

Eastern expansion

Vietnam is on the brink of major air-transport growth.

PAUL LEWIS/HANOI

THE INDOCHINA region of South-East Asia (Cambodia, Laos and Vietnam) is emerging from more than four decades of conflict and economic isolation and today represents the last real undeveloped air-transport market in the area. Vietnam alone has a requirement for as many as 60 new passenger aircraft over the next 15 years, but is struggling to overcome major financial, training and support limitations.

Flag carrier Vietnam Airlines expects to carry 2.1 million passengers by the end of 1995, an increase of more than 31% on 1994. This compares to less than half-a-million passengers in 1991. Future forecasts predict a market of nearly 9 million a year by 2000.

Fuelling this rapid growth rate is a population of nearly 73 million, larger than those of either Thailand or Malaysia, and an extremely poor road and rail infrastructure. Demand for air transport is likely to be further boosted by an estimated 3 million relatively affluent Vietnamese living overseas and by a growing influx of foreign tourists.

Airbus Industrie and Boeing conservatively estimate that the Vietnam market will need between \$2-3 billion-worth of aircraft through to the year 2010. More optimistic Vietnamese projections have put this requirement at closer to \$5 billion and some 70-80 aircraft over the next ten years.

Vietnam Airlines operates a fleet of 29 passenger aircraft, including eight wet-leased Airbus A320s, four Boeing 767s and four ATR 72-210s. The remainder of its fleet is composed of a diminishing number of outdated Tupolev Tu-134s, Yakovlev Yak-40s and an Ilyushin



"The involvement of leasing companies and international financiers considerably complicates the process of leasing or selling aircraft to Vietnam, making it a three-party game, and discussions take longer."

Il-18, all of which are due to be phased out by late 1997.

Despite impressive growth figures, the bulk of the carrier's traffic comes from domestic services. Heavily regulated domestic airfares have generated a total revenue of only \$250 million for 1994, far short of what is needed to modernise its fleet.

"Vietnam Airlines is not able to finance purchases itself. We need instead the assistance of international financial establishments in Europe and the USA," says Vietnam Airlines deputy director general Nguyen Duc Vinh.

While ties between Washington and Hanoi have improved with the recent establishment of diplomatic relations, Vietnam does not yet qualify for US Exim Bank support. It does, however, have access to European export-credit agencies, which US manufacturers complain gives its European competitors an unfair advantage in Vietnam.

Vietnam Airlines, in the meantime, is focusing on replacing its wet-leased aircraft with new dry-leased A320 and 767 passenger jets

(*Flight International*, 27 September-3 October, P14). "This will give us more time to select the right aircraft and choose the best solution, especially the financial package," says Vinh.

The involvement of leasing companies, together with international financiers, considerably complicates the process of leasing or selling aircraft to Vietnam. "This makes it a three-party game and discussions take longer," says CFM International president Gerard Laviec.

Negotiations between the carrier and manufacturers are further prolonged by the need to seek approvals from the Civil Aviation Administration of Vietnam (CAAV), the finance ministry and, ultimately, the State Planning Commission.

Fokker Aircraft is still waiting for a Government green light for its recent sale of two Fokker 70 twinjets to Vietnam Airlines. The aircraft, which will include VIP quick-change kits for official use, are planned for delivery in May 1996.

The transition from wet- to dry-lease agreements and, ultimately, fully owned aircraft will create an

added need for more trained Vietnamese pilots and technical staff. "The experience level needs to keep pace with aircraft expansion," says local Boeing sales director Robert Laird.

Air France is providing A320 conversion training for 32 former Tu-134 captains and first officers, along with 30 ground engineers. Vietnam Airlines is now negotiating a new training and support package with Air France to provide continuity after mid-1996 and the return of its wet-leased French A320s.

Australian Government foreign aid is also funding the training of 60 Vietnamese *ab initio* students in Adelaide, while a further 30 are to be sent to the French authority (DGAC) school at Saint Yan. The DGAC in addition, is assisting the CAAV to establish its own aircraft register, certification and pilot-licensing procedures.

Additional foreign funding is urgently needed to upgrade air-traffic control (ATC) and the terminal at Hanoi's Noibai Airport, where traffic is expected to double to 2.2 million within two years. Ho Chi Minh's Tan Son Nhat and Danang Airport passenger handling also needs a major revamp.

A series of improvements has been made to southern Vietnam's ATC, allowing Ho Chi Minh to retake control of the former Saigon flight-information region (FIR), after an absence of 19 years. New equipment includes Thomson-CSF's Trac 2X00 and RSM 970 primary and secondary surveillance radars placed at Tan Son Nhat Airport, Danang and Qui Nhon.

Noibai Airport also has a requirement for new primary and secondary radars to replace outdated Russian systems. Their function, however, is likely to remain limited to terminal approach, as airspace over what was former North Vietnam is controlled by Hong Kong FIR.

Moves by Hanoi to assert control have been resisted by China, since the area includes the strategic southern Chinese island of Hainan. □

"Vietnam Airlines is not able to finance purchases itself and needs international assistance."