ONLINE SEMINAR

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GERMAN – VIETNAMESE ACADEMIC EXCHANGE ON AVIATION MARKETS AND THEIR REGULATIONS

Speaker: **Dr. Thai Binh TRAN**
Vietnam Aviation Academy

Aviation Industry in Vietnam/ Southeast Asia

Vietnam's Aviation Sector Overview

221
registered aircraft

50
Domestic Routes

138
International Routes

72
Foreign Airlines

11
International Airports

12
Domestic Airports

Source: BBGV (2020)

Aviation Sector Legislation Documents in Vietnam

- 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.
- 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

Source: BBGV (2020)

Recent 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.
- 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.

Source: BBGV (2020)

Vietnam's Aviation Sector in 2019 (Pre-Covid)

MASSIVE GROWTH IN THE TOURISM INDUSTRY

18 million foreign tourists, increased 16.2% y-o-y

85 domestic tourists

Expectation (2019)

CAGR 8% from 2020 - 2030

23 airports to serve 144 million passengers (annual traffic)

STRONG COMPETITION AND NEW PLAYERS

Booming of low-cost carriers: Jestar, Vietjet Air

New comers: Bamboo Airways, Vietstar Airlines, KiteAir, Vietravel Airlines

CHALLENGES

Overloaded infrastructure

Shortage of human resources

OPPORTUNITIES

Sustainable development

Healthy competition

Direct flight from VN - USA

Source: BBGV (2020)

The effects of Covid-19 Outbreak on the Aviation Sector

AVIATION MARKET

- Air transport demand in 2020: decreased 35% - 66%
- Revenues in 2020 decreased 61% compared to 2019
- Revenues in H1 2021 decreased 80% compared to H1 2020; keep decreasing till the end of 2021
- Estimated loos in 2021: US$ 800 M
- Short debts: US$ 1 Bn.
- Estimation the recovery: 2024

AIRLINES' STATUS

- Vietnam Airlines: H1 2021 lost US$ 417 M
- Vietjet Air: shortage of US$ 417 M to maintain its operations
- Vietjet Air, Bamboo Airways: maintaining their operations by transfering assets in 2020, still confronting difficulties in 2021
- 30 foreign airlines from NEA, SEA, ME and France Vietnamese airlines merely to transport repatriating passengers, experts coming to Vietnam for working, students and cargo.

CURRENT ISSUES

- Shortage of finance
- Health barrier: quarantine
- Border restriction

SOLUTIONS FOR AIRLINES

- Decreasing 2% of loan interest, allowing airlines to restructure their debt, retaining the dealine to pay debt until 31/12/2021.
- Demanding to waive or decrease taxes and fees to 50%.

Source: CAAV (2021)

The Recovery of Vietnamese Aviation Market

Phase 1: Q3 2021

Transport Vietnamese labourers to Korea, Taiwan, Singapore, Thailand, Malaysia, France, Germany, Russia and Australia

Airports: Van Don, Da Nang, Cam Ranh

Foreign Passengers: Vaccinated 2 times, allowing to

Phase 2: From Jan 2022

Allow to transport passengers to Vietnam without license, 4 flights/week

Vietnam, China, Hong Kong, Japan, Korea, Taiwan, Thailand, Singapore, Malaysia, Laos, Cambodia, France, Germany, Russia, UK, Australia

Paasengers: Vaccinated 2 times and quarantine 7 days

Phase 3: From April 2022

Passengers do not neet to quarantine for 7 days

Phase 4: From July 2022

Immunity in Community

Airlines are allowed to fly and issued slots

Passengers proved to be vaccinated

In the first 9 months of 2021

7,500 international flights transporting passengers to/from Vietnam, 350,000 passengers, load factor 13.27%

To Vietnam: 3,700 flights, 153,200 passengers, load factor 6.47%

At present

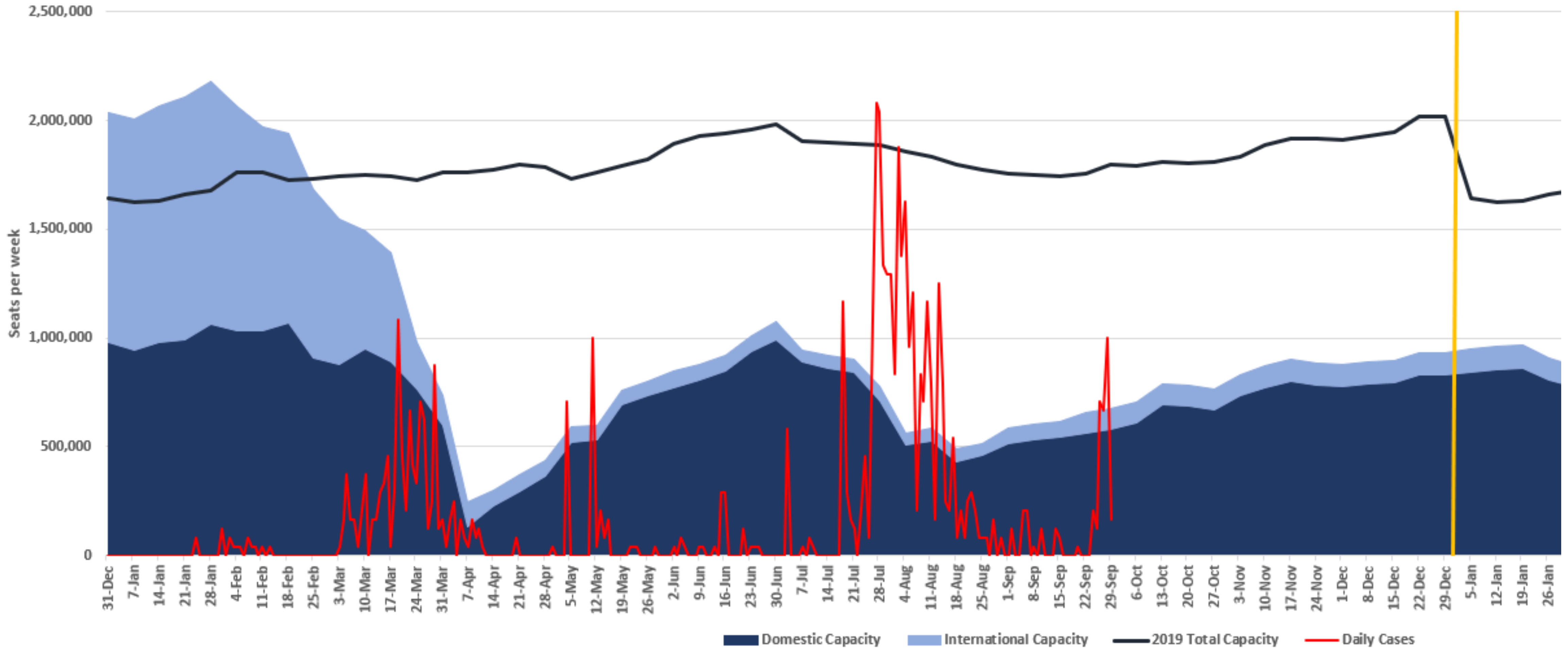
4 domestic airlines (Vietnam Airlines, Vietjet Air, Bamboo Airways and Pacific Airlines)

Focusing on Hanoi – HCM route with LF from 75% - 90%

Increasing the frequencies to HCMC - Danang, Hanoi Danang routes (3 – 6 flights/ day)

Source: CAAV (2021)

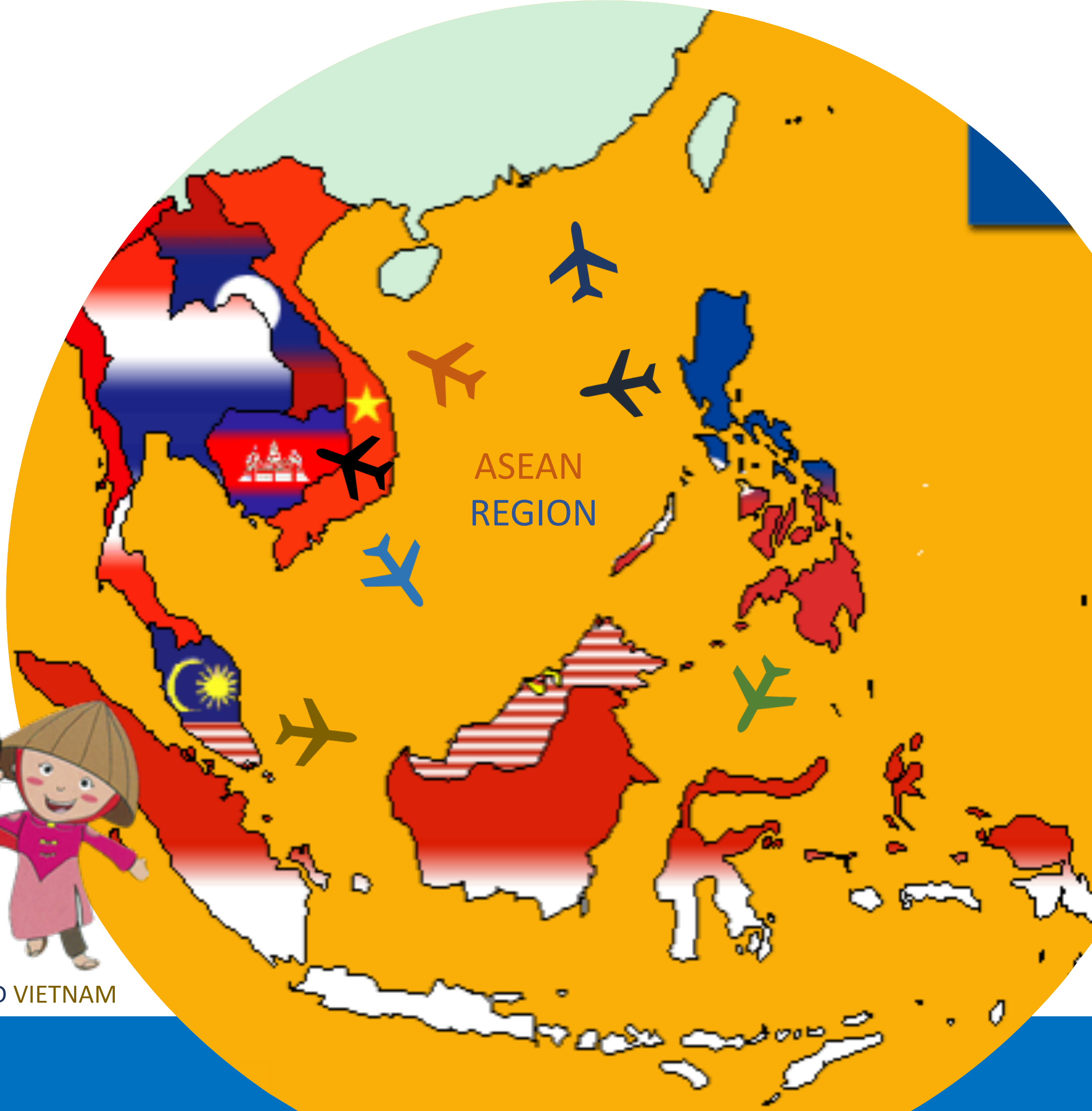
Vietnam Weekly Seat Capacity and Daily New Covid-19 Cases



Source: CAPA (2021)

Source: Amirullah (2018)

BRUNEI CAMBODIA INDONESIA LAOS MALAYSIA PHILIPPINES SINGAPORE THAILAND VIETNAM



ASEAN SINGLE AVIATION MARKET (ASAM)

Southeast Asia's Aviation Market Overview

- The Southeast Asian aviation market is projected to register a CAGR of more than 4.5% during the forecast period.
- The gradual growth in the air passenger traffic (more than 4% growth Y-o-Y) in the region is propelling the procurement and expansion plans of the airlines in the region.
- With support from the government, the Southeast Asian countries are also enhancing their aviation infrastructure to support future growth.
- Amid the COVID-19 pandemic, the air passenger traffic in countries, like Vietnam, Cambodia, the Philippines, and Thailand, have declined by 34%, 34%, 36%, and 40%, respectively. This decrease in passenger traffic, as well as load factor, may affect the revenues of the airlines, which may have a subsequent effect on the future expansion and procurement plans in the coming years.

SUMMARY

- Strong domestic recovery in Vietnam, resuming after COVID-19 second wave
- Singapore is easing border restrictions, but travel bubbles are slow to emerge elsewhere
- SIA, Cathay and other Southeast Asian airlines are in various stages of restructuring and strategy reviews
- As AirAsia scrambles to shore up liquidity, some of its units are more at risk than others.

Source: Mordor Intelligence, CAPA (2021)

Singapore – a Leader in Easing Border Restriction

- Asia-Pacific region borders remain closed, or are subject to quarantine restrictions that have a similar effect on travel.
- Singapore has been the most progressive in the Asia-Pacific region regarding the easing of border restrictions by removing quarantine requirements for some countries, including for New Zealand, Vietnam, Brunei, and most of Australia.
- A travel bubble being planned between Singapore and Hong Kong will go much further, as it will be bilateral and reciprocal.

Source: CAPA (2021)

ASEAN airlines review and restructure to survive

- Two of the region's major players – Singapore Airlines and Cathay Pacific – have been reviewing their operations to realign themselves with the new industry environment.
- SIA reviews of the shape and size of its network in the longer term, and has signalled that this could mean fleet plan changes.
- Cathay revealed major cost cutting elements of its restructuring plan on 21-Oct-2020. The group will reduce its workforce by 24%, or about 8,500 positions.
- Other carriers in Southeast Asia are also undertaking restructuring processes to varying degrees, including Thai Airways, Garuda, and Malaysia Airlines.
- Things are more difficult for the independent LCCs in Southeast Asia. AirAsia is looking to a range of measures to raise the liquidity it needs to survive the COVID-19 crisis.
- AirAsia X, the group's widebody long haul affiliate, faces major survival challenges. It has been forced to suspend all flights due to the pandemic, with no firm date to resume operations.