

VIETNAM AVIATION PROFILE

Understanding how Vietnamese tourists travel to Australia

This briefing has been prepared by the Tourism Australia Aviation & Economics Team, but was significantly assisted by the research of the Centre for Asia Pacific Aviation and data from Air Transport Intelligence, Bureau of Infrastructure, Transport and Regional Economics and Department of Immigration and Citizenship.

At a Glance

Arrivals Growth		Direct Seats		Load Factors		Major Carriers		Seasonal Peaks	Aus. Ports Serviced	Origin Traffic
2008	+25%	2008	0.17mil	2007	75%	Vietnam	55%	February, July	3 / 8	95%
2009(F)	na	% ch	+2%	2008	74%	SQ	15%			High proportion of traffic is Vietnam residents
2010(F)	na	Rank	14 th	Nat. Av.	77%					

(F) Forecast. Source: Tourism Forecasting Committee, 2008 Issue 2

Vietnamese arrivals to Australia have increased strongly since 2003, largely as a result of the country's booming economy and much improved air access. In 2008 direct capacity on the Vietnam-Australia route only increased two per cent but this follows very strong growth in 2007 (related to Jetstar's entry) and 2003 (when Vietnam Airlines added services). While strong capacity growth is expected to resume in 2009 and 2010, the key aviation related challenge is to ensure sufficient capacity is available for Vietnamese travelling to Australia as thru-traffic between Europe and Australia grows.

Coming into Australia

Ho Chi Minh City-Darwin-Sydney is the busiest route with around 35 per cent of all direct flights from Vietnam to Australia operated on this route.



Prepared: May 2009

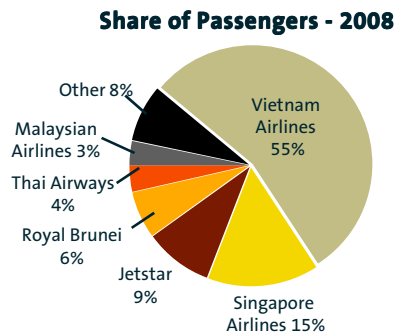
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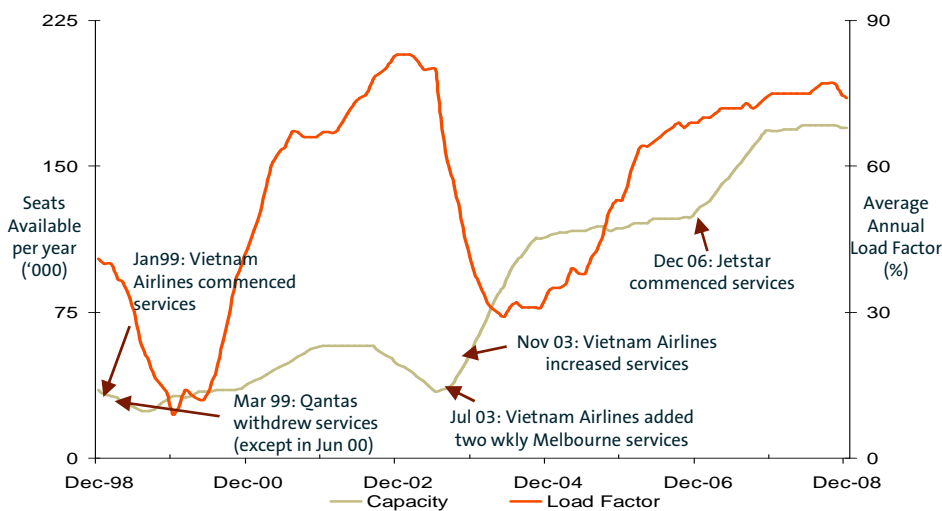
Airlines on the Route

Vietnam Airlines is the dominant airline on the route with over half (55% in 2008) of all Vietnamese tourists entering Australia on this airline. In recent years, Jetstar and Royal Brunei have gained market share.



Airline	2004	2005	2006	2007	2008
Vietnam Airlines	52%	51%	54%	56%	55%
Singapore Airlines	20%	20%	18%	16%	15%
Jetstar International	0%	0%	1%	8%	9%
Royal Brunei Airlines	0%	0%	2%	2%	6%
Thai Airways	5%	3%	4%	5%	4%
Malaysia Airlines	7%	8%	7%	4%	3%
Other	16%	18%	14%	8%	8%
Total	100%	100%	100%	100%	100%

Direct Capacity: Vietnam to Australia



In 2008, direct capacity on the Vietnam-Australia route grew by 2% year-on-year, which was driven by Vietnam Airlines' capacity increases (+3%). Jetstar capacity fell 3% in 2008 despite increases in the third quarter 2008. Furthermore, average load factors fell one percentage point in 2008 but remain well above the lows recorded in 2003.

This route is very seasonal, with peak periods in February and July and with trough periods in April to June and September.

Bilateral Capacity Restrictions There are currently no binding capacity constraints between Vietnam and Australia. Under the current air services agreement, there is approval for 10 frequencies per week with Vietnam carriers using 50 per cent of their available capacity allocation and Australian carriers using 80 per cent. The regional package (i.e. the ability to operate unlimited international services outside Sydney, Melbourne, Brisbane and Perth) was made available to Vietnamese carriers.

Looking Ahead

- The outlook for the Vietnam-Australia aviation market looks relatively positive with modest growth forecast in 2009. In September 2008 Jetstar launched five weekly Ho Chi Minh City-Darwin-Sydney services, while at the same time withdrawing its three weekly non-stop Ho Chi Minh City-Sydney services. These additional services will have a full year impact on 2009 forecasts. In late 2010 growth is expected to be driven by Jetstar's expansion plans in Europe. Ho Chi Minh City is one airport Jetstar is considering making a hub for its European services (like Rome and Athens). Others potential hubs include Bangkok, Kuala Lumpur, Singapore and Hong Kong. Jetstar Pacific also plans to launch international services to intra-Asian destinations in 2009, potentially diverting more traffic onto Jetstar's Vietnam-Australian services and reducing the available seats for Vietnamese wanting to travel to Australia. Qantas currently holds an 18 per cent stake in Jetstar Pacific but plans to increase its stake to 30 per cent by 2010, hence improving longer term prospects for this market.

- Vietnam Airlines, Vietnam's flag carrier, is also currently focusing on expanding its domestic services (e.g. Quy Nhon, Can Tho, Dong Hoi) but aims to improve its international status in years to come. The airline has commenced the process of becoming a member of the SkyTeam alliance, expecting official status to be granted in 2010 and helping to establish Vietnam as a gateway to South East Asia. The carrier also plans to grow its fleet of 58 aircraft to around 150 (including long haul aircraft of 10 A350, 16 B787) by 2020. In addition, the airline reported a small profit (US\$2million) in the first quarter of 2009 despite the economic downturn.