.

## **- *VN-US direct flight***

The Civil Aviation Authority of Vietnam was presented the US Federal Aviation Administration (FAA)'s certificate of a Category 1 aviation safety rating by US Ambassador to Vietnam Daniel Kritenbrink on February 2019, which will allow Vietnamese carriers to establish direct services to the US and codeshare with US carriers. It promises many cooperation and development opportunities for Vietnamese airlines to approach new markets and boost tourism development. The remaining challenge for the Vietnamese airlines in the fulfillment of the VN-US dream flight-route lies in their own market exploitation capacity, competitiveness and meeting technical requirements for their aircrafts' engines.



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