

## TOURISM POSITION PAPER

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### Introduction

Whilst Visitor arrivals in 2014 were up 4% from 2013 levels at approx. 7.9 million, the figures are concealing a worrying trend in a significant decline in arrivals from China and Russia. In addition, the increase in actual tourism arrivals was only 2%. This overall trend has continued with arrivals in the first 3 months of 2015, down 12.9% on the same period for 2014.

In April 2014, Chinese visitor arrivals were 47% on the previous year's corresponding period and Russian visitors were 37% up. By end of June, this had decreased to 37% and 30% respectively and by year end 2% and 22% respectively. In Q1 of 2015, Chinese arrivals were approx. 40% down on the Q1 2014 and Russian arrivals were approx. 27% down.

In 2014, Visa waiver countries (S. Korea, Japan, Russia, Norway, Sweden, Finland and Denmark) showed an average 5% year on year increase and in Q1 2015 there was a 7% increase over the corresponding Q in 2014<sup>1</sup>. South Korea registered the biggest growth with 13% in 2014 and 31% Q1 over Q1 2014. Visitors from Finland also increased 28% in Q1 2015<sup>2</sup>.

Travel and Tourism is a major contributor to both employment and to GDP and in comparison to other major contributors seems often sadly neglected.

The direct contribution of Travel & Tourism to GDP in 2013 was VND149,753 bn (4.6% of GDP). This is forecast to rise by 8.9% to VND163,034 bn in 2014. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists.

The direct contribution of Travel & Tourism to GDP is expected to grow by 6.3% pa to VND299,846 bn (4.7% of GDP) by 2024<sup>3</sup>.

The total contribution of Travel & Tourism to GDP (including wider effects from investment, the supply chain, and induced income impacts, see page 2) was VND311,117 bn in 2013 (9.6% of GDP) and is expected to grow by 8.9% to VND338,660 bn (9.9% of GDP) in 2014<sup>4</sup>.

Leisure travel spending (inbound and domestic) generated 89% of direct Travel & Tourism GDP in 2013 (VND233,062 bn) compared with 11% for business travel spending (VND28,762.3 bn)<sup>5</sup>.

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<sup>1</sup>VNAT

<sup>2</sup>All Vietnam statistics are from VNAT.

<sup>3</sup>World Travel and Tourism Council Impact Report 2014

<sup>4</sup>World Travel and Tourism Council Impact Report 2014

<sup>5</sup>World Travel and Tourism Council Impact Report 2014

Leisure travel spending is expected to grow by 8.9% in 2014 to VND253,786 bn, and rise by 6.4% pa to VND471,505 bn in 2024<sup>6</sup>.

On the employment front, in 2013, Travel & Tourism directly supported 1,899,000 jobs (3.7% of total employment). This is expected to rise by 5.4% in 2014 and rise by 1.5% pa to 2,329,000 jobs (3.9% of total employment) in 2024<sup>7</sup>.

In 2013, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 7.9% of total employment (4,071,500 jobs). This is expected to rise by 5.2% in 2014 to 4,283,500 jobs and rise by 1.2% pa to 4,824,000 jobs in 2024 (8.0% of total)<sup>8</sup>.

The World Travel and Tourism Council (WTTC) ranked Vietnam 16 out of 184 countries in the potential for long-term growth in the tourism sector in its 2014 impact report.

## I. ENTRY VISA POLICY

### Entry Visa Policy Trend

According to World Tourism Organisation (UNWTO), entry visa policy is one of the Government policies that have the biggest impact on international tourism flow. International tourists consider visa procedure as an additional cost in terms of cost and time. If the cost for visiting a destination exceeds a tourists' budget, they might not choose that destination, but instead an alternative one which is more convenient.

Given the integration of the international economy, travelling facilitation is one of the priorities of cooperation framework such as World Trade Organization (WTO), Asia-Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN), Greater Mekong Subregion (GMS)...Facilitating travelling, simplifying visa policy and visa exemption are considered as important methods, not only to increase tourists exchange but also to promote trading, investment and cultural exchange.

At the 19 ASEAN summit (in Indonesia, 2011), ASEAN leaders committed to continue promoting the visa simplification process for ASEAN citizens as well as supporting the initiative of common visa for non-ASEAN citizens, contributing toward the establishment of a common ASEAN community in 2015. Currently, ASEAN is studying the members' situation to promote the implementation of entry visa procedure facilitation initiatives.

The recent UNWTO statistic shows the trend of visa policy simplification has started to take effect. At the beginning of 2008, about 70% of the global population needed visas when travelling. This number reduced to 64% in 2010 and 60% in 2013.

To increase the competitiveness, attract direct investment and international tourist flows (in order to increase foreign currency income, create jobs...), many countries are studying to step by step to expand the visa exemption, in order to make them more competitive in the market.

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<sup>6</sup>World Travel and Tourism Council Impact Report 2014

<sup>7</sup>World Travel and Tourism Council Impact Report 2014

<sup>8</sup>World Travel and Tourism Council Impact Report 2014

### **Impact of visa policy simplification**

Given the greater competitiveness among different economies, a destination that is very attractive but inconvenient in terms of entry visa may well lose visitor traffic to countries that have a more convenient entry policy, for example in Vietnam's case to Thailand, Cambodia, Indonesia, Malaysia etc. In this case, no matter how strong and interesting the promotion campaigns are, tourists still face difficulty in accessing the country because of its visa policy.

Visitors from potential long haul markets often tend to combine different destinations in their trip. For example, visitors from Europe and America when visiting Cambodia, Thailand and Malaysia often want to visit Vietnam as well. However, because of the inconvenient visa procedure they may give up the chance to visit Vietnam.

In 2014, Thailand had 24,8 million international arrivals and exempted visas and fees for citizen from 61 countries in total, in which 49 countries received unilateral visa exemption. Meanwhile Malaysia received 27,4 million international arrivals and exempted visa fees for 155 countries including 85 countries with unilateral visas. Similarly, Singapore received 15,1 million international arrivals and Singapore granted free visa free entry to citizens of 150 countries with unilateral free visa entry for 82 countries.

Japan, only started to pay attention to attracting international tourist to Japan, in 2003, when they implemented the campaign: "Visit Japan Campaign". During the period of 2001 – 2014, visitors to Japan increased 2,6 times, and for the first time reached 10 million arrivals in 2013. Japan has a target of 20 million visitor arrivals by 2020.

Target markets for Japan are Thailand, Malaysia, Indonesia, Vietnam and Philippines, and the Japanese Government has quickly loosened the visa entry policy for citizens from these countries. As the result, this campaign has brought very positive outcomes. In 2014, the number of Thai Tourists increased 45,5% (from 453.642 to 657.606 arrivals) ; meanwhile, Malaysian Tourists to Japan increased 41,1% (from 176.521 increased to 249.516 arrivals) ; Tourists from Philippines to Japan increased 70% (from 108.351 to 184.211 arrivals).

### **The issue of security**

According to UNWTO and WTTC, "the border/ gate is the place that can help to stop security threats from the outside. Even when a person is permitted to enter a country, they can still can be refused entry at the border gate."<sup>9</sup> Therefore, visa exemption does not need to affect security.

According to UNWTO General Secretary, Mr. Taleb Rifai: "There is no evidence showing that a rigid policy on entry visas ensures greater national security. Europe, for instance, with its complicated immigration policy and a lot of procedures still has to face illegal immigration, in which 95% do not have visas. Illegal immigrating and security do not have any relation. Most of the terrorism activities were conducted either by people who own a legal entry visa or native citizens".

### **Recommendations**

- It is our opinion that Vietnam needs to seriously examine its current visa regime from a totally neutral perspective without undue influence from individual stakeholders in

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<sup>9</sup>World Tourism Organisation (UNWTO) and World Tourism and Travel Council, 2012. The impacts of visa policy simplification on the creation of jobs at G20 economies: World Tourism Organisation.

order to move to a regime that encourages tourism and business travel and which is not detrimental to the country's security or income.

- Vietnam needs to review and expand its visa waiver and visa on arrival policies.
- Vietnam needs to review the rule that prohibits visitors with visa exemptions from returning within 30 days without a valid visa
- Vietnam needs to introduce a transit visa system, which will both attract tourists and help develop Vietnam as a transit hub.
- Vietnam also needs to consider visa reciprocity as required under various trade agreements as at the current time there seems to be inconsistencies

All these recommendations are addressed in more detail below.

### 1. Visa On Arrival, Visa Exemptions And Waivers

Currently Vietnam has visa exemption for citizens of ASEAN Countries and Visa exemption for citizens of Japan, Russia, South Korea and the 4 Nordic Countries. The comparison to our ASEAN neighbors, and often our competitors for tourism dollars are shown below:

| Countries                       | Visa exempt/free | Visa on arrivals            |
|---------------------------------|------------------|-----------------------------|
| Brunei Darussalam <sup>10</sup> | 58               | 7                           |
| Cambodia <sup>11</sup>          | 19               | 3                           |
| Indonesia <sup>12</sup>         | 15               | 62                          |
| Lao PDR <sup>13</sup>           | 40               | 166                         |
| Malaysia <sup>14</sup>          | 155              | No specific number is given |
| Myanmar <sup>15</sup>           | 6                | 26                          |
| Philippines <sup>16</sup>       | 157              | N/A                         |
| Singapore <sup>17</sup>         | 158              | N/A                         |
| Thailand <sup>18</sup>          | 66               | 15                          |
| Viet Nam <sup>19</sup>          | 16               | 158*                        |

In the case of Vietnam this is e-visa and not a true visa on arrival system.

In turn below are the number of Visitor arrivals for each of the above countries and their growth in 2014 compared to 2013.

| Countries                       | 2013      | 2014      | Change |
|---------------------------------|-----------|-----------|--------|
| Brunei Darussalam <sup>20</sup> | 268,122   | N/A       |        |
| Cambodia <sup>21</sup>          | 4,210,165 | 4,502,775 | 6.95%  |
| Indonesia <sup>22</sup>         | 8,800,000 | 9,300,000 | 5.68%  |
| Lao PDR <sup>23</sup>           | 3,779,490 | 4,158,719 | 10.03% |

<sup>10</sup>Visa Information from MOFAT

<sup>11</sup> Visa Information from Embassy of Cambodia

<sup>12</sup> Visa Information from Embassy of Indonesia

<sup>13</sup> Visa Exemption and Visa on Arrival

<sup>14</sup>ASEAN Secretariat Malaysia

<sup>15</sup> Visa Information from Embassy of Myanmar

<sup>16</sup>ASEAN Secretarial Office Philippines

<sup>17</sup> Entry visa from Immigration & Checkpoints Authority of Singapore

<sup>18</sup>ASEAN Secretariat Thailand

<sup>19</sup> Vietnam visa information

<sup>20</sup>Tourism Statistic from Brunei Times

<sup>21</sup>Tourism Statistic from Ministry of Tourism of Cambodia Board

<sup>22</sup>2014 Achievements and Tourism Indonesia Targets for 2015 from Indonesia Tourism Board

<sup>23</sup>Tourism Statistic from Vientiane Times

|                           |            |            |        |
|---------------------------|------------|------------|--------|
| Malaysia <sup>24</sup>    | 25,714,447 | 27,437,315 | 6.70%  |
| Myanmar <sup>25</sup>     | 2,044,307  | 3,081,412  | 50.73% |
| Philippines <sup>26</sup> | 4,681,307  | 4,833,368  | 3.25%  |
| Singapore <sup>27</sup>   | 15,567,923 | 15,086,827 | -3.09% |
| Thailand <sup>28</sup>    | 26,546,725 | 24,779,768 | -6.66% |
| Viet Nam <sup>29</sup>    | 7,572,352  | 7,874,312  | 3.99%  |

In addition it is useful to look at the number of countries, whose citizens are granted visa free access to the majority of countries (of which 229 are surveyed) and below are a few of the leading ones<sup>30</sup>:

|  |                 |
|--|-----------------|
| Germany, USA, UK   | 174 out of 229; |
| Canada   | 173;            |
| Belgium, France, Italy, Luxembourg, Netherlands, Portugal, Spain | 172             |
| Austria, Ireland   | 171             |
| New Zealand, Switzerland   | 170             |
| Greece   | 169             |
| Australia  | 168             |

Vietnam affords no visa waivers or exemptions for any of the above mentioned countries.

A report published by the World Tourism Organisation (UNWTO) and the World Travel & Tourism Council (WTTC) highlighted that Vietnam could potentially increase tourism arrivals by 8 to 18% if it were to move to a program of visa facilitation (i.e. Visa on arrival)<sup>31</sup>. Therefore we believe Vietnam should be looking at the major higher spending tourism markets and markets for trade and investment and introducing an expanded number of countries whose citizens are eligible for Visa on arrival or visa exemption. Also it is worth noting that by Visa on Arrival we do not mean the current E Visa program which is nothing more than an authority to travel to the country before being faced with high visa charges and chaos at most times in HCMC where the waiting time can run from 39 minutes to 2.5 hours.

One common objection to the removal or relaxing of visa requirements is the loss of revenue from Visa fees however we believe that most tourists travel on a budget and that the waiving of visa fees will result in more local spending benefiting directly those serving the tourism industry which in turn will lead to an increase in local tax collection.



<sup>24</sup>Tourism Statistic from Malaysia Tourism Board

<sup>25</sup>Tourism Statistic from Ministry of Hotels and Tourism of Myanmar

<sup>26</sup>Tourism Statistic from Philippine Tourism Board

<sup>27</sup>Visitors Arrival report from Singapore Tourism Board

<sup>28</sup>Tourism Statistic from Thailand Tourism Board

<sup>29</sup>Tourism Statistic from Vietnam Tourism Board

<sup>30</sup>The Henley Global Visa Restriction Survey

<sup>31</sup>Report published in May 2012

As a start; Vietnam needs to look at countries with whom they have Free Trade Agreements or are negotiating such Agreements as a starting point to expand the current list of Visa waiver countries

### **Recommendations**

- Immediately expand the list of visa exemption countries to include all EU member countries; countries in the TPP who do not have visa waiver namely Australia, Brunei, Canada, Chile, Mexico, New Zealand, Peru and USA; and India.
- Move to a true visa on arrival system for all current visa waiver countries plus the countries mentioned above;
- Introduce a true E Visa where visitors can get their Visa online and print for processing at immigration;
- Reduce visa fees which are the second highest in Asia and consider a premium for E Visa and E visa application;
- Improve the system and reduce waiting time for those using E visa on arrival

### **2. Return Visit 30 Day Rule**

Under current regulations, a person arriving with citizenship of a visa exempt country, cannot return within 30 days without a valid visa\*<sup>32</sup>.

This rule is causing problems for travel agents and tourists alike as many visitors wish to make side trips to Cambodia, Laos and Myanmar for example where they may go for 2 or 3 days, taking advantage of the flight links with these countries but then find they have to apply for a visa in order to reenter Vietnam.

### **Recommendation**

- Allow visitors from visa exempt countries one re-entry for a maximum of 5-7 days.

### **3. Transit And Airside Visas**

It is noted that China has recently liberalised its Visa requirements, allowing for tourists from 51 countries to receive 72 hour extended transit visa's on arrival which allow them to exit the airside of airport terminals into the cities and regions around Beijing, Guangzhou, and Shanghai and two other regional cities. This has led to an increase of tourism stop overs and spending by transiting passengers across a range of hospitality, transport, and tourism industries. Having visited China once for a stopover visit, travelers will consider Vietnam as the safe, clean air alternative to stop overs to China.

Current transit arrangements for some passengers transiting Vietnam on Vietnam Airlines to the EU from Australia has them arrive in HCMC and the onward flight to the EU is from Hanoi. The intermediate flight between HCMC and Hanoi is domestic, requiring passengers to have a 30 day tourist visa to complete a 4-6 hour transit of Vietnam airports.

Capacity constraints for regional Vietnam resort destinations, e.g. to be able to supply enough room to handle the demand from inbound tourists, tour operators and tourists are now looking to maximise locations available for stops in Vietnam as alternative destinations. Airlines hoping to maximise aircraft utilisation and destinations are looking for multi-city continuing flights in Asia and Vietnam. International Airlines are looking to exploit a one ticket, 'system pass' allowing 1 ticket hop on/hop off passes for Asian destinations.

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<sup>32</sup> \* We understand that this may now have been changed to allow return to Vietnam for a small administration charge.

Given the advent of Low Cost Carriers (LCC's), the focus of travel ticketing is becoming point to point sales, without automatic transit and baggage connections enjoyed by IATA interline agreements. For a growing portion of travelers, the use of LCC's means that they must clear immigration and then customs to check in for their next flight on a multi leg journey. Currently this transit process is not addressed in Vietnam for transit passengers who do not intend to stay in Vietnam, but who need to check-in for a new flight as a transit passenger. There is an opportunity for differentiation in the regional marketplace to streamline the LCC and multi-carrier transit experience while promoting Vietnam as an airline transit hub that caters to airside/transit passenger check-ins<sup>33</sup>.

While the focus has been on inbound arrivals for the majority of the discussion on visa's and visa free travel, the growing outbound travel market is restricted from growth to the EU by the onerous visa qualification restrictions put on Vietnamese nationals in order to travel to Europe.

### **Recommendations**

- Create a visa free zone (similar to Phu Quoc) for major/regional international airports, initially Hanoi, Ho Chi Minh City and Danang in order to create a stop over visitor industry.
- EU and target market passengers transiting Vietnam, where arrival and departure cities differ, need to be provided 24-72 hour domestic transfer authority to allow for travel between airports. Grow Vietnam as a viable/flexible transit hub for carriers, while encouraging spending of currency by passengers during the transit period between the ports of entry and exit.
- Allow a system for international carriers to use continuing flights within Vietnam to drop and load passengers at multiple airports. Example being, a flight arrives from the EU in Hanoi where it drops passengers and picks up passengers enroute to Nha Trang or Ho Chi Minh City, where it again drops and picks up passengers for onward flights to the EU or connecting destinations.
- Streamline systems for passengers who are transiting visa free zones (such as Phu Quoc) enroute to a port of entry which normally does require a visa for entry so that the passengers are not required to proceed through the immigration process twice.
- Create the ability for transit passengers, with or without baggage, to collect baggage and check-in for continuing flights on the airside (international) of immigration. Encourage LCC's and full service carriers to utilise and provide/promote airside services and check-in for continuing passengers to avoid immigration overloads and delays. Encourage the development of airside hotel/stop over accommodation as is seen in Middle East markets to facilitate/attract long haul passengers using Vietnam as a transit point.
- The reducing or eliminating of the visa requirement for Vietnamese citizens to travel to EU countries should be considered as a focus point to be raised on a regular basis with counterparts in the EU community. The ability for Vietnamese nationals to travel to EU for short stays allows for better understanding of bi-lateral economic opportunities available to be implemented in trade and tourism.

### **4. Visa And Temporary Residence Card**

The new Immigration law No. 47/2014/QH13 that was implemented on January 1, 2015 has generally been seen as an improvement to the old system. As an example, it seems logical

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<sup>33</sup>There now appears to be an airside transit desk at HCMC international arrivals. However scope of activity is not known.

that a foreign national coming on assignment to Vietnam does not obtain his work visa through a travel agency but instead through sponsorship of the host entity in Vietnam.

The new and numerous categories of visas also makes the new immigration law more comprehensive, with a differentiation between those entering Vietnam on Business trips and those entering Vietnam for assignment purpose among many others.

However, the processing time to obtain a Business visa pre-approval letter has significantly increased from 1 or 2 days to 5 working days minimum. In addition, such visas (ie: DN or LĐ visa) can only be obtained at the Vietnamese embassy in most of the cases while Business Visa could be stamped upon arrival at the airport in the past.

Furthermore a foreign national coming to Vietnam, attending a business event or exploring business opportunities without a local sponsoring entity can only obtain a tourist visa.

In order to facilitate the entry of foreign Business visitors and International assignees to Vietnam it seems necessary to streamline the processes.

### **Recommendations**

- The introduction of an “expedited service” like in many countries, with an additional fee to obtain visa approval letter in 1 day would be highly welcomed by the business community;
- Immediately expand the list of visa exemption countries to include all EU member countries; countries in the TPP who do not have visa waiver namely Australia, Brunei, Canada, Chile, Mexico, New Zealand, Peru and USA; and India.
- Getting business and work visa endorsed on traveller’s passport on arrival at the international airport or at the Vietnamese embassy overseas should always be options available.

## **II. VTOS IMPLEMENTATION AND ITS POTENTIAL IMPACT ON HOTEL STAR CLASSIFICATION**

Whilst the industry fully supports the introduction and application of VTOS in Vietnam, for the purpose of developing a larger and better qualified and skilled pool of tourism and hospitality workers, the industry also feels that more recognition should be given to international branded hotels who have spent considerable amounts of time and money to train their employees towards recognized international global standards. Whilst these international hotel companies are not training institutions per se, they are focused to deliver upon their respective brand standards, which create points of service differentiation between one hotel and another. Therefore, it will be more appropriate, if VTOS is made first and foremost mandatory for all educational and training institutions in Vietnam. And that their application is, in particular pushed for the mostly locally managed 1 to 3 star properties, which do not have international standard training programs. This would recognize the quality and benefits of international standard training programs which global hotel chains use, at a time when the revised VTOS will be made mandatory, tested and implemented in wider circles of the training and education as well as tourism and hospitality sectors.

We would therefore urge that a consultation process be put in place, whereby a solution must be found to recognise the existing high level standards within the internationally branded hotels, in the form for example of a quick and simple “balance” accreditation of entire hotel chains or properties in Vietnam, in line with the simple and non-bureaucratic assessment criteria as prescribed in the MRA -TP.

However, to potentially remove the star rating of a recognised global hotel chain and administer financial penalties for non-compliance with the VTOS and accreditation requirements would be a major step in the wrong direction.

### **III. DESTINATION MARKETING**

#### **1. Public-private partnership and destination competitiveness**

To compete effectively, destinations have to deliver superb experiences and excellent value to visitors. The business of tourism is complex and fragmented and, from the time that visitors arrive in the destination until they leave, the quality of their experience is affected by many services and experiences; including a range of public and private services, the environment and community welcome. Delivering excellent value depends on many organisations working together in unity. Destination management calls for a coalition of these different interests to work towards a common goal to ensure the viability and integrity of their destination now, and for the future. This is a key challenge in a region where there is limited cooperation and communication between the public and private sectors, and between competing private sector companies, at present.

Most destination management issues arising in the region need to be addressed at the provincial level. This is where structures of Government exist to address them and can be strengthened. It is therefore important that effective governance structures for tourism are in place locally. It is at the local destination level that many services vital to tourism are delivered and where the positive and negative socio-economic and environmental impacts of tourism are most apparent, requiring sound local planning and management.

Destination management at present is largely the responsibility of Department of Culture, Sport and Tourism ("DCST") reporting to People's Committees and, occasionally, to Vietnam National Tourism Administration (VNAT). In general, there are no structures for shared responsibility between Government agencies which impact tourism, or between DCSTs and the business sector. DCSTs do not formally meet with the business sector and industry representation organisations in the provinces are weak. Financial resources for marketing are very constrained and not transparent.

In order to better serve the customers of the tourism sector in Vietnam and improve the destination development and management, the Ministry of Culture, Sports and Tourism (MCST) and the VNAT have started a strategic planning initiative by strengthening destination management structures at destination levels. The EU-funded Environmentally and Socially Responsible Tourism Capacity Development Programme (ESRT) with the VNAT are supporting the collaboration of provinces and business sector stakeholders to jointly work on destination management issues. With this support, existing Provincial Steering Committees have been strengthened to include the business sector, and developing practical agendas for them.

#### **Potential gains/concerns for Vietnam**

The overall performance of the tourism industry gives cause for concern however: There has been a decline in occupancy as accommodation supply is increasing. The collapse of the Chinese market in 2014 and the Russian market has brought the need for better destination management regarding accommodation supply, and the need for a more strategic, broadly-based marketing approach, sharply into focus in the region.

Tourists are not restricted by provincial boundaries when they travel. They visit and travel throughout regions based upon the product offerings available. However, working at a

destination / regional level needs to be carefully guided by development of destination bodies that develop and implement projects based upon strategic regional tourism plans.

We believe it would also be helpful if tourism planning and tourism products would be further improved. In particular, a regional approach to tourism which goes beyond provincial borders and allows joint product development will encourage tourists to stay longer as well as encourage return visits to different parts of the country.

Effective stakeholder engagement and mechanisms for collaboration such as public-private partnerships, and coordination bodies for destination management in the regions will contribute to enhance competitiveness and distinguish Vietnam in the regional and global tourism marketplace as a destination that delivers high quality, sustainable, tourism experiences that benefit local people and respect and conserve national resources.

### **Recommendations**

Our members feel that active involvement of the Ministry and the Government in enabling and supporting the development of destination management structures in the regions with a strong involvement of the business community is necessary.

We also recommend the following specific measures:

- Establishing improved mechanisms for communication between tourism-related businesses, associations and the public sector; to work with industry groups and associations in working groups on a regular basis; to coordinate organisational structures
- Putting in place region-wide coordination structures to focus and maximise the actions of cooperating provinces and facilitate cooperation
- Strengthening Tourism Associations in creating co-operation and representatives for the business sector in order to contribute to important issues within the tourism sector
- Strengthen public-private cooperation for promotion and marketing at destination levels to support responsible tourism products and services
- Adopting green and responsible tourism agendas and implementing them
- Improving the product, province by province, to meet (future) market needs and providing more things to do for visitors staying in the region's expanding accommodation base
- Develop stronger regional products that clearly reflect destinations and attractions of Vietnam; Create the regional linkage in tourism product development
- Apply responsible promotion and marketing programmes, which create a competitive advantage, increase value and demand, customer loyalty and satisfaction, and facilitates more respectful interaction in destinations
- Delivering professional marketing, focussed on specific target markets and addressing issues such as greater awareness, electronic media and seasonality to improve business viability

### **2. Joint marketing initiative between TAB & VNAT**

Following the establishment of the Tourism Advisory Board (TAB) in 2014, industry stakeholders have worked with officials from the Vietnam National Administration of Tourism (VNAT) to revitalize Vietnam's tourism industry. One of the main focuses is to improve the country's international marketing efforts.

VNAT and the TAB are undertaking a joint marketing initiative focused on key international markets. The aim of this program will be to develop an internationally recognized, digital platform for marketing Vietnam globally. Central objectives of the marketing initiative include:

- Position Vietnam as a must-see tourism destination in SE Asia
- Develop internationally recognized branding materials
- Focus marketing activities on select key markets
- Increase international arrivals to Vietnam
- Attract high value visitors with longer stays and higher spends
- Enhance industry cooperation to leverage resources

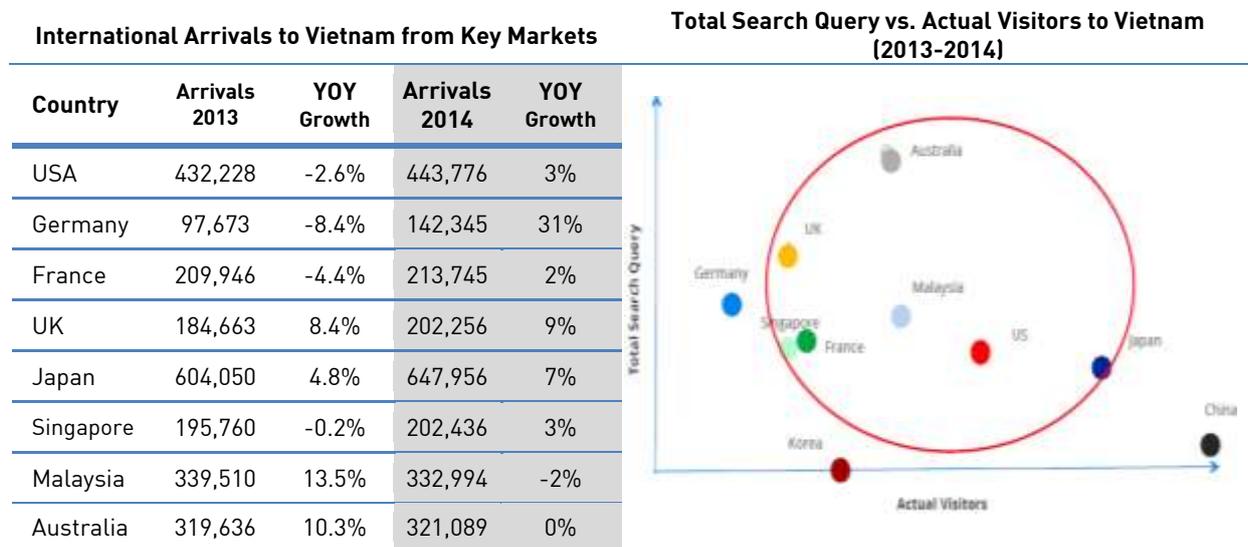
**Appointment of a Third Party Agency**

The TAB and VNAT in May 2015 formally launched a tender to identify a digital marketing agency to orchestrate a campaign for online marketing. Digital marketing is an extremely effective channel that offers increased engagement with visitors and the travel trade, highly measureable performance, rapid strategy adjustment and enhanced targeting capabilities. Developing a strong digital marketing campaign is crucial given the government’s limited marketing budget.

The timeline for execution entails the appointment of an agency by the end of June 2015 and to unveil the campaign in London at the World Travel Market in November 2015.

**Key Target Markets**

The campaign goals will focus on markets where travelers are already searching for Vietnam related travel offerings. This will yield higher results as there will be a closer correlation to online marketing efforts and actual visitation. The eight countries that we will focus on include: USA, Germany, France, UK, Japan, Singapore, Malaysia, and Australia. Consideration of additional markets will be made on a case-by-case basis.



Source: VNAT

Source: Google Internal Data

**Budgetary Constraints**

This joint marketing initiative is unprecedented in Vietnam and entails collaboration between public and private stakeholders. The long-term objective of this marketing initiative will focus on building VNAT’s capacity to administer similar, best-in-class campaigns and to collectively lobby support for the government to contribute additional funding towards the promotion of Vietnam’s tourism industry.

In order for this partnership to work, the TAB is requesting for formal commitments from MCST/VNAT to contribute funds to a joint marketing initiative to be administered by TAB in

conjunction with VNAT. The aim is to achieve a 1:1 matching of Public-Private contributions.

At present, the funding that is contributed to marketing Vietnam globally is less than US\$1.5 million. This amount is substantially inadequate for VNAT to be effective and is a fraction of what Vietnam's neighboring competitors contribute to their national tourism boards. We cannot emphasize enough the importance of the travel and tourism industry to Vietnam's economy. The industry generated nearly 10% of GDP. Thus, it is imperative that the government recognize the industry contribution to the socioeconomic welfare of the state and to properly support the industry with an adequate budget for international marketing.

### **Recommendations**

- Increase budgetary support of Vietnam's tourism marketing efforts
- Stronger support and collaboration with private industry in marketing Vietnam globally

### **APPENDIX: Visa Fees Vs Revenue And Tax**

The biggest obstacle to a move to more visa facilitation seems to be the loss of visa fees by line ministries. This argument, if correct, is in our opinion very shortsighted as it loses sight of the big picture, as this short summary will show.

#### **Loss of Visa fees**

TWG is inter-alia advocating visa exemption for EU, North America, Australia and New Zealand. Those countries currently account for 1.6 million arrivals. If you take an average visa and processing fee of US\$70, that amounts to visa fees of approx. **US\$11 million**.

#### **Spending and Tax revenue**

On the other hand, if granting visa exemption to those countries increases arrivals by 10% then visitors from those countries would increase by 160,000. Based on the current overall average stay of 11.3 days and overall average daily spend of US\$102, which are both lower than normal for visitors from those destinations, then total additional spending would be approx. US\$200 million.

This would result in a **VAT contribution of US\$20 million** and a net gain in Government revenues of US\$9 million, leaving an amount of US\$180 million into private sector business driving growth in income and employment.

#### **Recommendation**

These statistics are compelling reasons why the Government should be urging line ministries to think about the good of the country and to consider extending the visa facilitation program further.

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