

5. Airport and Ground Support Equipment (APG), Air Traffic Management Systems (Avionics) (AVG), and Aircraft & Parts (AIR)

Overview

Airport and Ground Support Equipment	2003 (actual)	2004 (actual)	2005 (estimated)
Total Market	5	5	7
Local Production	0	0	0
Total Exports	0	0	0
Total Imports	5	12	12
Imports from the U.S.	2	2	3

Air Traffic Management Equipment	2003 (actual)	2004 (actual)	2005 (estimated)
Total Market	10	8	14
Local Production	0	0	0
Total Exports	0	0	0
Total Imports	10	8	18
Imports from the U.S.	4	4	5

Engines, Engine Parts and Aircraft Parts	2003 (actual)	2004 (actual)	2005 (estimated)
Total Market	40	60	50
Local Production	0	0	0
Total Exports	0	0	0
Total Imports	12	60	18
Imports from the U.S.	10	27	8

* The above statistics are in US\$ millions and are based on U.S. Census Bureau and unofficial estimates.

Aviation is one of the top priority sectors for development by the Vietnamese government, since it is viewed as a prerequisite to rapid national economic growth. The aviation industry in Vietnam comes under the principal jurisdiction and management of the Civil Aviation Administration of Vietnam (CAAV), a government agency reporting to the Ministry of Transport.

According to the CAAV, in 2004, 12 million air passengers were served in Vietnam, a figure projected to increase to 20 million by 2010. The total amount of air cargo handled is growing by an estimated 14 percent each year, reaching approximately 576,000 tons in 2010.

At present, there are 23 domestic and 72 international air routes operating in Vietnam's Flight Information Regions (FIR). The country currently operates a network of 21 major

civil airports including three international ones: Noi Bai in the north (Hanoi), Danang in the center and Tan Son Nhat in the south (Ho Chi Minh City). The Tan Son Nhat airport, with a capacity of 5 million passengers per year, is the largest airport in country, handling about 75 percent of the country's international passenger traffic.



Vietnam is soon expected to take off as the fourth largest aviation market in Southeast Asia

(Photo: Airliners.net)

Vietnam Airlines (VNA) and Pacific Airlines (PA) are the two major air carriers in Vietnam, and until at least 2008 the government will not issue licenses for additional domestic operations to any other air carriers. After that, the aviation sector may be opened to private and foreign companies under certain conditions. At present, VNA operates a fleet of 41 airplanes, accounting for 42 percent of the international passenger traffic and virtually all domestic passenger traffic.

VNA owns and operates two major commercial maintenance centers, one each in HCMC and Hanoi, which independently perform both daily and periodic checks and maintenance according to JAR/VAR-145 standards. The HCMC facility mainly focuses on Boeing aircraft while the center in Hanoi concentrates on Airbus aircraft. At present, each facility can carry out maintenance services at the following levels: Dcheck (F70 and ATR72), A320 (8C-10Y check), B767 (A check), and B777 (2C check) .

Vietnam's FIR is divided into two areas, namely Hanoi and HCMC. At present, Vietnam Air Traffic Management (VATM), a subsidiary of CAAV, covers FIR Hanoi and HCMC with two area control centers (located in Hanoi and HCMC), three approach control centers (in Hanoi, Danang and HCMC), 17 airport air traffic control towers, six radar stations, 16 satellite stations, 40 beacons, 20 VHF stations, and tens of digital microwave links. In 2004, VATM provided air traffic management services to nearly 100 airlines operating on 23 international routes and 15 domestic routes.

At present, Vietnam has signed bilateral aviation agreements with more than 50 nations and territories. In 2004, a milestone in the aviation sector was achieved with the signing

of the U.S – Vietnam Aviation Agreement, which led the way for direct passenger and cargo flights between the two countries. Presently, one American air carrier, United Airlines, operates direct flights to HCMC.

Opportunities

c, including projects at Noi Bai (second terminal), Na San, Dong Hoi, Cam Ranh, Chu Lai, Lien Khuong, Con Dao, Phu Quoc, Can Tho, Ca Mau, and Rach Gia. During the period of 2010 – 2020, several other airports will be constructed or upgraded including the Long Thanh and Chu Lai (International), Quang Ninh, Lao Cai, and Cao Bang (Domestic). Development of the first phase of a new international airport at Long Thanh to serve Ho Chi Minh City could cost in excess of \$4 billion.

Over the period of 2005 – 2010, VNA plans to invest more than USD \$2.2 billion in expanding and upgrading its aircraft fleet as well as other related facilities while Vietnam Air Traffic Management (VATM) could spend over \$67 million on 46 new and ongoing air traffic management projects.

The aircraft maintenance service and part segments are expected to grow sharply over the next five years. One of VNA's strategies is to upgrade the existing facilities and human resources at the Hanoi and HCMC maintenance centers in order to be able to maintain and overhaul up to 80% of mechanical and 60% of electronic parts for VNA's fleet, as well as for other airlines. In addition, these maintenance centers will be further modernized to handle engine repair for a majority of VNA's aircraft, and will seek to overhaul engines after 2010.

Best Products and Services

American companies are highly respected in Vietnam as the world's leading equipment manufacturers and service providers in the aviation sector in terms of advanced technologies, quality, and professionalism. In the above projects, American companies will find significant opportunities for providing architectural and technical design services, engineering and construction services, and construction management services. In addition, over the last few years American firms have sold airport ground support equipment (GSE), equipment for passenger terminals, air traffic management systems, telecommunication systems, software, aircraft parts as well as the transfer of aircraft maintenance and engine overhaul services.

Resources

To enter the market, U.S. equipment suppliers and service providers are well advised to register their interest and capabilities with the appropriate agencies, particularly CAAV and its subsidiaries. The Commercial Service Offices in Vietnam should be contacted for assistance in the registration process and the selection of reputable local firms for collaborative arrangements, which is one of the prerequisites for success in the market. As a result, interested U.S. firms are urged to consider establishing joint ventures or other forms of strategic alliances with local companies in pursuing their projects in

Vietnam. For more information, please contact the following addresses or visit the following websites:

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