

Myanmar

Aviation Sector- Market Snapshot

Myanmar Headlines

- Myanmar has 69 airports: three international, 30 domestic airports, and 36 dormant.¹
- Three international airports have now been built, though there are 66 remaining airports require further upgrades across the country.
- The aviation market in Myanmar is competitive, especially among local airlines.
- There are currently 11 local licensed airlines in Myanmar and 28 international airlines operating in Myanmar.
- Flag-carrier Myanmar National Airlines – which rebranded from Myanma Airways in 2014 – has the largest domestic fleet with 13 planes, followed by Air KBZ with eight aircraft as of April 2014.²
- The eight other domestic carriers including Air Mandalay, Yangon Airways and Mann Yadanarbon have a total of 16 aircraft.
- International airlines such as Emirates, Qatar, Dragon air, Air China and KLM were launched flights to Myanmar in late 2016.
- According to the Myanmar Department of Civil Aviation (DCA), the number of passengers in 2013 increased to 4.2 million from 3.6 million in 2012. By 2030, that number is expected to rise to 30 million.
- Air flight traffic remains small at only 3,289 freight ton-miles in 2014-15. It is expected to grow significantly when infrastructure develops.³

Market Situation

Myanmar Department of Civil Aviation (DCA) has a strategic plan to further expand the aviation sector with four objectives:

- pursue the liberalisation of economic regulations in the aviation sector
- strengthen air linkages
- promote airline businesses
- improve infrastructure

The opportunities for all types of carriers in the market are vast as it is currently the most underserved region in ASEAN and perhaps all of Asia. Yangon known as the financial hub of Myanmar, was a major trading center for Southeast Asia in the 1950s. Civil aviation entered a long decline after the military seized power in 1962. In more recent years, the aviation authorities have recognized the need to rapidly redevelop the sector. They aim to make Myanmar a major aviation hub in Asia and have developed a four point strategy to do so: liberalising economic regulations, establishing new air links to international destinations, promoting national airlines and improving infrastructure.

Regulations in aviation sector

The key pillars for foreign investment in Myanmar are the Foreign Investment Law (FIL) passed on 2 November 2012 ("FIL") and Notification 49 of August 2014 issued by the Myanmar Investment

Commission (“MIC”), the body also overseeing the FIL. The FIL and the notification implement a substantial policy shift that encourages and opens more sectors to foreign investment, including the aviation industry. Under the FIL, domestic and international air transport services can be conducted via a joint venture operation with a Myanmar private entity or government agency. There must be a corporate presence in Myanmar and it requires a permit from the MIC. The investors can operate transport services with owned or leased aircraft, which may be registered in Myanmar.

Aviation Industry and Airport Infrastructure

The rapid expansion of air travel fostered by rising domestic incomes and whereof from tourists and businesses in Myanmar, has resulted the industry. Significant new aviation infrastructure will be vital in the coming years if Myanmar is to achieve its ambitious economic and tourism growth plans.

As part of this strategy, the aviation authorities have announced the privatisation of airports and the upgrade of major international airports in the country. In 2014, a US\$150 million upgrade to Yangon International Airport was awarded to Pioneer Aerodrome Co Ltd, a consortium led by an affiliate of Asia World Co., Ltd. The first phase opened on 12 March 2016. Yangon’s existing international terminal, which is also managed by Asia World, will be rebranded as Terminal 2.

In November 2014, MC Jalux Airport Service Co., Ltd, (a Japanese company) signed a concession agreement with the DCA to upgrade the Mandalay International Airport in the northern logistic hub at a cost of US\$100 million.

In 2015, a consortium of Changi Airport International, JGC Corporation and Yangon Holdings Limited won the bid to develop a new Yangon airport: the Hanthawaddy International Airport and construction is set to begin in 2016 for completion in 2020. ⁴ The first phase is estimated to cost US\$1.5 billion and will include a terminal complex that can handle 12 million passengers per year. Under the second phase, the capacity will increase to 30 million. It is widely anticipated to become the main port for international arrivals and departures for the country.

Business Opportunities

Myanmar government has set a vision that aims at making Myanmar the major logistics hub in Asia. Below are key areas of opportunity listed for UK companies

- Engineering, design and consultancy opportunities on Airport infrastructure projects
- Public Private Partnership (PPP) opportunities to operate particularly the regional airports in Myanmar
- Financing and investment opportunities arising from privatisation initiatives
- Supply of aircrafts and parts and the spent on aircrafts and parts in 2015 accounted over \$104 million USD
- Airport operation services including ground services, air traffic control and supporting infrastructure
- Technical assistance and maintenance of aircraft
- Aviation Training services
- Aerospace Consulting services

Key Players



myanmar
national airlines



Challenges

Gap in airport infrastructure and regulatory framework

A key challenge the setup of the overall structure required for safe operations and fair competition. Making and implementation of rules should be not only for operations but also for business environment in accordance with global standards. The country needs to improve its airport infrastructure to ensure world-class safety standards which will result in attracting more visitors

The government is responsible for establishing and maintaining effective regulatory oversight in accordance with the ICAO (International Civil Aviation Organisation) guidelines. It needs to ensure that supporting infrastructure, including airports and air navigation services, is timely undertaken and effectively operated.

Financing availability

Financing has been a major concern, and will impact their ability to compete within ASEAN. In other countries, the airlines are financed globally out of capital markets, cash, lessors, or bank debt. In Myanmar, access to finance for local companies is challenging which results in airlines unable to raise money on capital markets.

The government unable to finance large-scale projects using its own resources is another key challenges. Other uncertainty includes government policy within the aviation sector, the capacity of state bodies to manage multiple large-scale aviation projects.

High Competition among airlines

Myanmar carriers are now struggling to compete in Myanmar's international market as foreign airlines have nearly tripled their capacity since the market opened up. Myanmar carriers transported less than 300,000 international passengers in the first three quarters of 2013 accounting for less than 16% of the total market. ⁴ According to Centre for Asia Pacific Aviation's recent analysis, both the domestic and international markets are oversupplied and this has impacted on load factors and profitability.

The international market has been impacted by aggressive expansion from foreign airlines, along with intensifying competition between Myanmar Airways International (MAI) and Myanmar National Airlines (MNA). Myanmar has huge potential, but in the short term it faces monumental challenges.

Successful Case Studies

Joint-venture between Japanese companies and Myanmar company for airport upgrade project

A contract to renovate, upgrade and operate Mandalay airport for 30 years was awarded in 2013 to Mitsubishi, JALUX and local company called SPA Project Management. Serving the country's second largest city, the airport has an annual capacity of three million passengers. The joint venture agreement is between JALUX (45.5%), Mitsubishi (45.5%) and SPA (9%)⁵

Partnership between Singapore firm and local companies for Naypyitaw airport project

The design of Naypyidaw International Airport was drawn by CPG Consultants Pte Ltd., of Singapore. The company designed the annex to Yangon International Airport and also designed Changi Airport in Singapore in addition to several airports of Vietnam and Laos. The construction work of the airport is carried out by Asia World Company. As a result of the master plan, the airport will have 2 runways and 3 terminals with modern facilities.⁶

Myanmar National Airlines Signs GE's OnPoint Solution Agreement for CFM56 Engines

Myanmar National Airlines signed an exclusive solution agreement with GE Aviation that covers the maintenance, repair and overhaul of 12 CFM56*-7B engines that will power the airline's new fleet of Boeing 737 Next-Generation aircraft. The agreement is valued at more than \$60 million (USD) over the life of the agreement.⁷

Department of Civil Aviation (DCA) signed MOU with US firm, Aireon to work on Air Traffic Control

Aireon LLC signed a memorandum of agreement with DCA in 2016 to develop a concept of operations and benefits analysis. The American firm's space-based Automatic Dependent Surveillance-Broadcast (ADS-B) service will allow DCA to utilize next-generation air traffic surveillance, without the need for large investments in ground-based infrastructure. The last of these satellites is expected to be in place by 2018 and be operational in the following year. According to a representative from DCA, "We look forward to working with Aireon on the concept of operations. We have many challenges installing ground-based surveillance solutions due to the remote and diverse terrain in our region."⁸

How we can help you

The British Chamber can offer UK companies a range of business services to new UK Exporters and UK companies interested in doing business in Myanmar.

These include:

- **Business Matching**
- **Promotional Events**
- **Market Visit Programme**

For more information and further discussion on how we can help, feel free to contact to:

Chloe Taylor

Chief Executive

British Chamber of Commerce Myanmar

Email: chloe@britishchambermyanmar.com

Visit our website: <http://www.britishchambermyanmar.com/services.html>



References

1. Export Gov, Burma - Aerospace & Defense 2016 (Link [here](#))
2. Frontier Myanmar - Busy skies, crowded market for Myanmar airlines 2016 (Link [here](#))
3. Burma-Infrastructure.. - UK-ASEAN Business Council 2016 (Link [here](#))
4. Channel NewsAsia - Myanmar, consortium sign deal in new international airport project 2016 (Link [here](#))
5. Myanmar Times - Contract signed to improve Mandalay International Airport 2017 (Link [here](#))
6. Airports Worldwide.com (Link [here](#))
7. GE Aviation Press Release (Link [here](#))
8. Myanmar Business Today - Civil Aviation Dep't Invests in Air Traffic Control (Link [here](#))