



International Civil Aviation Organization

WORKING PAPER

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ASSEMBLY — 38TH SESSION

ECONOMIC COMMISSION

Agenda Item 41: Economic Regulation of International Air Transport

**OVERVIEW OF THE VIET NAM AVIATION MARKET
AND LCC'S OPERATION IN VIET NAM**

(Presented by Viet Nam)

EXECUTIVE SUMMARY

This information paper presents an overview of Viet Nam's aviation market and case study of the operation by a Low Cost Carrier (LCC) in Viet Nam.

<i>Strategic Objectives:</i>	This information paper relates to Strategic Objective C – <i>Environmental Protection and Sustainable Development of Air Transport.</i>
<i>Financial implications:</i>	No financial implications.
<i>References:</i>	Not applicable

1. INTRODUCTION

1.1. The Viet Nam civil aviation industry now is operating scheduled services to twenty one airports, aerodromes located in the plain, high-land and island from the North to the South.

1.2. To date, there are fifty one international air carriers from twenty three countries/territories and two Vietnamese air carriers operating fifty four international routes to/from Viet Nam; four Vietnamese air carriers operating forty domestic routes.

1.3. In 2012, the Viet Nam's air transport market reached 25.4 million passengers, 527 thousand tons of cargo, up respectively 3.8 times for passengers and 2.8 times for cargo compared to 2003.

1.4. Until now, Viet Nam has signed sixty three ASAs with countries and territories spreading from Asia, Europe, North America, Australia and Africa. In addition, multilateral aviation relationship are also paid attention to with the official signing of six multilateral ASAs (including CLMV Multilateral Agreement on Air Services; three ASEAN Multilateral Agreements on Air Services, Air Freight and Full Liberalization on Passenger Transportation; Air Services Agreement between ASEAN and China; and Viet Nam – EU Horizontal Agreement). Most of the ASAs signed toward progressive liberalization use model clauses set by ICAO in the context of global air transport liberalization.

2. DISCUSSION

2.1. According to the Law on Civil Aviation of Viet Nam, in 2006, any investor could establish a private airline and own and operate the private aircraft, in which ownership can be up to 100 per cent by Vietnamese organizations and individuals and the capital contribution by foreign investors are allowed (*the foreign equity shall not exceed more than 30 per cent of charter capital of the air carrier or enterprise*). By specific provisions of this Law, many private airlines were established in Viet Nam and are engaged in both air transportation business (*four airlines with 100 per cent private capital from Vietnamese organizations and individuals*), general aviation operation (*four airlines*) and two individuals who own and operate their aircraft.

2.2. VietJet Air is the first private airline of Viet Nam, owned by Vietnamese organizations and individuals, started its operation in November 2011 and it is operating as a Low-Cost Carrier with both international and domestic aviation market. Until now, VietJet Air is operating two international routes and nine domestic routes with eight Airbus-320 aircrafts on its fleet.

2.3. For the first seven months of 2013, VietJet Air carried nearly 1.6 million passengers with 17.7 per cent market share. This month, the investors informed the public about the finance report results, with nearly 6 million US dollars of profit for seven months of 2013 and they also have a plan for an initial public offering (IPO), in order to offer its stock to the public market.

2.4. The investors expect to continue increase its fleet up to ten aircrafts at the end of this year and expand its operation to more points in Viet Nam as well as points in Asia.

3. CONCLUSION

3.1. The Assembly is invited to note the information provided in this paper.