

REPORT ON TOURISM AND HOSPITALITY

*Prepared by
Tourism Working Group*

Overview

In 2013, the Tourism & Travel industry's direct contribution to Vietnam's GDP was VND 149,753 billion (4.6% of GDP), and this is forecast to rise by 8.9% to VND163,034 billion in 2014. The direct contribution of Travel & Tourism to GDP is expected to grow by 6.3% pa to VND299,846.0 bn (4.7% of GDP) by 2024¹.

The total contribution of Travel & Tourism to GDP was VND311,117 billion in 2013 (9.6% of GDP) and is expected to grow by 8.9% to VND338,660 billion (9.9% of GDP) in 2014. It is forecast to rise by 6.0% pa to VND 607,858 billion by 2024 (9.6% of GDP).

In the same year the sector directly supported 1,899,000 jobs (3.7% of total employment) and has attracted an estimated VND81,987 billion of capital investment.

In 2013 the Ministry of Culture, Sports and Tourism approved the establishment of a Tourism Advisory Board funded as part of the ESRT program. This Board is now active and meeting regularly.

In the first 4 months of 2014 Vietnam saw an increase in visitor arrivals of 27% over the same period in 2013, with significant increases seen in arrivals from China and Hong Kong by 47% to 804,134 visitors – mainly to central coast highlighting the success of the Central Coast DMO; Russia – mainly to Cam Ranh but also Phu Quoc; Japan and Korea. We believe in part this increase may well be due to a drastic decline in the number of visitors to Bangkok because of the political unrest and travel advisories, although there is no anecdotal evidence to support this.

However, the recent disturbances over the East Sea have had a significant negative impact on visitor arrivals both tourists and business with hotels across the country suffering significant cancellations from group travel, MICE (Meetings, incentives, conferencing, exhibitions) and FIT's (Free Independent Traveler), because of concern over safety. Findings of our quick survey will be revealed in the first section of this report.

Phu Quoc is now an international gateway that offers a true visa on arrival system, which is already proving popular.

The authorities have also started to address the safety issues, which we have previously raised with the advent of Tourism Police in many major tourist destinations and hot lines for visitor help and complaints. Rogue taxis have been brought more to account and several cities now have tourist offices.

In spite of the progress the working group believes that Vietnam is missing out on opportunities to increase the number of visitors by a significant percentage and our issues and recommendations are discussed in the following section.

1. Impact of recent incidents on the tourism and hospitality

¹ Source: http://www.wttc.org/site_media/uploads/downloads/vietnam2014.pdf

As mentioned above, the recent incidents have been brought to special attention and had a significant negative impact on visitor arrivals to Vietnam in May and coming months.

Many multinationals suspended travel to Vietnam and for many of these the suspension remains in place.

Whilst Russian visitor arrivals have been largely unaffected, the main impact has been on visitors from China, Taiwan, Malaysia, Singapore and Australia.

Whilst it is difficult to quantify the impact we conducted a survey amongst our working group members and participants in the Grant Thornton Hotel survey and this shows that almost all hotels and tour operators contacted are suffering from the effects of the disturbances with booking cancellations currently as far out as September.

The responses from 18 hotels show that:

	North	Central & Highlands	South	Total
Total room nights cancelled	4,216	4,805	5,924	14,945
Total room nights cancelled in %	28%	32%	40%	100%
Total amount loss in \$	583,700	524,500	697,060	1,805,260
Total amount loss in %	32%	29%	39%	100%

[] This is only the estimation received from the VBF's members and Grant Thornton's Vietnam Hotel Survey participants*

In fact, total was over USD1.8 million **from just 18 hotels out of a total of 640 3, 4 and 5-star hotels and the total room nights that have** been cancelled out to July amount to 14,945 nights and one hotel reported cancellations out as far as September. In addition, we also noted that One golf course in Central of Vietnam had 500 golf rounds cancelled which bought a total fee loss of USD50,000. In terms of room nights and in terms of revenue lost (in both room revenue and F&B revenue), the South was the most affected, accounting for 40% of total room nights cancellation and 39% of total loss respectively for the period May to July 2014.

Travel Agents and Tour operators have also been quite badly affected. One of the travel tours companies has responded that the inbound FIT flight requests from the USA & Australia is down 20-30%. Australia has a travel advisory on travel to Vietnam.

The ministry and VNAT need to act swiftly with an international campaign, to show that Vietnam is still a safe destination to travel to and convince people and the Embassies, who have posted travel advisories, that the disturbances were an isolated one off event that will not reoccur.

At the same time the Government should also consider offering similar incentives to the travel and tourism sector that it has offered to other sectors, affected by the disturbances.

2. Visa exemption, visa waiver and transit visas

According to a report published by the World Tourism Organization (UNWTO) and the World Travel & Tourism Council (WTTC)², concluded that travellers see visas mainly as a formality that imposes a cost. If the cost of obtaining a visa - either the direct monetary cost imposed in the form of fees or the indirect costs, which can include distance, time spent waiting in lines, and the complexity of the process - exceeds a threshold, potential travellers are simply deterred from making a particular journey or choose an alternative destination with less hassle.

The report recommended that countries extend visa facilitation and move to a visa on arrival system, which could help generate between 6 to 10 million additional international tourist arrivals for ASEAN Members States by 2016. These extra arrivals would bring in between US\$7 and US\$12 billion in additional international tourism receipts and create between 333,000 to 654,000 new jobs by 2016.

The report also highlighted that Vietnam could potentially increase tourism arrivals by 8-18% if it were to move to a program of visa facilitation (i.e. Visa on arrival).

Currently, only Foreign Independent Travellers (FITs) who are ASEAN passport holders are exempt from visas for stays of up to 30 days, and only FIT's who are passport holders from Denmark, Norway, Finland, Sweden, Japan, Korea and Russia are allowed to enter the country for a period of up to 15 days without a visa. We believe that there are strong arguments for broadening the visa-exempt category and we would like to recommend the government for extending the pilot project to include the aforementioned countries.

The benefit of visa waiver programs is evident from the significant increases in visitors from visa-exempt countries:

Increase in 2013 over 2012		Increase in 4 months 2014 over 2013
Japan	4.8%	8.5%
Korea	6.8%	6.7%
Russia	71.1%	37.4%
Nordic Countries	Negative	15%

In comparison high origin countries experienced the following in 2012 and 2013:

Germany -6% and -8.4%

France +4% and -4.4%

England +9% and +8% Positive with intro direct VN flights

Holland +2% and +3%

Australia 0% and +10%

USA 0% and -2.6%

Transit Visas

It is noted that China has liberalised its Visa requirements, allowing for tourists from 51 countries to receive 72 hour extended transit visas 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

² Report in May 2012

tourism industries. Having visited China once for a stopover visit travellers will consider Vietnam as the safe, clean air alternative to stop overs to China.³

Current transit arrangements for some passengers transiting Vietnam on Vietnam Airlines to the EU from Australia have them arriving 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 rooms 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. Competition from shared destination marketing is set to drive demand as the product is fully realised.

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 travellers, 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.

While the focus has been on inbound arrivals for the majority of the discussion on for 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: We propose that visa-exemptions are expanded to include countries that can potentially account for significant tourism revenue, such as the EU member states, the United States and Canada, Australia, Hong Kong and Taiwan. Visa-exemptions to these countries should generally be granted for stays of up to thirty (30) days.

We also suggest that an efficient "Visa-on-Arrival" procedure is established. Vietnam could possibly refer to the examples of Laos or Cambodia, where visas are issued and fees are collected upon arrival. The system should also enable qualifying passport holders to enter Vietnam for a period of at least fourteen (14) days without any documentation other than their passport. "Visa-on-Arrival" procedures and policies should be transparent and consistent, should include an explanation of the process, a set fee schedule and a consistent enforcement of these various airports.

Create an enabling environment to attract both carriers and travellers to transit in Vietnam and within Vietnam by facilitating transit visas, allowing international carriers to have multiple stop over points in Vietnam.

³ <http://www.travelchina.com/embassy/visa/free-72hour/>

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. Free trade access to communities/industry for development of both parties tourism industries and economies is equalised when both parties have visa free access. 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.

Our other suggestions include:

- Provide clearer guidance and information in arrivals halls regarding where the 'Visa-on-Arrival' process (where to obtain the visa, necessary forms, policies, fees schedule, set waiting times).
- Introduction of a queuing/numbering system for 'Visa-on-Arrival'.

3. Destination Marketing⁴

The VNAT, being an administrative body, generally follows the direction and guidance set out by the MCST on issues including marketing. On the one hand, this influence is justified as the MCST is responsible for monitoring the effective and efficient use of public funds. In addition, the VNAT may be responsible for tasks other than tourism marketing, for example tourism development and planning. On the other hand, in order to optimize national spending on marketing, we feel the VNAT should have greater autonomy in the areas of marketing and its position as the national marketing body needs to be enhanced.

Furthermore, as destination management involves cooperation between the service providers, to ensure continuous service chains and consistent marketing across the region, the current lack of effective regional coordination and Destination Management Organizations (DMOs) in Vietnam also poses functional and institutional challenges for the sector. We believe that marketing dependencies on politics, and overlaps with other authorities or ministries' activities need to be avoided. A high level of alignment between the public and private sectors, through effective stakeholder engagement and the reinforced role of DMOs, needs to be ensured.

The working group recognises that progress has been made in the above areas; in November 2012, the Vietnam Tourism Advisory Board (TAB) was also established under the guidance of the EU-funded Environmentally and Socially Responsible Tourism (ESRT) programme. Directly reporting to the VNAT, the TAB creates an official mechanism for direct dialogue and cooperation between Vietnam's private and public sectors. Under the ESRT, a National Tourism Marketing Strategy to 2020, and Action Plan: 2013-2015 were also prepared. This well researched Strategy and Action Plan have been based on international best-practice with the aims of bringing Vietnam up to par with its regional competitors.

Whilst there has been significant growth in Visitor arrivals in the first 4 months of 2014 - 27% over the corresponding period of 2013, tourists' stay in Vietnam tends to be relatively short and the repeat rate of visitors is low as there are limited entertainment and sightseeing options available at key tourist destinations. It is worth noting that a high percentage of Thailand's foreign visitors are regular/repeat visitors. Whilst we are seeing strong growth from Russia, China, Hong Kong and Taiwan, these are largely group travel and are lower spending tourists than FIT's from Europe and North America.

⁴The term destination marketing refers to the strategic management and marketing of a specific tourism destination.

Recommendations: We believe that one of the most efficient ways to address the negative perception of tourism service standards in Vietnam is to continue a concerted promotional campaign on both national and international levels. Such campaigns should continue to highlight Vietnam's attractiveness due to its rich cultural heritage, outstanding natural beauty including beaches and friendly people. Whilst good progress has already been made in this area nationally and to a limited extent internationally, we feel that further minimal investments could significantly improve the visitor's introduction to and perception of Vietnam. For example, travel experience could be improved with measures such as enhanced flight-videos or the creation of a welcome video played in the immigration area explaining the immigration, customs and transport process and logistics.

However in order to accomplish these recommendations a significant budget is required much higher than the current one. The Government should recognise fully the contribution that Tourism currently makes to the GDP and employment and allocate sufficient funds for VNAT to compete with neighbouring countries who have budgets many times higher than the current one.

We also recommend the following specific measures:

- Legalise the mandate of the VNAT to take on the role of a National Tourism Organisation and become the sole tourism marketing authority for Vietnam
- Strengthening the role and functionality of DMOs.
- Fully adopt the proposed National Tourism Marketing Strategy and prepare annual Actions Plans before the end of a fiscal year to share with the industry. To finance this initiative, an incremental budget is recommended to be gradually increased as VNAT's capacities improve.
- According to the Government responses to the tourism working group of the Vietnam Business Forum 2013 the ministry is guiding VNAT in developing a tourism marketing and promotion fund. These funds should be best utilised to contribute to the enhancement of quality and effectiveness of tourism promotion and marketing both inside and outside Vietnam.
- Further support PPP and PPD initiatives particularly in the context of the TAB and regional DMO's.
- Facilitate the planning and creation of new tourist attractions. The focus should be on developing new attractions such as cultural sights, more sports facilities or adventure tourism.
- Allocating more funds to abovementioned tourism promotion campaigns and operating in close cooperation with the foreign private tourism/travel providers to make the best use of these additional funding opportunities.
- Designing promotional campaigns, including advertising and promotional films, in close cooperation with foreign tour-operators or large local operators which deal on a regular basis with foreigners.
- Incentivising environmentally and socially responsible tourism. Promoting higher standards of tourism could add value to the industry as a whole and result in higher-paid and better jobs in the industry.
- The working group welcomes the recent discussions on extended foreign home ownership and urges the Government to look at models adopted by countries such as Thailand. The authorities should review the accruing benefits of allowing foreigners, who do not possess three month multiple entry visas, to buy long term leases on holiday apartments and villas.

4. Education and Training

Issue description: The tourism and hospitality sector continues to experience serious shortages of adequately educated and trained human resources, on all levels and positions, from entry-level staff to supervisors, managers and executives. Despite various efforts from the Government and some progress made through international programme intervention and technical assistance, the education and training system remains largely inadequate to cope with the real demands of the hospitality and tourism industry. The problems in tourism and hospitality education and training are systemic and based on inherent shortcomings in the overall education and training system in Vietnam. In particular, the weakness of the technical and vocational education and training (TVET) has dramatic consequences for the tourism and hospitality sector as a whole.

Firstly, the regulatory framework of education and training remains complicated and cumbersome. With various ministries and government bodies involved, and decision-making processes overlapping and not streamlined, communication, coordination and reform remains inadequate and slow. Secondly, the overall strategic and pedagogical approach to education and training remains based on outdated models, which are not in touch with the needs of modern societies, open market economies or the industry. Thirdly, regulatory bodies as well established and influential academic institutions continue to take a rather 'abstract' than 'practical' approach to tourism and hospitality education. There is very little exchange and cooperation with the (domestic and foreign) private tourism and hospitality sector. Curricula, syllabi and teaching methods remain largely academic and theoretical in nature, and much of the training is being delivered by teachers with academic qualifications, but no or very little practical working experience in the sector. Lastly, the overall teacher education and training-of-trainers system remains inadequate.

Certain measures aimed at resolving the issue have been put in motion. In conjunction with the VNAT, the EU-funded ESRT programme conducted a nation-wide training needs assessment, with the purpose of providing up-to-date information on the skills and training needs of both public and private sector organisations and enterprises in the sector. Moreover, in view of the upcoming establishment of the ASEAN Economic Community in 2015, VNAT, with the support of the ESRT programme, is in the process of implementing the ASEAN Mutual Recognition Arrangement on Tourism Professionals (MRA-TP), which aims at establishing common competency standards for tourism and hospitality professionals and thus facilitating the mobility and transfer of human resources in the region. However, in spite of these commendable endeavours, the implementation of the MRA-TP in Vietnam is late and not very transparent. Each member state is to implement an accreditation body and competency standards on national level. At its current state, the Vietnam Tourism Certification Board ("VTCB") has not yet been formally approved and updated Vietnam Tourism Occupational Skills Standards ("VTOS") standards not published yet. The private tourism and hospitality sector in Vietnam has not been formally involved in the process, thus putting the uptake of VTOS from the industry and the effective implementation of the MRA-TP in Vietnam at risk.

Potential gains/concerns for Vietnam: Increasing the number of trained and qualified personnel in all sectors of the tourism and hospitality industry, would enhance the quality of products and services that are on offer. This, in turn, would have a positive impact on Vietnam's image and reputation. Better services also translate into greater competitiveness, more visitors hence increasing potential GDP contribution and revenue for the Government. As Tourism is a significant sector for the country, there might also be positive knock on effects in other industries, improving overall skill levels across the supply chain. This is likely to increase employment and wages for the local population.

Recommendations: Our members have the following specific recommendations:

- Introduce a national tourism certification scheme to ensure that a tourism company and its employees meet the core industry standards. For instance, support the roll out of revised Vietnam Tourism Occupational Standards (VTOS).
- Provide a legal status to the Vietnam Tourism Certification Board (VTCB) to implement the functions of ASEAN - National Tourism Professional Board (NTPB) and Tourism Professional Certification Board (TPCB) under the MRA-TP. Establish a VTCB board under participation of the domestic and foreign private tourism sector.
- Encourage industry and all training establishments to utilise the results of the Vietnam Training Needs Assessment 2013, which provides up-to-date information to complement MCST's plan for "Human Resource Development in Tourism till 2015 and Vision 2020".
- Implement a Tourism Industry Training Board to provide guidance/ input to MCST/ VNAT on the skills requirements for the industry.
- Make the implementation of VTOS standards for all training establishments and colleges mandatory on national level.
- Establish formal quality assurance and external verification measures to guarantee principles of MRA-TP in regards to competency standards and boundaries of local contextualization are kept.
- Introduce an industry internship for all students, including courses designed and developed by international experts in training programs on cross-cultural understanding and customer service skills.

5. Licensing of tourist-related services

If we are to be able to meet the quality standards required of the industry and to reach the employment targets set in the Tourism Strategy Plan, then the management of the industry through licensing is imperative. Licences for the provision of tourist-related services should only be granted to well-trained personnel with a formal education and qualification related to the service industry. This is also critically important with the free movement of labour within ASEAN from 2015.

Potential gains for Vietnam:

- Better service standards --> attracts further investment and creates jobs
- Avoiding illegal activities – formal activities lead to tax revenue for government
- Health and safety standards

Recommendations: Our specific recommendations in this area are:

- Grant licences for tourist-related services only to well-trained personnel with a formal education or qualification relating to the service-industry, regardless of their nationality.
- Remove additional restrictions for foreigners to work as tour operators in the tourist-industry and improve the licensing process for tourism companies

6. Responsible Tourism Policy

Issue description: Responsible Tourism is increasingly endorsed and receiving high-level attention and commitment in important areas, as is evident through the Green Lotus Programme, the new Vietnam Tourism Marketing Strategy, and the development of Responsible Tourism Standards within the VTOS system.

In mid-2013 the EU-funded ESRT Programme set out to draft a Framework for a Responsible Tourism Policy. Taking into consideration the directives and priorities of

Vietnam's National Tourism Strategy and National Tourism Master Plan; recommendations from industry and professional bodies such as the Vietnam Tourism Association; and the Vietnam Business Forum Tourism Working Group/EuroCham Tourism and Hospitality Sector Committee and its Whitepaper 2013; the framework for the Vietnam Responsible Tourism Policy has been developed into "Policy Guidelines – Building Responsible Tourism in Vietnam", which are designed as a practical resource to assist with tourism policy making and legislation as well as working in the tourism sector (directly/indirectly) to identify and address key interventions and policy areas where increased sustainability and responsible actions should be formulated.

The foundations of the Responsible Tourism Policy Guidelines are based upon the following 6 pillars:

1. Apply good governance in tourism
2. Foster competitive tourism businesses and sustainable markets
3. Use tourism for socio-economic development
4. Build awareness and understanding of sustainable tourism
5. Develop a skilled tourism workforce with decent working conditions
6. Protect and sensitively promote natural and cultural heritage

For each pillar, key recommendations have been identified along with suggestions about which stakeholders need to take responsibility and what processes can be followed to create real change.

Potential gains/concerns for Vietnam: A comprehensive approach to pursuing Responsible Tourism with the support of the Responsible Tourism Policy Guidelines will guide Vietnam's tourism sector on a path towards long-term success as a sustainable, vibrant and attractive destination. It would also serve to enhance socio-economic benefits for the population help attract tourists for the future. The World Economic Forum Travel & Tourism Competitiveness report further highlights the need for Vietnam to develop its Tourism sector in an environmentally sustainable way.⁵

While recognizing the current activities and achievements, it is also important to note that more still needs to be done. Awareness, understanding, commitment, sharing responsibilities and taking action still require on-going support. It is important to continue with this process in a strategic manner, and at all levels. While 'higher-level' issues and action might take more time, they are ultimately essential and the process to address these issues must begin now. At the same time, practical examples and results are needed at pilot levels, such as specific destinations or even site level initiatives. Results at this level can play important roles in guiding, influencing and accelerating necessary change at higher levels. It should be noted that stakeholder collaboration is an essential component of responsible tourism.

Recommendations:

It is expected that the Policy Guidelines will serve as a reference for the development of the tourism law, endorsed by the government and organisations representing other important stakeholder groups.

- Support the adoption of the Responsible Tourism Policy Guidelines and Recommendations. The Responsible Tourism Policy Guidelines provide suggestions for

⁵ The Travel & Tourism Competitiveness Report 2013, World Economic Forum, http://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf

specific actions that can be taken on by sector stakeholders to affect real change and achieve impact in a timely manner.

- Encourage the Government of Vietnam and relevant tourism stakeholders to follow the Responsible Tourism Policy Guidelines, which will help create a competitive advantage necessary for Vietnam's tourism sector to mature and flourish, and continue to contribute to broad-based socio-economic development well into the future.
- Encourage authorities and businesses at regional/destination level to use the contents of the Responsible Tourism Policy Guidelines as a 'long list' of possibilities from which they could identify a set of key actions that match the issues and realities of each of their destinations.