



HELPING YOUR BUSINESS GROW INTERNATIONALLY

THE AIRPORT SECTOR IN VIETNAM



Fast track to the world ^{UK}

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THE AIRPORT SECTOR IN VIETNAM

Country Statistics

Official name	Socialist Republic of Vietnam
Capital	Hanoi
Official language	Vietnamese, although English is the main business language

Government

Form of government	Unitary Socialist Republic, Single Party State
President	Nguyen Minh Triet
Prime Minister	Nguyen Tan Dung
General Secretary of the CPV	Nguyen Phu Trong

Country Data

Total area	331,698km ² /128,565 m ²
Population	85.8 million (2009 census)
Population mix	Vietnamese (“Viet” or “Kinh”) 86 per cent, various ethnic minorities; and approximately 1.5 per cent expatriates, mostly from Asia and Europe
Religion	Mahayana Buddhism 80 per cent, Christianity 8 per cent, others 10 per cent
Currency	Vietnamese đồng (VND), though US\$ used widely
Time zone	UTC+7
Dialling code	+84
Working week	Monday-Friday
Business hours	A normal working day in Vietnam starts between 7am and 8.30am and finishes between 4pm and 6pm, from Monday to Friday and until noon on Saturday
Language	Vietnamese (Vietnamese alphabet)

Economic Statistics (2009)

GDP (nominal)	US\$92.4 billion (+6.8 per cent)
GDP per capita	US\$1,060
Inflation	11.8 per cent (December 2010)
Unemployment	2.9 per cent
Main industries	Agriculture, manufacturing, IT, oil, tourism
Balance of trade	Exports: US\$71.6 billion. Imports: US\$84 billion



Background

Shaped like an elongated S, Vietnam stretches the length of the Indochinese Peninsula and covers an area of 331,698 km². China lies to the north and east, with Laos and Cambodia to the west. The country can be thought of as comprising three unique areas: North, Central and South. The North is known for its alpine peaks, the Red River Delta, enchanting Halong Bay, and historic capital Hanoi, as well as for the diversity of its ethnolinguistic minorities.

Vietnam's climate is as complex as its topography. North Vietnam has two basic seasons: a cold, humid winter from November to April and a warm, wet summer for the remainder of the year. The northern provinces of Central Vietnam have the same climate (the temperature ranges from 22–30°C), while the southern provinces share the generally warm tropical weather of the South, the hottest months being March through May (about 38–40°C).

As a result of war, Vietnam's economic development suffered compared with other neighbouring countries. However, it is catching up fast, with Vietnam making a shift from a centrally planned economy to a market economy over the past 20 years.

Vietnam is a densely populated developing country of approximately 90 million people that in the last 30 years has had to recover from the ravages of war, the loss of financial support from the old Soviet bloc, and the rigidities of a centrally planned economy. After its reunification in 1975, the country saw a long period of economic stagnation. In 1986, the Sixth Party Congress approved a broad economic reform package, "Doi Moi", that introduced a degree of market liberalisation and laid the groundwork for Vietnam's improved investment climate. Since then, the country has achieved substantial progress, with GDP growth averaging 6.8 per cent per year from 1997 to 2004 and around 8 per cent in recent years. Vietnam's signing of the ASEAN Free Trade Agreement (AFTA) and the introduction of the US-Vietnam Bilateral Trade Agreement in December 2001 have led to more rapid changes in the country's trade and investment environment. After a 12-year negotiation process, Vietnam became a member of the World Trade Organization (WTO) on 11 January 2007. This has served to anchor Vietnam to the global market and reinforced the domestic economic reform process.

The country has two dominant urban centres: the capital Hanoi, in the north, has a municipal population of approximately 8.5 million, while Ho Chi Minh City (formerly Saigon) in the south has over 10 million inhabitants.

The next biggest cities are Hai Phong, which is some 100km from Hanoi and has a population of over 5.5 million; Can Tho, around 150km from Ho Chi Minh City; and Da Nang on the eastern coast, with approximately one million inhabitants.

Hanoi, located on the right bank of the Red River and lying 1,760km north of Ho Chi Minh City, is Vietnam's political centre and its second-largest city. In 2010, it officially celebrated its 1,000th anniversary and was named by Frommer's Travel Guide as one of the world's leading destinations.

Ho Chi Minh City is the economic centre of Vietnam. Although it covers just 0.6 per cent of the country's land area, the city is home to 7.5 per cent of Vietnam's population, 20.2 per cent of its GDP, 27.9 per cent of industrial output and over a third of its FDI (foreign direct investment) projects. In 2009, Ho Chi Minh City's GDP per capita reached US\$2,800, compared with the national average of US\$1,042.

The consumption demand of Ho Chi Minh City is much higher than that of other provinces and municipalities in Vietnam and 1.5 times greater than that of Hanoi.

As of June 2006, the city has been home to three export processing zones and 12 industrial parks.



Vietnam's economy grew by 5.32 per cent in 2009, one of the highest rates in the region, despite the global financial crisis. While growth in 2009 was lower than the previous year's 6.18 per cent, it still exceeded the government's 5 per cent target. During the third and fourth quarters of 2009, the Vietnamese economy grew by 6.04 per cent and 6.9 per cent respectively, indicating a good response to the government's stimulus policies.

Political Structure

The Socialist Republic of Vietnam is a single-party state. A new state constitution was approved in April 1992, replacing the 1975 version. The central role of the Communist Party of Vietnam was reasserted in all organs of government, politics and society.

Only political organisations affiliated with or endorsed by the Communist Party are permitted to contest elections. These include the Vietnamese Fatherland Front and worker and trade unionist parties. Although the state remains officially committed to socialism as its defining creed, it is increasingly capitalist and, according to *The Economist*, is currently run by "ardently capitalist communists".

The President of Vietnam is the titular head of state and the nominal commander in chief of the military, chairing the Council on National Defence and Security. The current Prime Minister of Vietnam, Nguyen Tan Dung, is the head of government, presiding over a Council of Ministers composed of three deputy prime ministers and the heads of 26 ministries and commissions.

The National Assembly of Vietnam is the unicameral legislature of the government, composed of 498 members. It is superior to both the executive and judicial branches. All members of the Council of Ministers are derived from the National Assembly. The Supreme People's Court of Vietnam, which is the highest court of appeal in the nation, is also answerable to the National Assembly.

Beneath the Supreme People's Court stand the provincial municipal courts and the local courts. Military courts are also a powerful branch of the judiciary, with special jurisdiction in matters of national security. All organs of Vietnam's government are controlled by the Communist Party and most government appointees are party members. The General Secretary of the Communist Party can be considered one of the country's most important political leaders, controlling the party's national organisation and state appointments, as well as setting policy.

Economy

Historically, Vietnam has been an agricultural civilisation based on wet rice cultivation. The Vietnam War destroyed much of the country's economy. Upon taking power, the post-war Communist government created a planned economy for the newly unified nation.

Collectivisation of farms, factories and economic capital was implemented, and millions of people were put to work in government programmes. For a decade, Vietnam's economy was plagued with inefficiency and corruption in state programmes, poor quality and underproduction, and restrictions on trade and other economic activity. It also suffered from the trade embargo imposed by the US and most of Europe after the Vietnam War, as well as by the gradual erosion of the Soviet bloc, which had hitherto been a key trading partner of Vietnam.

In 1986, the Sixth Party Congress introduced significant economic reforms, containing free-market economy elements, as part of a broad "Renovation" package called "Doi Moi" This resulted in a Socialist-oriented market economy, with private ownership encouraged in industry, commerce and agriculture. However, Vietnam still uses five-year plans to establish political and economic goals. The country achieved around 8 per cent annual GDP growth from 1990 to 1997 and continued at around 7 per cent from 2000 to 2005, making it one of the world's fastest-growing economies. Growth stood at 8.5, 6.3, 5.3 and 6.8 per cent for the years 2007, 2008, 2009 and 2010 respectively. However, the estimated year-on-year inflation rate hit 11.8 per cent in December 2010 and in February 2011 the đồng was devalued for the fourth time in 15 months.

Manufacturing, IT and high-tech industries form a large and fast-growing part of the national economy. Despite being a relative newcomer to the oil business, Vietnam is also the third-largest oil producer in Southeast Asia, with an output of 400,000 barrels per day (64,000 m³/d). Deep poverty, defined as a percentage of the population who live on less than US\$1 per day, has declined significantly and is now smaller than that of China, India and the Philippines. Foreign investment and domestic savings have seen massive increases, while unemployment stands at 2.9 per cent (2009).

In 2009, the nominal GDP of Vietnam reached US\$92.439 billion, with nominal GDP per capita of US\$1,060. According to a forecast in December 2005 by Goldman Sachs, the Vietnamese economy will become the 17th largest in the world in 2025, with nominal GDP of US\$436 billion and GDP per capita of US\$4,357. Similarly, according to PricewaterhouseCoopers, Vietnam could be the fastest growing of the emerging economies by 2025, with a potential

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growth rate of almost 10 per cent per annum in real dollar terms. This could push it up to around 70 per cent of the size of the UK economy by 2050.

As a result of several land reform measures, Vietnam has become the world's largest producer of cashew nuts, with a one-third global share; the biggest producer of black pepper, accounting for one-third of the world's market; and the second-largest rice exporter after Thailand. It also has the highest percentage of land use for permanent crops – 6.93 per cent – of any nation in the Greater Mekong Subregion.

Vietnam is now one of Asia's most open economies: two-way trade is around 160 per cent of GDP, more than twice the ratio for China and over four times that of India. Besides rice, key exports are coffee, tea, rubber and fishery products, with key trading partners including China, Japan, Australia, ASEAN countries, the US and Western Europe. However, agriculture's share of Vietnam's economic output has declined, falling as a proportion of GDP from 42 per cent in 1989 to 21 per cent in 2009, as production in other sectors of the economy has risen.

In July 2006, as part its transition to a market economy, Vietnam updated its intellectual property legislation to comply with TRIPS (the Agreement on Trade-Related Aspects of Intellectual Property Rights). The country was accepted into the WTO five months later.

THE AVIATION SECTOR IN VIETNAM

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The distance between Hanoi and Ho Chi Minh City (1,760km), allied to the country's geography and its comparatively poor road and rail infrastructure, means that domestic demand for air travel in Vietnam is very high. The country's future development is dependent on a strong aviation market; as befits a rapidly growing economy, air traffic in Vietnam has been growing very steadily.

Aviation is one of the Vietnamese government's top priority industries for development, since it is considered to be a prerequisite of national economic growth. In recent years, the sector has grown rapidly in Vietnam. By the end of 2010, there were 47 airlines from 22 countries and territories operating there, including four domestic carriers. The number of passengers has increased by more than two million people per year, with 21 million inbound passengers and 10.7 million outbound in 2010.

Civil Aviation Administration

The Civil Aviation Administration of Vietnam (CAAV), under the jurisdiction of the Ministry of Transport, handles and regulates the country's civil aviation industry. Its functions include: the formulation of plans and programmes to develop civil aviation; the development of legal drafts, regulations and standards relating to civil aviation; information dissemination and education on aviation law; aviation safety and security; airport, aircraft and flight management; environmental protection; search and rescue; flood prevention; ratifying air fares proposed by airlines operating in Vietnam; research and development; handling complaints and/or violations of aviation law; administrative reform; and financial and personnel affairs.

The Vietnamese aviation market is split into three sectors managed by the Northern, Middle and Southern Airports Corporations.

A dramatic decrease in foreign aid in the early 1980s led to a crisis for the CAAV, which found itself unable to replace ageing aircraft at a time when the demand for air transportation was rising. At the same time, it became apparent that years of focusing on military functions had led to a decrease in efficiency, both economically and in terms of personnel. In response, the CAAV transformed its organisational structure and culture, refocusing itself on equipment repair and maintenance, and establishing two main tasks for the civil aviation sector: air transportation and air services.

To reflect this new structure, national flag carrier Vietnam Airlines was established by government decree in 1989 (Decision No.225/CT) and in February 1990 the CAAV was transferred out of the Ministry of Defence to the Ministry of Transport, Post and Communications. Following a restructuring programme, Vietnam Airlines formally split from the CAAV in 1993, becoming a state enterprise. In 1996, it was officially incorporated, along with a number of other aviation-related businesses, into the present Vietnam Airlines Corporation.

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Airlines

The national flag carrier and dominant airline is Vietnam Airlines, which was established as a state enterprise in April 1993 and is headquartered in Hanoi, with hubs at Noi Bai (Hanoi) and Tan Son Nhat (Ho Chi Minh City) international airports. From there, the airline flies to 46 destinations in 19 countries, excluding codeshares. Its fleet of 66 aircraft consists of 10 Boeing 777s, 10 Airbus A330s, 31 Airbus A320/A321s and 13 ATR 72s, plus two Fokker 70s. The airline aims to have a fleet of 115 aircraft by 2015 and 165 by 2020.

The state-owned Vietnam Airlines Corporation was formally established in 1996 and comprises 20 aviation service subsidiaries. The company is overseen by an eight-seat management board, members of which are appointed by the Vietnamese Prime Minister. At one time, Vietnam Airlines was also the major stakeholder in the country's second-largest carrier, Jetstar Pacific Airlines, but its share has recently been transferred to, firstly, the Ministry of Finance, and subsequently, to the State Capital Investment Corporation (SCIC).

As well as its core activities, Vietnam Airlines also earns revenue from catering and aircraft maintenance carried out by a number of its subsidiaries. The maintenance and overhauling of aircraft is handled by Vietnam Airlines Engineering Company (VAECO), while catering is performed by Noi Bai Catering Services Joint-Stock Company and Vietnam Air Caterers, who cater for airlines that use Vietnam Airlines' hubs. The airline also controls and operates its cargo division, Vietnam Airlines Cargo, using its luggage hold on its passenger fleet, as well as a number of dedicated aircraft. Moreover, Vietnam Airlines owns 100 per cent of Vietnam Air Service Company (VASCO) – a regional airline in southern Vietnam – and 49 per cent of Cambodia Angkor Air – the national flag carrier of Cambodia.

Vietnam Airlines is ranked as a 3-star airline, according to the independent research consultancy firm Skytrax. In June 2010, it became a member of SkyTeam, the only Southeast Asian carrier to join the global airline alliance.

According to a number of newspaper reports in 2007, the Vietnamese government planned to partially equitise (privatise) Vietnam Airlines by selling 20-30 per cent of it to outsiders. This was a small part of a bigger government proposal to privatise Vietnam's state-owned companies. However, due to the global financial crisis the plan was not carried out as the airline missed its government-imposed deadline of 2010.

With the gradual arrival of 70 recently ordered aircraft (including B787s and A350s) over the next decade, Vietnam Airlines is considering significantly expanding its route map. It is particularly interested in launching services to the US – where more than 1.2 million Vietnamese currently reside – as well as expanding its long-haul services to Europe. Vietnam Airlines currently operates direct flights to Paris, Frankfurt and Moscow, while a direct route to London Gatwick is currently being sought and is expected to start in November 2011.

Jetstar Pacific Airlines Joint Stock Aviation Company (operating as Jetstar Pacific) is a low-cost airline headquartered in Ho Chi Minh City. It operates domestic and international services, and charter flights. Its main base is Tan Son Nhat International Airport, the main airport in Ho Chi Minh City and the largest in the country. Formerly known as Pacific Airlines, it was renamed Jetstar Pacific on 23 May 2008, becoming part of the Jetstar LCC network operated by its 18 per cent shareholder, Qantas. As part of its expansion plan, Jetstar Pacific aims to have up to 15 A320 aircraft by 2014.

The third Vietnam-based airline is Air Mekong, which operates scheduled passenger flights from its base at Phu Quoc Airport and secondary hubs at Noi Bai (Hanoi) and Tan Son Nhat (Ho Chi Minh City) international airports. It was established in 2009 and flight operations were launched on 9 October 2010. Air Mekong is Vietnam's third privately owned airline, after Indochina Airlines (virtually defunct since 2009 but planning to re-start by the end of 2011) and VietJet AirAsia (previously known as VietJet Air), which has yet to commence services. Air Mekong runs scheduled domestic services using four Bombardier CRJ900 aircraft leased from SkyWest Airlines – each equipped with 90 seats in both business and economy class.

The Vietnam Air Service Company (VASCO) operates scheduled flights from its base at Tan Son Nhat International Airport to the south of the country. With its fleet of small planes and helicopters it also conducts charter flights, medical evacuations, SAR operations, oil platform flights and other aviation services.

VASCO, a fully owned subsidiary of Vietnam Airlines, was established by government directive in 1987. It began scheduled passenger flights independently of Vietnam Airlines in 2004, and approval has been given for it to be partially privatised.

Vietnam's domestic aviation market is subject to government-stipulated maximum fares. Given the high oil prices, the current levels do not appear to be capable of generating profitable airlines.

Air Traffic Management

Air traffic control in Vietnam is provided by VATM (Vietnam Air Traffic Management), which has approximately 2,000 employees and is overseen by the CAAV. There are three sectors catered for by Northern, Middle and Southern Regional Air Traffic Services, together employing over 450 air traffic controllers.

Other Airport Services

Airport ground handling is provided by subsidiary companies of Vietnam Airlines.

The maintenance and overhauling of aircraft is handled by Vietnam Airlines Engineering Company (VAECO).

Contractors

Aviation projects in Vietnam are typically undertaken by local construction companies. For example, the Civil Engineering Construction Corporation No. 6, based in Ho Chi Minh City, undertakes civil projects for the Southern Airports Corporation. In the North, Airport Construction Company Ltd (ACC), under the Ministry of Defence, is a well-known contractor for airport construction projects.

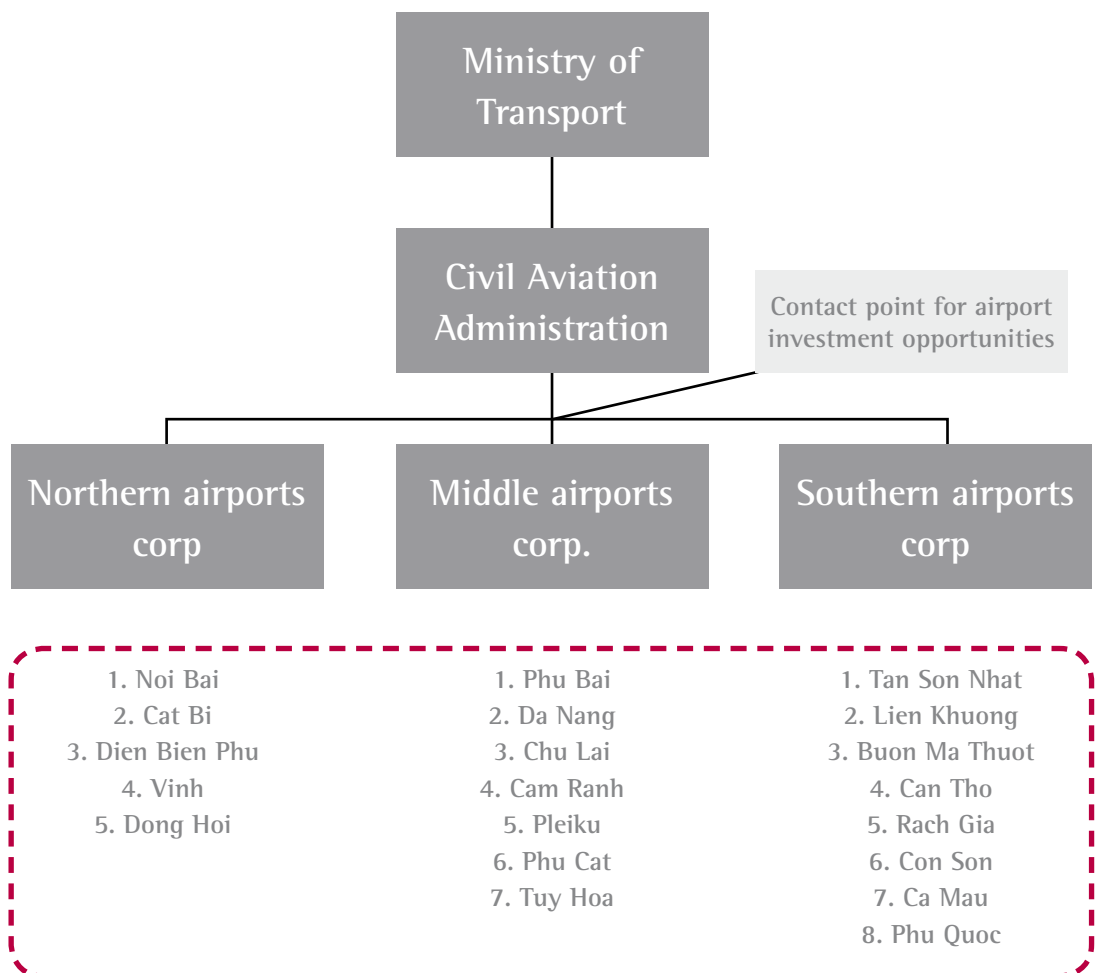
International construction firms are seeking to establish themselves in Vietnam in order to explore forthcoming major opportunities.

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AIRPORTS

Vietnam currently has 20 civil airports, including seven international airports (Noi Bai, Tan Son Nhat, Cat Bi, Phu Bai, Da Nang, Chu Lai and Can Tho) and 13 local airports. Of these, only Noi Bai and Tan Son Nhat operate frequent international flights. All airports are managed by the three regional airport corporations. The Northern Airports Corporation (NAC) manages five airports, the Middle Airports Corporation (MAC) manages seven and the Southern Airports Corporation (SAC) manages eight.

Organisational Structure of the Vietnamese Aviation Industry



According to Vietnam's long-term development plan, by the year 2030 the country's aviation sector will need approximately US\$20.5 billion in investment to meet the surging demands for air transport. Of this, approximately 40 per cent will be spent on infrastructure. At present, the government budget can only meet about 20 per cent of the total investment required for the aviation sector. Raising sufficient funds for this development is an immense challenge for Vietnam – both now and in the future.



Source: Saigon Times

A broad range of external investment is sought for these projects. Some of this has historically been provided by foreign governments. For example, JICA (Japan International Cooperation Agency) has funded feasibility studies, leading to studies being undertaken by Japanese consultants and projects being developed by Japanese contractors.

Between 2005 and 2010, Vietnam invested more than US\$1.3 billion in airport modernisation, expansion and rehabilitation in order to create an efficient network of 20 operational airports. Projects included upgrades to Noi Bai (second terminal T2), Dong Hoi, Cam Ranh, Chu Lai, Lien Khuong, Con Dao, Phu Quoc, Can Tho, Ca Mau and Rach Gia. In 2010-2011, several other airports will be constructed or upgraded, including Long Thanh (International), Cat Bi (Hai Phong), Quang Ninh (International) and Lao Cai. A lion's share of the investment in airport projects is expected to come from Official Development Assistance (ODA) loans from foreign governments such as Japan, as well as from the private sector.

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Status and Development Orientation of Airports in each Region

a. Northern region

The North currently has five civil airports (one international airport and four local), managed by the Northern Airports Corporation. The following extracts contain information regarding their current situation and their development possibilities..

Northern Airports Corporation	
1. Noi Bai International Airport	
Location	Hanoi City
Management Unit	Northern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Passengers/year: six million (terminal T1). In 2010, the airport handled nine million passengers ■ Total area: 941ha ■ Two runways (length: 1A-3,200m; 1B-3,800m) ■ Three aircraft aprons, with a total area of 165,224m² ■ One terminal (T1), with a total area of 90,000m² ■ Able to receive aircraft of up to B747 size at terminal; an A380 aircraft has visited, but parked remotely
Development Orientation	<ul style="list-style-type: none"> ■ According to the development strategy to 2020, the plan to upgrade the airport has been approved, with a total estimated investment capital of more than US\$3.2 billion. Following the upgrade, the airport will be able to handle 20-25 million passengers and 26,000 tons of goods a year. The aprons will have 43 parking stands for planes. ■ Terminal T2 of Noi Bai International Airport is currently under construction, with a total investment of US\$849 million secured from the Japanese government budget (ODA). T2's designed capacity is 15 million passengers/year. The terminal has four floors with a total area of 120,000m². ■ After 2020, Noi Bai airport will be expanded to the south, with a new runway (2A) and a new terminal (T3) increasing the number of passengers to 50 million/year. The capital for upgrading will come from the state budget, state-owned enterprises and private budgets.
2. Cat Bi Airport	
Location	Hai Phong Province
Management Unit	Northern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Two runways: 2,400m x 50m and 1,500m x 15m (total area=142,500m²) ■ One apron for three planes at one time ■ One hangar for 80 planes at one time ■ Able to handle ATR72, FK70, A320 and B747 aircraft ■ Passengers/year: 500,000. In 2009, the airport handled 374,000 passengers

Development Orientation	<ul style="list-style-type: none"> ■ Cat Bi International Airport has international flights to Macau and Hong Kong. In the strategy to 2015, it will be developed into a Level 4E airport capable of handling more international flights. The investment capital for upgrading the airport is US\$97 million, of which US\$55 million was for the first phrase (completed in 2010) and US\$42 million is for the second phrase (2010-2015). ■ Upon completion, the airport will have a runway of 3,000m x 50m, an apron of 120,000m² and a terminal of 8,400m². Cat Bi has eight stands for a combination of A321, B767 and B747-400 aircraft. The upgraded airport will be able to handle two million passengers and 17,000 tons of goods a year, and 800 passengers/rush hour.
3. Dien Bien Phu Airport	
Location	Dien Bien Province
Management Unit	Northern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 44.1ha ■ One runway: 1,830m x 30m ■ One apron of 522m² for four aircraft at one time ■ Terminal area: 1,200m² ■ Passengers/year: 200,000. In 2009, the airport handled 74,000 passengers ■ Able to handle ATR72 aircraft
Development Orientation	In 2004, Dien Bien Phu Airport was upgraded. To accommodate bigger aircraft, the airport will need to be expanded further. However, the current location is not considered suitable and needs to be changed to enable an increase in capacity.
4. Vinh Airport	
Location	Nghe An Province
Management Unit	Northern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 437.06ha ■ One runway: 2,450m x 45m ■ One apron of 30,00m² ■ Terminal area: 2,400m² ■ Passengers/year: 255,000 (2009) ■ Able to handle A320, A321 and similar aircraft
Development Orientation	At present, there are no plans to develop Vinh Airport
5. Dong Hoi Airport	
Location	Quang Binh Province
Management Unit	Northern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 177ha ■ Passengers/year: 500,000 (22,000 passengers in 2009) ■ Passengers/rush hour: 300
Development Orientation	The airport was upgraded through a four-year project from 2004 to 2008 and there are no plans for further development at the present time.

Source: Northern Airports Corporation /Department of Investment & Planning in related provinces

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b. Central region

In the central region, there are seven civil airports, including four international (Phu Bai, Da Nang, Chu Lai and Cam Ranh) and three local (Phu Cai, Tuy Hoa and Pleiku). Detailed information is as follows:

Middle Airports Corporation	
1. Phu Bai International Airport	
Location	Hue City
Management Unit	Middle Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Level 4D ■ One runway (2,700m x 45m) ■ Terminal area: 33,644 m² ■ Passengers/year: Two million ■ Able to handle B747, B777 and A340 aircraft
Development Orientation	<ul style="list-style-type: none"> ■ The development plan for upgrading Phu Bai International Airport has been approved, with total investment capital of nearly US\$740 million. The airport will be able to handle large aircraft such as A320, A321, B767, B777-200LR and similar. The runway will be extended to 3,048m x 45m, enabling the airport to handle five million passengers/year and 20 aircraft/rush hour ■ After 2030, a new runway will be built and the apron will be upgraded to have 43 aircraft parking places. The total planned area of Phu Bai will be 527 ha. The airport will be able to handle nine million passengers and 200,000 tons of goods a year, including 4,000 passengers and 26 aircraft at rush hour. It will also be upgraded into a Level 2 military airport.
2. Da Nang International Airport	
Location	Da Nang City
Management Unit	Middle Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Level 4E ■ Total area: 1,606ha; Terminal area: 5,600 m² ■ Two runways (3,500m x 45m) ■ Able to handle B747, B777 and A340 aircraft ■ Passengers/year: four million
Development Orientation	Da Nang is being upgraded with a new international terminal. The project is scheduled to last for three years (2008-2011), with total investment capital of US\$74 million. Upon completion, the new terminal will be able to handle six million passengers and 400,000-one million tons of goods a year. This will make Da Nang a regional air inter-port .
3. Chu Lai International Airport	
Location	Quang Nam Province
Management Unit	Middle Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Level 4D ■ Area= 3,000 ha ■ One runway (3048m x 45m) ■ Terminal area: 3,360 m² ■ Passengers/rush hour: 300 ■ Able to handle A320, A321, ATR72 and F70 aircraft

Development Orientation	As a result of an upgrading project between 2004 and 2008, Chu Lai has been transformed from a military airport into a civil one. Up to 2015, the airport will be further upgraded with the construction of a new 19,600m ² terminal. This will be able to handle almost 2.25 million passengers/year. The total budget for the project is estimated to be some US\$630 million.
4. Cam Ranh International Airport	
Location	Khanh Hoa Province
Management Unit	Middle Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Level 4D ■ Able to handle B747, B777 and A340 aircraft ■ One runway (3,050m x45m) ■ Terminal area: 14,000 m² ■ Passengers/year: Two million
Development Orientation	The airport was recently upgraded, with a total investment capital of nearly US\$1.2 billion. The project included the construction of a new terminal consisting of two main, two-storey blocks. This can serve 800 passengers/hour. The development strategy to 2015 includes the construction of a new runway (3,048m x 45m) capable of handling B767-300, B777-200 and similar aircraft. Cam Ranh will be able to accommodate 1.5 million passengers/year by 2015 according to the plan.
5. Pleiku Airport	
Location	Buon Ma Thuot
Management Unit	Middle Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Level 4C ■ One runway: 1,830m x 36m ■ Operating 12/24 ■ Able to handle ATR72 and FK70 aircraft
Development Orientation	At present, Pleiku has airline services to Hanoi, Da Nang City and Ho Chi Minh City. There are currently no plans to develop this airport.
6. Phu Cat Airport	
Location	Binh Dinh Province
Management Unit	Middle Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Level 4C ■ Operating 12/24 ■ Able to handle ATR72, FK70, A320and A321 aircraft ■ Runway: 3,050m x 45m ■ Terminal area: 4,900 m² ■ Passengers/rush hour: 300
Development Orientation	Phu Cat is a civil and military airport, running services to Ho Chi Minh City (by A320 aircraft) and to Hanoi (by FK70 aircraft). There are no plans to develop this airport at present.

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7. Tuy Hoa Airport	
Location	Phu Yen Province
Management Unit	Middle Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Level 4C ■ Operating 12/24 ■ Able to handle ATR72 and FK70 aircraft ■ Runway: 1,830m x 36m
Development Orientation	According to the 2015-2025 masterplan for the development of Tuy Hoa, the airport will be upgraded with a total investment capital of US\$98 million. By 2015, it will be able to handle 100,000 passengers and 1,000 tons of goods per year, rising to 300,000 passengers and 2,000 tons of goods per year by 2025. By 2050, the airport will be capable of accommodating a combination of A320, A321, B777-200 and B777-300 aircraft.

Source: Middle Airports Corporation/ Department of Investment & Planning in related provinces

c. South region:

In this part of Vietnam, there are currently eight civil airports under the management of the Southern Airports Corporation, including one international (Tan Son Nhat) and seven local.

South Airport Authority	
1. Tan Son Nhat International Airport	
Location	Ho Chi Minh City
Management Unit	Southern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area= 800ha ■ Passengers/year: 15.5 million (2010) ■ Two runways (3,048m x 45m and 3,800m x 45m), with a total area of 308,160 m² ■ One domestic terminal, with an area of 3,000 m², serving 2,100 passengers/ rush hour ■ One international terminal, with an area of 9,300m²
Development Orientation	Tan Son Nhat Airport was upgraded in 2008, with the construction of a new international terminal and other supportive systems. There are currently no plans for further development. In the longer term, after Long Thanh International Airport starts operation (scheduled for 2020), Tan Son Nhat will be used for domestic flights only.
2. Lien Khuong Airport	
Location	Lam Dong Province
Management Unit	Southern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 268 ha ■ One runway (2,350m x 37m) ■ One apron (23,100 m² for five aircraft) ■ One terminal, with a total area of 1,000m² ■ Passengers/year: 500,000

Development Orientation	December 2009 saw the opening of a new US\$17.6 million terminal at Lien Khuong Airport. The terminal, which has two floors, covering an area of 12,000m ² , will enable the airport to commence international services. Between 2015 and 2025, Lien Khuong will be further upgraded into a Level 4D airport. The project has a total investment capital of US\$63 million, of which US\$28 million is for the first phase and the remainder for the second phase. Once upgraded, the airport will be able to handle four different types of aircraft (by 2015) and seven planes (by 2025) at rush hour.
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3. Buon Ma Thuot Airport

Location	Buon Ma Thuot
Management Unit	Southern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 259.6ha ■ One runway, with an area of 135,000m² ■ Two aprons, with a total area of 14,500m² ■ One terminal (24m x64m), handling 120 passengers/hour
Development Orientation	According to the development plan for Buon Ma Thuot, up to 2025, the airport will be expanded to 44ha and will have the necessary buildings and equipment to handle A320 and A321 aircraft. It will then be able to handle three planes/hour and 300,000-800,000 passengers/year. The total capital for the project is nearly US\$80 million, split into two phases

4. Can Tho Airport

Location	Can Tho City
Management Unit	Southern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 268ha ■ One paved runway (2,404m x 30m) ■ Passengers/year: 500,000
Development Orientation	Can Tho Airport has been under development since 2006. The project is being implemented by Aviation Construction Corporation (the Ministry of Defence), in two phases: <ul style="list-style-type: none"> ■ Phase 1: Upgrading the runway (2,400m x 45m), apron (27,491 m²) and night traffic light system. This phase, completed in January 2009, was carried out over 28 months, with total investment capital of US\$22 million. ■ Phase 2: Building a domestic and international terminal (total area: 19,000m²) and other supportive technical systems, with a total estimated budget of US\$23-29 million. This phase, which will transform Can Tho into an international airport, is expected to be completed in 2011.

5. Rach Gia Airport

Location	Kien Giang Province
Management Unit	Southern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 58.56ha ■ One runway: 1,500m x 30m ■ One apron, with a total area of 5,500m² for five aircraft ■ One terminal, with a total area of 2,356m² ■ Passengers/year: 80,000

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Development Orientation	<p>According to the 2015-2025 development plan, Rach Gia Airport will be upgraded in two phases:</p> <ul style="list-style-type: none"> ■ Phase 1 (up to 2015): Extending the runway (1,900m x 30m) and the apron (11,500 m²) and building a new terminal capable of serving 200 passengers/rush hour. The expanded Level 3C airport will be able to handle ATR72 and F70 aircraft and a total of 200,000 passengers/year. ■ Phase 2 (up to 2015): Building a new runway (2,400m x 45m); extending the apron (31,500 m²) for one A320/A321 and four ATR72 aircraft; extending the terminal so that it can handle 300 passengers/rush hour. Rach Gia will subsequently become a Level 4C airport capable of handling 300,000 passengers/year.
6. Con Son Airport	
Location	Vung Tau City
Management Unit	Southern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 103.1ha ■ One runway: 1,150m x 30m ■ One apron, with a total area of 7,200m² ■ One terminal, with a total area of 2,777m² ■ Passengers/year: 100,000 (180 passengers/rush hour) ■ Able to handle ATR72 and F70 aircraft
Development Orientation	<p>According to the 2015-2025 masterplan, Con Son will be upgraded to a Level 3C civil airport and a Level 2 military airport. Up to 2015, it will have a 13,320m² apron and be capable of handling 195 passengers/rush hour. Between 2015 and 2025, the airport will have a 16,920 m² apron and will be able to handle three ATR72 aircraft and one back-up. The terminal will have the capacity to serve 300 passengers/rush hour and a total of 500,000 passengers/year.</p>
7. Ca Mau Airport	
Location	Ca Mau Province
Management Unit	Southern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ Total area: 91.61ha ■ One runway, with a total area of 31,500m²
Development Orientation	<p>The plan for upgrading Ca Mau Airport has been approved, with a total budget of US\$30 million, split into two phases:</p> <ul style="list-style-type: none"> ■ Phase 1 (2006-2015): Upgrading the terminal; extending the runway to 1,900m x 30m; building an automatic meteorological station; building a control centre with S=1,200m. Upon completion, the airport will be able to handle 300 passengers/rush hour. ■ Phase 2 (post 2015): Extending the apron to 27,800m² (for one A320/A321 and three ATR72 aircraft), building new storage facilities, extending the auto garage to 1,050m² and parking facilities to 4,000m², and purchasing DVOR/DME and traffic lights.

8. Phu Quoc Airport	
Location	Phu Quoc Island/ Kien Giang Province
Management Unit	Southern Airports Corporation
Capacity	<ul style="list-style-type: none"> ■ One runway: 2,100m x 30m ■ One apron, with a total area of 11,627m² ■ One terminal, with a total area of 2,500m² ■ Able to handle ATR72, F70 and similar aircraft ■ Passengers/year: 200,000
Development Orientation	Phu Quoc is being expanded into an international airport in order to meet the increasing tourism demand in the region. Construction began in November 2008, with 100 per cent local investment capital. The US\$970 million airport, which will commence operations in 2012, will be able to handle seven million passengers and 27,600 tons of cargo each year and accommodate B777 and B747-400 aircraft.

Source: Civil Airport Administration of Vietnam and Department of Investment & Planning in related provinces

Ongoing airport construction projects:

Project	Project value (US\$ million)	Company name	Time frame	Status
Cam Ranh Int'l Airport	500	N/A	N/A	Project approved
Chu Lai Int'l Airport	1,000	Garuda Asea, Airis Int'l	N/A	MOU for FS
Phu Quoc Airport	970	Southern Airports Corporation	2008-2012	Under construction
Noi Bai Int'l Airport (extension)	3,200	Northern Airports Corporation	2009-2020	At planning stage
Da Nang Int'l Airport- (passenger terminal)	74	Louis Berger Group, Airport Consultants B.V and National Construction Consultants	2008-2011	Under construction
Long Thanh Int'l Airport, Dong Nai	6,000	Southern Airports Corporation	2015-2035	Development strategy has been submitted to Ministry of Transport for approval

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Long Thanh International Airport

In September 2009, the Deputy Prime Minister of Vietnam, Hoang Trung Hai, instructed Southern Airports Corporation to come up with a plan for constructing Long Thanh International Airport (LTIA). This new development will replace the current Tan Son Nhat International Airport to serve Ho Chi Minh City's growing travel requirements. LTIA will be built in an area of 5,000ha in Long Thanh, Dong Nai Province, approximately 65km northeast of Ho Chi Minh City. Construction is expected to commence between 2015-2018, divided into two phases: phase one to be completed by 2020 and phase two by 2035. When fully completed, the airport will have four runways and five terminals and concourses, with a maximum capacity of between 80 to 100 million passengers/year. The cargo terminal will be able to handle up to five million metric tonnes of cargo per annum. The total cost of construction is estimated at around US\$6 billion, making it one of the world's most expensive single aviation projects. Finance will be sourced from the government's investment budget, together with private and foreign funds.

Aviation Management Authorities in Vietnam:

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Fax: +84-4-39423291

Website: www.gt.gov.vn

Leader: Ho Nghia Dung (Mr.)

To support the Ministry of Transport, all of the Vietnamese government's management activities in the aviation industry are implemented by the Civil Aviation Administration of Vietnam (CAAV). The CAAV's functions and responsibilities are regulated by the Decision no. 94/2009/QĐ-Ttg of the Prime Minister dated 16 July 2009. This sets out 26 rights and responsibilities, in which the CAAV will make development plans and strategies, manage airports and aviation activities, and investigate and control compliance with industry regulations.

Civil Aviation Administration of Vietnam (CAAV)

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Fax: +84-4-38271933

Email: chk@hn.vnn.vn

Website: www.caa.gov.vn

Leader: Mr Pham Quy Tieu

Under the jurisdiction of the CAAV are companies and agencies responsible for functional activities. These include the Northern, Middle and Southern Airports Corporations, which are responsible for areas such as the use and development of airport facilities and equipment (including land and buildings, the security and safety of aviation activities, and the collection of airport-related revenue.

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Southern Airports Corporation

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Investment in Vietnam's Aviation Sector

There are comparatively few foreign investors in Vietnam's airport development industry. The reasons for this include limited profit from the investment and the reluctance of the Vietnamese government to use foreign-invested capital for projects of this kind.

From a Western business perspective, there is little co-ordinated policy evident in Vietnam's aviation sector; the method of investment and the procedure appear different for each project. On occasion, the Vietnamese government has encouraged BOT or joint-venture investment approaches. Further information on these can be obtained by foreign investors directly contacting the relevant airport corporation. Investors are usually required to implement feasibility studies and compile the detailed reports for each airport development project

Vietnam's existing airports were built with direct government funding, with the exception of the T2 Terminal at Noi Bai International Airport, which is being constructed under ODA funding from Japan. Under the development strategy to 2030, the Vietnamese government is calling for investment from foreign or local private companies to upgrade and expand airports in each of the country's three regions.

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HOW TO DO BUSINESS IN VIETNAM

Planning Your Trip

- Business visas are required. Check with the nearest Vietnamese Embassy. Thirty-day business visas will generally be issued.
- Vietnam is six hours ahead of British Summer Time (BST) and seven hours ahead of Greenwich Mean Time (GMT).
- There are no direct flights to Vietnam from the UK. Visitors have to transit via regional hubs such as Hong Kong, Singapore or Bangkok.
- Domestic flights between Hanoi (in the north of Vietnam) and Ho Chi Minh City (in the south) take around one hour and 40 minutes (distance: 1,650km).
- Use official metered taxis outside airports and around town.
- Try to avoid Vietnamese New Year (Tet), which usually falls between January and February. Officially, Tet lasts for four days, but businesses and government departments tend to close for longer.

Business Environment

- Hanoi is the capital of Vietnam and is where the ultimate decision may be made on your business proposal (this is especially true for large projects or those related to aid-funded work).
- Central government decisions are made by consensus, but the Communist Party has the final word.
- Ho Chi Minh City (formerly Saigon) is Vietnam's commercial hub, where many businesses have their largest presence.
- Individual People's Committees are represented in each of Vietnam's 64 Provinces. Although ultimately controlled by the central government, People's Committees are important decision-makers and have strong powers to influence the success of your business.
- General Business Tips
 - Use a business card. Present and receive cards with both hands.
 - Greet your Vietnamese interlocutor by name - make an effort to pronounce the name correctly (e.g. Mr Nguyen Nam Thuy would be Mr Thuy - Nguyen is the family name).
 - Make contact at an early stage with the relevant decision-makers at all levels of the government and industry bureaucracy (central, provincial/city, local)
 - Seek assistance from the Vietnamese Chamber of Commerce and Industry and other government organisations working to build business in Vietnam. These bodies have influence and a wide range of contacts.
 - Build relationships first. Business will not happen without them.
 - If you are planning to set up in Vietnam, consult a lawyer about the possible options and

how you plan to conduct business there. There are limits to what types of business entities such as “Representative offices” can do.

- At a working level, Vietnamese bureaucracy can sometimes be frustrating, pedantic and even seemingly obstructive. Patience and perseverance are key personal attributes. Things do not work at the same pace as in the West. Avoid getting frustrated.
- Do not engage in corrupt practices.

What Companies Should Consider When Doing Business

Although the business climate in Vietnam is improving all the time, obstacles still remain. They include:

- Barriers to trade – corruption and bureaucracy
- Shipping/customs tax issues
- Low quality of infrastructure
- Tax burden
- Lack of clarity and transparency in the legal system

Gateways/Locations – Key Areas for Business

Ho Chi Minh City, situated very close to the delta of the Mekong River, is Vietnam’s biggest city, with an area of more than 2,056sqkm and a population of over 10 million (2010). Fuelled by the sweeping economic changes wrought by “doi moi” (renovation), this effervescent city is regarded as the country’s financial hub and entertainment centre. Its boasts fine restaurants, immaculate hotels and glitzy bars amidst its colonial villas and venerable pagodas.



Ho Chi Minh City is one of the most economically advanced cities in Vietnam, boasting fast-growing industries such as high technology, food processing and electronics. It has 15 industrial parks, including Trung Software Park and the Sai Gon Hi-tech Park. Contributing almost 30 per cent of Vietnam’s total revenue, the city is also home to the country’s first Stock Exchange, established in 2001.

Hanoi, which has an estimated population of nearly 8.5 million (2010), is located in the north of Vietnam and is the country’s capital. Widely considered to be one of Asia’s most beautiful cities, Hanoi is a fascinating blend of East and West, influenced by centuries of Chinese dominance as well as its French colonial past. Hanoi is largely unspoiled by the modern architecture of the 1970s and 80s, and is now undergoing an industrialisation and modernisation process that is making it a rising star in Southeast Asia.

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Industrial production in the city has experienced a rapid boom since the 1990s, with average annual growth of 19.1 per cent from 1991-95, 15.9 per cent from 1996-2000, 20.9 per cent during 2001-2003, and continuing increases thereafter. In addition to eight existing industrial parks, Hanoi is building five new large-scale industrial parks and 16 small-and medium-sized industrial clusters. The non-state economic sectors are expanding fast, with more than 48,000 businesses currently operating under the Enterprise Law (as of 3/2007).

Market Entry and Start-Up Considerations

To enter the Vietnamese market, a UK company needs to establish contact with and appoint a local representative or distributor/agent. Alternatively, it can set up its own branch office in the country. Your local UK Trade & Investment office will advise you on how to commission a tailored report on the market for your specific needs and obtain a list of the best potential partners. During your visit to Vietnam you will be able to meet some of them and appoint your local contact.

Customs and Regulations

Vietnam holds membership of 63 international organisations, including the WTO, ASEAN, the United Nations, NAM and La Francophonie, as well as 650 non-government organisations. The Vietnamese government is strongly committed to attracting foreign investors to the country.

Legislation and Local Regulations

Vietnam's legal system is evolving fast and the legislative process has been significantly improved. In line with the increasing number of legal texts, the country's Official Gazette increased its rate of publication from two issues per month in 1995 to daily in 2004. As of early 2003, legal texts must be published in the Official Gazette as a compulsory condition for becoming effective, greatly improving dynamism and transparency.



However, Vietnamese legislation work is still relatively weak, resulting in the legal system being inadequate and unstable. A key reason for this is the National Assembly, which has no professional and specialised legislators. Its members are working people who gather for only two 30-day sessions per year. The Assembly's mandate of approving Vietnam's economic and social development plans, financial and monetary policies, and the national budget, as well as questioning the government's activities, takes up a large amount of time, leaving a limited period to concentrate on legal debate and approval of laws.

Nevertheless, Vietnam's legislation workload increased tremendously as per its commitments under the 2000 US-Vietnam Bilateral Trade Agreement and following its membership of the WTO. The majority of laws in the country are passed after one or two sessions of debate by the National Assembly. Vietnam's first Competition Law, as a typical example, was debated for just four days before being passed into law in November 2004.

In practice, the real legislators are the administrators, particularly the Ministries. A set of rules on a specific issue in Vietnam typically includes: (i) a law drafted by a relevant Ministry,

approved first by the government and then the National Assembly; (ii) an implementing Decree drafted by that Ministry and issued by the government; and (iii) an implementing Circular issued by the same Ministry. Moreover, a significant number of parliamentarians are administration officials. Laws are usually drafted in such general terms that they are not enforceable without the implementing decrees and circulars.

This legislation process magnifies the influence of the executives, conferring on them the unwritten power to interpret law. Constitutionally, this falls to the Standing Committee of the National Assembly. In the absence of a specialised and effective supervisor of the constitutionality and legality of legal documents, interpretation of the executive bodies sometimes results in a de facto amendment to the law.

Recruiting and Retaining Staff

Since its WTO accession, Vietnam has needed more skilled workers than ever. As a result, Vietnamese companies place great emphasis on attracting and retaining employees. According to a survey by Grant Thornton, about 84 per cent of Vietnamese firms focus on recruiting and retaining staff, compared to a global average of only 59 per cent.

Intellectual Property Rights

Vietnam recognises the importance of protecting intellectual property rights, which include copyright, industrial property and plant varieties.

Vietnam is a member of the World Intellectual Property Organization (WIPO), as well as being a long-standing party to the Paris Convention for the Protection of Industrial Property, the Stockholm Convention and the Madrid Agreement Concerning the International Registration of Marks.

Business Etiquette, Language and Culture

Many Vietnamese managers and directors are familiar with Western business etiquette and culture. A large proportion of Vietnamese businesspeople are young, well educated, fluent in English and have a very flexible business style. However, there is also a group of “old style” senior managers or long-serving employees of state-owned companies, like those in the mining, railways and port sectors, who tend not to speak foreign languages and can find the modern business environment a challenge.



Culture and Communication

Key tips for UK companies interested in doing business in Vietnam include:

- Emphasise mutual co-operation (technology transfer/training) and mutual benefit.
Avoid suspicion of motive
- Socialise without being lavish
- Avoid conflict (loss of face), retain a sense of humour and be sensitive to any reactions
- Explain everything clearly - over and over again, if necessary.

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Language

English is widely spoken by young people in Vietnam, but interpretation may be required for business meetings, particularly outside Hanoi and other major cities. UK Trade & Investment can help you find a translator or interpreter.

Meetings and Presentations

For most Vietnamese companies, face-to-face meetings are the preferred way of doing business. Vietnamese businesspeople are less dependent on emails than their Western counterparts.

It is not common for Vietnamese officials or businesspeople to commit to an appointment well in advance of time. High-ranking officials may only commit to a meeting as little as one or two days beforehand.

Key tips include:

- Allow plenty of time for meetings as they inevitably run over
- Be punctual
- Spend time on introductions and small talk, especially on topics such as family and sport (particularly the English football Premiership). This will help your Vietnamese counterpart to relax and increase their confidence in you
- Shirt and tie is acceptable business wear for “everyday” meetings. You may wish to wear a jacket for more formal events
- Women tend to wear formal business attire, covering the shoulders
- People are expected to sit in hierarchical order. The head of the delegation should enter the room first
- Use an interpreter
- Follow-up immediately any agreement you may have reached, in writing. “Yes” may not actually mean “yes”. Instead, it may mean “yes, I understand what you are saying”.

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5

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UK Trade & Investment offers expertise and contacts through its extensive network of specialists in the UK, and in British embassies and other diplomatic offices around the world. We provide companies with the tools they require to be competitive on the world stage.

For further information please visit www.ukti.gov.uk
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