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## Air transport with the requirements of Vietnamese economic and trade development

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### Abstract

Air transportation makes it easier to carry out sales contracts. Especially for those countries that mainly export aquatic products, fresh products require fast transit time like Vietnam. Airlines play a very important role in developing trade with foreign countries. Today aviation in developed countries has become an indispensable means of transport not only in the field of passenger transport but also in the transport of goods between regions within a country. The development of air transport has paved the way for trade in particular countries and trade worldwide in general to be convenient and avoid more risk. Airfreight is the number one destination for international transportation of perishable, rotten, live animals, mail, vouchers, time sensitive, and emergency relief supplies. Items requiring immediate delivery due to the speed of the airplane are tens of times the speed of other means of transport. Through air transport, trade contracts for goods in this field thrive. On the other hand, airfreight is an important transport mean, creating the possibility of combining modes of transport with each other such as air freight/sea transport, air transport/ car transport to take advantage of modes of transport. With the advantage of its time, air transportation has contributed to the growth of trade activities among countries in the world.

**Keywords:** air transportation, economic and trade development, airfreight

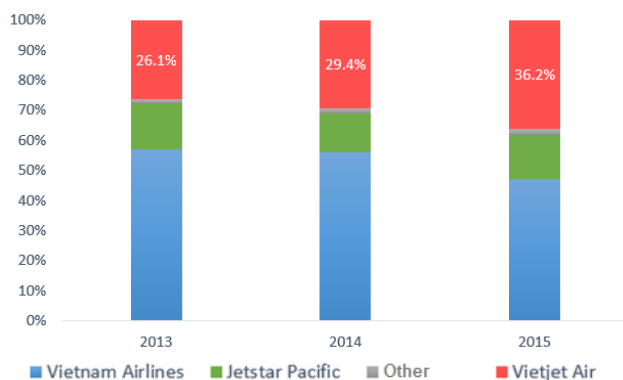
### Introduction

In 2016, the aviation market has a strong growth, estimated at 52.2 million passengers, an increase of over 29% over 2015. This is the breakthrough of Vietnam's aviation industry and airlines. It has taken full advantage of this opportunity, especially cheap airlines such as VietJet Air and Jetstar Pacific. The number of customers using the service of low-cost airlines increased sharply in 2016. In the domestic market, there were approximately 15 million passengers using the service, accounting for nearly 55% of the total traffic on the routes. inland. The success of low-cost carriers is first and foremost a price factor. Now the plane is no longer a luxury but has become a popular medium with time advantages. Regularly launching promotions at an attractive price of \$ 0, cheap airlines have created a "new wave" for fierce competition with other traditional airlines. For low-cost airlines, maximizing flying capacity is vital to the airline, as the more time it flies, the more profitable it will be. Missing aircraft will be damaged. Cheap plane passengers will accept the maximum reduction on the plane but only pay for services that passengers use. In the past, cheap airlines have flown to smaller airports to reduce the cost of land. Recently, many countries such as Singapore, Malaysia, Vietnam have opened the terminal for cheap airlines and provide basic facilities, which makes customers feel attentive service. Airlines compete for fares that lead to a price war with low-cost carriers (LCCs). The LCC cut off some unnecessary services to lower the ticket price. However, the LCC was extremely fierce: Air Asia had already announced a cut-off in fuel surcharges and had used only one aircraft to cut its training costs, thus helping to reduce ticket prices. The general pattern of all LCCs is to cut down on a number of services such as dining, newspapers, and entertainment to reduce costs as much as possible. Tiger Airway took advantage of the frequency of the airport so one day it could fly for hours, so it competed with the number of flights, resulting in lower fares. Most airlines offer a zero-fare promotional fare to flights to countries where LCC is located, where customers only need to pay fuel surcharges and airport taxes.

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On the other hand, LCCs are always competing for added value, such as Cebu Pacific, where customers can choose their seats, allow them to book tickets for both tickets and hotels, or Lion Air as the LCC. Traditional airlines with full service will become the operating principle. However, in the face of fierce competition from low-cost airlines, they also compete in a variety of ways. Competitive solutions are mostly price-oriented but some have "latched" on LCCs. Traditional airlines, which already have seats for business class, first class, and the rest are popular, so the discount for low-cost seats is low enough for low-cost carriers to find the solutions. The air transport industry is a special material industry, and airfreight does not create a new product. The final purpose of production is consumption so that the production process is considered to be finished only if the product is delivered to the intended use. Transportation changes the position of the product from the place of production to the place of consumption, so that the new goods can be used up and then it can be said that the production process is finished. Air transport in addition to the general characteristics of the transport industry also has its own characteristics are as follows:

**Speed:** The speed factor demonstrates the superiority of air transport. Speed brings real economic benefits but usually is the psychological aspect that attracts more customers. Ships in general, fast also only 50km/h, rapid train is also only about 200 km/h. Meanwhile, the TU-144 and Concorde passenger-air jets fly at speeds of up to 2500 km/h. Today's average passenger planes fly at a speed of 800 km/h, which is 10 times larger than conventional cars and trains. The speed of the plane saves people time for other tasks such as scientific research, artistic creation. Special speed is required for transporting items such as: Perishable goods, luxury goods, emergency goods, mail, newspapers, and fresh goods.



**Fig 1.** Vietnamese air market

**Safety:** The safety of aviation is much greater than that of car transport. More than 30 years ago, the safety rate (the number of fatalities for 100 million passengers - km) of the aircraft was 0.60; of the train is 0.24 and the car is 3.5. As a result, the safety of air transport is more than 5-6 times that of trucking. As a result, the safety rate of air transport has improved markedly, and since 1975 it has fallen to just under 0.08 for regular routes.

**Comfort:** Air Freight offers users comfort that only ocean freight can compare.

**Advantages in Use:** The advantage of using is a psychological factor rather than a technical one. It is the ability to satisfy human wants in the least burdensome conditions.

**The shortening of transportation:** Air transport is completely independent of the terrain. Thus, the road is shorter than the railway and road by at least 20%, the river is 30%. However, air transport has the following disadvantages, which makes transport less than other means.

**Airplane capacity:** Compared to a train or a ship, the capacity of the aircraft is too small. An average of 80 seats and the maximum capacity is over 600 passengers, equivalent to about 68 tons of cargo (Boeing - 767, Boeing - 777). Meanwhile, the average tonnage of a ship of 20,000 DWT, of a train is 10-20 thousand tons. In terms of tonnage kilometers - km (Revenue Tonne Kilometre - RTK) worldwide, so far only 1% compared to 5% of domestic transport, 7% of pipeline transport, 8% of car transport, 16% of freight rail and 64% of ocean freight. In terms of volume of international freight, world air transport accounted for only 1%.

**Regularity:** Regularity is reflected in the satisfaction of the passengers on a regular basis. It is not difficult to obtain regularity. Airplanes do not fully respect the time due to delays at departure or arrival. These delays are often due to waiting when landing at congested airports. For example, an airport may be closed for a few hours because of fog, low cloud, and storm.

**Price (price):** The price is often the primary factor in choosing a means of transportation. The airfreight rate is still relatively high: eight times the sea freight rate, about two to four times the cost of cars and trains. This is one of the factors limiting the development of this industry.

**Flexibility:** Because of its long, fixed routes, the mobility of the aircraft is far below that of car transport, especially on short, lane routes.

**Expenses for capital construction investment:** There must be an airport in air transportation. It is a complex complex and requires a huge investment in both capital and time. It also includes the cost of manufacturing or purchasing aircraft and equipment, modern integration into the air traffic control system, booking system, goods. It is because of these unique characteristics that air transport has the number of passengers as well as freight transported much lower than other modes of transport but has a much larger source of revenue and occupies a part Passengers as well as cargo that other modes of transport cannot invade. The aviation industry has outstanding advantages over other transport vehicles in its strategic mission to serve the solid development of the trade.

### Air transport role

Technological orientation, advanced technology of aviation industry to promote the process of industrialization and modernization of the whole economy. Internationalization of the aviation industry provides a long-term basis for economic export-oriented economic growth. Furthermore, the development of the aviation industry will enable the efficient exploitation of a large and growing economic power of the country, such as aviation. Moreover, goods no longer meet the needs of moving and exchanging passengers and goods domestically and internationally. In 2016, Vietnam Airlines has transported 81 million passengers and more than 200,000 tons of goods and parcels to serve the needs of travel and exchange exchange passengers in the country. It also contributes to economic development by increasing the national income. Air

transport directly affects the balance of payments and thus contributes to GDP growth. According to statistics, the contribution to GDP of the service sector in recent years is over 30%, of which aviation is one of the industries contributing the highest revenue. Aviation contributes to unequal development among regions. Air transport can quickly transport essential goods and supplies to remote areas and ethnic minorities so that these areas can develop economically. When floods and floods cannot be traversed, air transportation becomes the fastest and most effective means of relief. Air traffic dominates the speed and timeliness of meeting the needs of people in the country and internationally. In our country, civil aviation is an outward-oriented industry that brings more foreign currency to the State and is a strategic reserve force when there is war. On the other hand, cargo is not the number one carrier of perishables, live animals, time sensitive items, high value items, letters and parcels. It is thanks to air transport that we have developed to export a number of items which are considered as our export strengths such as frozen seafood, fresh fruits, and frozen food. Frozen seafood is a commodity with cryopreservation equipment, which can be transported by other means of transport, but due to the development of the world economy and the increasing demand of mankind today was transported by air. The role of air transport for import and export activities has been improved. With the rich potential of agricultural products and seafood, these products are being transported to regional and international markets by air, quickly reaching consumers in the world.

International routes of Vietnam in recent years have been continuously expanded. If there was an international flight from Beijing to China in 1956 - 1975, more flights to Vientiane (Laos) in 1978, 1978 to Bangkok, 1979 to Phnom Penh, by the late 1980s, early 1990s the network expanded to Singapore, Manila, Kuala Lumpur, and Hong Kong. Since 1992 the operation of Vietnam Airlines has become more and more active, with many international routes opened, the air routes of Vietnam Airlines have reached some cities. In Europe, the Middle East and Australia, such as Moscow, Paris, Dubai, Sydney ... Not only are the routes expanded but the frequency of flights is increasing, and short range. At times the network of Vietnam Airlines flights up to 28 flights to 24 international destinations. From the end of 1997 to 1999, due to the impact of the financial crisis in Asia, the number of tourists in some routes decreased sharply, so that the exploitation was not effective. Route numbers should temporarily reduce the number of flights (such as routes to Taipei, Seoul).

The domestic flight route of Vietnam Airlines with total of 20 flights has covered 15 provinces and cities throughout the country, reaching out to the mountainous areas and offshore islands, namely: Hanoi (international airport Noi Bai); Ho Chi Minh City (Tan Son Nhat International Airport); Hai Phong (Cat Bi airport); Da Nang (Da Nang airport), Hue (Phu Bai airport), Nghe An (Vinh airport), Khanh Hoa (Nha Trang airport); Binh Dinh (Quy Nhon airfield); Dac Lac (Can Tho airport), Gia Lai (Pleiku airport), Lam Dong (Lien Khuong airport), Lai Chau (Dien Bien airport), Son La Rach Gia), Phu Quoc island district of Kien Giang province (Phu Quoc airport). Main routes include:

Hanoi - Ho Chi Minh City route and vice versa: HAN -

SGN air route is the main axis of the domestic air route network of Vietnam civil aviation. This route connects the two largest economic, political and cultural centers in the country. Hanoi and Ho Chi Minh City are places where cultural and sporting events and large national and international conventions take place, as well as a potential market for business and investment. as well as travel. Currently all international visitors to / from Vietnam have to go through these two points. According to statistics of Vietnam Airlines, the number of passengers traveling on this route is the largest among Vietnam's domestic air routes, accounting for between 35% and 40% of total domestic passengers. International trade accounts for between 37% and 40%. From this it can be concluded that this is the most important route of civil aviation in Vietnam and of great importance to the whole network of international flights. Ha Noi - Da Nang - Ho Chi Minh City and vice versa: This is the second most important domestic route of civil aviation in Vietnam. In recent years there have been times when Pacific Airlines was involved in the operation. Danang is the connecting point between the provinces in the central and other cities and provinces throughout the country, joining the network of air routes of Vietnam. This route becomes more and more important as more and more industrial parks and tourist areas are opened. Ha Noi - Hue - Ho Chi Minh City and vice versa: Although Hue is not a major economic, political and cultural center, it is an attractive tourist destination, especially for international visitors. Therefore, the number of international passengers traveling on this route is quite high, about 45%. Other non-stop routes: These routes mainly serve the travel demand of people in the region, most of which are travel demands for work. There are some routes in the state of less passengers, revenue reduction, so Vietnam Airlines forced to reduce the frequency of flights. Particularly, some routes to mountainous areas such as Dien Bien and Na San are often not economically efficient, and the state and industry often have to compensate for losses. However, due to the need of officials and people in different regions and in the development of economic exchanges and tourism, these routes are maintained. With the network of air routes across the country, air transportation has played an important role in the circulation of goods in the country. Especially in the recent period when the demand for transportation of fruits, fresh food including garments due to the increasing seasonality, the aviation becomes an indispensable transport mode of trade

#### **Orientation for development**

Vietnam's market potential is significant. Boeing expects Vietnam's aviation industry to significantly expand its fleet over the next 10 to 15 years and believes that Vietnam Airlines can become a full-fledged airline with Thai Airways International, Cathay Pacific or Singapore Airlines with a fleet of 60 to 80 aircraft. That is only for the next 10-15 years. This assessment is based on several factors: Vietnam's economy: GDP growth rate is between 7% and 10%. The number of overseas Vietnamese in the country increases each year. More than 3.5 million overseas Vietnamese now live abroad and they return to Vietnam more often to visit family and friends. Growth potential of Vietnam's tourism industry. Vietnam's business relationship with the United States and with other developed markets, international and domestic aviation will increase.

In the coming years, the social needs of the country's economic and social development will become larger and heavier. Regarding aviation business, the following main contents can be listed: To better meet the increasing demand for transportation of passengers and goods at home and abroad for economic, trade, sightseeing, tourist, visitation of relatives and hometowns. Meeting the demand for providing technical - commercial services for international aircraft to/from Vietnam to create conditions for satisfying the requirements of vigorous development of the national economy along the direction of industrialization and modernization and to meet the needs of politics, society, security and defense actual transportation at Noi Bai International Airport has increased in recent years. Visitors to Vietnam are mainly foreign investors and tourists with millions of Vietnamese living abroad who wish to return to their homeland. The increase in living standards, domestic products, economic exchanges between regions throughout the country, the signs of good development of the Red River Delta, Hanoi, Hai Phong, Quang Ninh, the planning and the project The investment in industry and tourism in Soc Son district are factors affecting the increase of domestic passengers. Noi Bai will serve as an important airport of the northern part of the country, being an air transport hub and an international airport of Hanoi. Tan Son Nhat Airport is an important gateway not only to the economic triangle of Ho Chi Minh City - Bien Hoa - Ba Ria Vung Tau but also to the Central Highlands and the Mekong Delta. Currently, there are nearly 100 flights bringing thousands of visitors from major capitals and cities in the world and in the country to Tan Son Nhat and vice versa. 25 airlines are operating regular flights and constantly increasing flights on the routes to / from Tan Son Nhat as Cathay Pacific from 4 to 11 flights / week, Cambodia Airlines from 3 to 7 flights / week. The growth of passengers and goods through Tan Son Nhat Airport increased. About 35% for passengers and 18.5% for goods, but the service of Tan Son Nhat always meet the safety and quality.

*Business Strategy:* In the period from 2016 to 2020, on the basis of the assessment of the business environment, the Corporation shall determine the views and objectives for the implementation of the business strategy as follows: To follow the socio-economic development orientation in The period from 2016 to 2020 with a fast and sustainable growth rate contributes to the growth of the aviation industry in particular and the national economy in general. Maintaining profitable business operations, preserving and developing equity. Carry out revenue optimization, diversify services at airports, improve the quality of services at airports. Continue investment to expand, enhance the capacity of exploiting existing airports and concentrate investment resources in Long Thanh International Airport. By 2020, to basically complete the airport network system in the whole country, ensuring the fulfillment of two strategic tasks of economic development and security and national defense. To train and develop human resources, qualified, professionally qualified and ethical enough knowledge, skills and standards to take over, apply and operate new technologies.

*Strategy on markets and products and services:* Develop marketing strategies, brand development, trade promotion, and call on airlines to exploit new routes to Vietnam. Complete aviation services; improved research, simplified

procedures, operational procedures to improve the quality of services for airlines and passenger service. To develop and expand the scale of production and business activities, expand the form and investment field so as to call on enterprises of all economic sectors to contribute capital to investment; Providing non-aviation services to gradually increase the ratio of non-aviation services revenue to total revenue. Continue to develop and perfect pricing policies to match investment costs, service quality and market response.

*Corporate Governance Strategy:* To promote the application of information technology in the management of enterprises, especially the remote management and supervision work in order to save costs and increase the revenue sources to ensure profits for enterprises. Develop decentralization regulations (decentralization of investment, purchase of equipment, financial management, etc.) in the direction of decentralizing the branch to take initiative in business activities and taking responsibility for running production activities. Business and financial management. To further enhance the training and retraining and development of human resources, paying special attention to improving the quality of human resources in order to meet the increasing integration requirements of ACV with world aviation. To formulate strategies on corporate governance, financial management suitable to socio-economic development conditions and ensure profitable and efficient business in the use of capital sources. Strengthening the management of revenue sources, ensuring the stability of business operations. To strengthen the mechanism of financial supervision, control and management of projects closely and comply with the regulations of the state on capital construction investment.

*Investment strategy:* To formulate an investment strategy in line with the objectives and orientations for planning the development of the transport sector up to 2020 and orienting to 2030. To continue concentrating on investment and comprehensively expanding existing airports to meet the needs of rapid development of the aviation industry in the coming time and ensure the safety and security of mining activities. In particular, priority will be given to investing and building strategic airports - Long Thanh International Airport to establish a competitive passenger and cargo hub in the region. To reduce the load for Tan Son Nhat International Airport.

*Capital Strategy:* To efficiently use the capital accumulated from business activities, make full use of the preferential sources of ODA loans, analyze and evaluate the time needed to issue bonds and concentrate on managing the cash flow; Rapid liquidity in business activities to serve investment to expand business through investment in upgrading the airport. Increasing the monitoring of project management, not implementing unnecessary projects, low efficiency to maximize resources for practical projects, high efficiency or serve the requirements of broadcasting. Develop business and ensure safety and security. To organize the investment phase in a rational and effective manner to meet the requirements of business development and ensure security and safety

*Technology strategy:* To enhance the application of information technology and modern science and technology in the management and operation of the exploitation and provision of services. Encourage research and development activities, applying scientific and technical advances in and

outside the industry to daily work. Expedite the completion of the New CNS / ATM program in line with the overall aviation industry. To formulate plans for the socialization of investment in a number of civil aviation projects and stations such as railway stations, car parking lots and non-aviation services in order to increase the mobilization of domestic and foreign capital sources for raising High quality service and increased revenue.

*Human resource development strategy:* Develop a strategy for human resource development by diversifying short-term and long-term forms of training, domestic training, overseas training and self-training. To set up the training and training centers of the Corporation with sufficient material bases and teachers to meet the requirements of human resource training. Reallocate the workforce to suit the requirements of the work and management capacity of the staff. Comprehensive labor structure, reasonable number of laborers associated with high quality. To attach importance to the planning of source personnel to serve as a basis for training, training, arrangement and arrangement of cadres. Staff planning must be based on criteria, orientation of each staff development and periodical survey and re-evaluation of current staff to ensure the quality of staff planning. To apply the public recruitment regime through the recruitment examinations on the basis of strict, scientific and fair standards for all subjects. To prioritize the use and development of on-the-spot human resources and implement preferential treatment regimes for laborers working at airports.

### Conclusion

The population of Viet Nam is on the rise, with a forecast of 20-30 million in 2030. However, the rate of flights per capita is still very low compared to other countries in the region and the world. Total capacity of 21 airports is only about 71.5 million passengers per year, less than capacity only one major airport in Bangkok, Singapore, Kuala Lumpur (100 million passengers per year). Thailand has 38 airports, although their population is only 72% of Vietnam. Great potential, coupled with cheap market conditions occupying 60% of the visitors are creating the hot growth of cheap airline business in Vietnam. Even international low-cost airlines entering Vietnam to the beginning of 2016 will account for about 13% of the market share, but in May 2017 they will increase by nearly 20%, and are expected to increase by 30-40% in the next 2-3 years.

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