

POSITION PAPER - TOURISM AND HOSPITALITY

*Prepared by
Tourism Working Group
Vietnam Business Forum*

1. OVERVIEW

In the first 9 months of 2014, the Vietnam tourism sector reached VND178,970 billion in total revenue, increasing 19.2% compared to the same period in 2013. This amount accounted for 81.4% of the targeted tourism revenue in 2014.¹

In 2014, the tourism industry aims to attract 8 million international and 40 million domestic arrivals, generating total revenue of VND 220,000 billion and contributing for around 5.2% of Gross Domestic Product (GDP).

The travel and tourism's direct contributions to Vietnam's GDP is expected to grow by 6.3% per annum and reach VND 299,846 billion by 2024 (4.7% of GDP). In addition, the total contribution of travel and tourism to the GDP is forecast to rise by 6.0% per annum and reach VND 607,858 billion by 2024 (9.6% of GDP)².

According to the Vietnam National Administration of Tourism (VNAT), the country needs an additional 40,000 tourism workers annually, whilst the number of graduates to this sector is only 15,000. The tourism sector currently employs approximately 500,000 directly and 1,000,000 indirect workers in the year 2014. This is expected to reach 650,000 direct and 2,000,000 indirect workers in 2015. The number of workers employed at management level is expected to increase 25%³.

In 2015, when the ASEAN Mutual Recognition Arrangement on Tourism Professionals (ASEAN MRA-TP) will be implemented, requirements as to the quality of the workforce will further increase. The VNAT has addressed this by developing national tourism standards under the MRA-TP, in the form of the Vietnam Occupational Skills Standards (VTOS).

In June 2014, the Environmentally and Socially Responsible Tourism Programme (ESRT) completed the handover of equipment for 5 vocational training schools in 10 tourism and cultural community centres. The recipients were supported within the project by improving vocational tourism training with a budgeted amount of 300,000 Euro. The recipients took advantage of developing training courses for responsible tourism and the centres were responsible for training in home-stay tourism⁴.

The Tourism Advisory Board (TAB) supported by the ESRT programme held its 4th meeting on July 10th in Hanoi. The culmination of the meeting was the establishment of three working groups to address key industry issues, including Tourism Services & HR Quality, Destination Branding & Marketing and Policies & Regulations. The working groups will be led by members of the TAB in partnership with officials from VNAT.

In the first four months of 2014, Vietnam saw an increase in visitor arrivals of 27% over the same period in 2013, with a significant rise in arrivals from China and Hong Kong – mainly to the Central Coast, highlighting the success of the Central Coast DMO (Destination Management Organisation), from Russia – mainly to Cam Ranh, but also Phu Quoc, and Japan and Korea. We believe that this increase was in part due to a drastic decline in the number of visitors to Thailand, because of the political unrest and travel advisories, although there is no hard

¹ Vietnam Tourism review

² http://www.wttc.org/site_media/uploads/downloads/vietnam2014.pdf

³ Vietnam Administration of National Tourism VNAT

⁴ ERST Issue No.7 June 2014

evidence to support this. However, the disturbances arising from the East Sea issue in May 2014 had a profound impact on visitor arrivals, particularly from China to Halong Bay and the Central Coast. In June 2014, the number of Chinese arrivals decreased significantly by 29.5% compared with the previous month. However, since August, the number of Chinese visitors to Vietnam has shown a steady improvement, with an average monthly growth rate from July to September of 1.6%, and for the first 10 months, an increase of 9.6% compared with the same period last year. In the first ten months of 2014, the number of international arrivals in Vietnam reached more than 6.6 million, increasing by 8.0% over the same period last year.

Phu Quoc showed its tourism potential, when it was voted as the top 3 out of the 15 most attractive destinations for the winter season 2014 by National Geographic. In early 2014, Phu Quoc International Airport established direct flights from Russia and Singapore. In December 2014, Phu Quoc is expected to open additional International flights from Cambodia. Further measures which contributed to tourism growth on the island were the connection to the mainland electricity grid and the exemption of visa requirements for foreign visitors for 30 days, to date an unprecedented move in Vietnam. This led to a further sudden influx of foreign guests. Whilst these developments were generally welcome by the industry, Phu Quoc's infrastructure remains ill-prepared and already showing the first signs of distress, so for example with fresh water supply, garbage collection and waste disposal.

2. VISA EXEMPTION AND VISA WAIVER

Currently, only Foreign Independent Travellers (FIT's), 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.

The benefit of visa waiver programs is evident from the significant increases in visitors from visa-exempt countries⁵:

	Increase in 2013 over 2012	Increase in 8 months 2014 over 8 months 2013
Japan	+4.8%	+8%
Korea	+6.8%	+9%
Russia	+71.1%	+27%
Nordic Countries	Negative	+15%

Source: VNAT

In comparison, tourists from higher-spending countries experienced the following changes:

	Change from 2012 to 2013	Change from 2013 to 8 months 2014
Germany	-6%	-8.4%
France	+4%	-4.4%
Russia	71.1%	27%
England	+9%	+8% ⁶
Holland	+2%	+3%
Australia	±0%	+10%
USA	±0%	-2.6%

We believe that there are strong arguments for broadening the visa-exempt category and we would like to commend the Government for extending the pilot project to include the before mentioned countries.

⁵ Source: VNAT

⁶ Positive since the introduction of direct flights between London and Vietnam.

The annual report published by the World Tourism Organisation (UNWTO) and the World Travel & Tourism Council (WTTC)⁷ also highlighted that Vietnam could potentially increase tourism arrivals by 8 to 18%, if it were to move to a programme of visa facilitation (i.e. Visa-on-arrival).

Recommendations:

- Expand visa exemptions to include countries that can potentially account for a significant increase in tourism revenues, 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 30 days.
- Establish an efficient 'Visa-on-Arrival' procedure. Vietnam could possibly refer to the examples of Laos or Cambodia, where visas are issued and fees are collected upon arrival.
- Enable qualifying passport holders to enter Vietnam for a period of at least 15 days without any documentation other than their passport.
- 'Visa-on-Arrival' procedures and policies should be transparent, consistent and effective, they should include an explanation of the process, a set fee schedule and a consistent enforcement of these rules at various airports.

3. DESTINATION MARKETING⁸

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 optimise 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 DMO's in Vietnam also poses functional and institutional challenges for the sector. We believe that marketing dependencies on politics, and overlaps with other authorities or ministerial agendas need to be avoided. A high level of alignment between the public and private sectors - through effective stakeholder engagement - and the reinforced role of DMO's need to be ensured.

The Working group recognises that progress has been made in the above areas. In November 2012, the Tourism Advisory Board (TAB) was established under the guidance of the EU-funded 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 2020⁹, and an Action Plan for 2013-2015 were prepared. These well-researched Strategy and Action Plans have been based on international best-practices, with the aim of bringing Vietnam up to par with its regional competitors.

Visitor arrivals for the first ten months of 2014 reached 6,608,391, an increase of 8% compared to the same period in 2013. Tourist's stay in Vietnam tends to be relatively short and the repeat rate of visitors is low (17% or less). There are limited entertainment and sightseeing options available at key tourist destinations. It is worth noting that, in comparison, a high percentage of Thailand's foreign visitors are regular/repeat visitors (approximately 50%). Whilst we are seeing strong growth from Russia, China, Hong Kong and Taiwan, these are largely group travellers and lower spending tourists, than those FIT's from Europe and North America.

⁷ Report published in May 2012

⁸ The term destination marketing refers to the strategic management and marketing of a specific tourism destination.

⁹ <http://esrt.vn/default.aspx?portalid=5&tabid=391&itemid=518>

Recommendations:

- Continue a concerted promotional campaign on both national and international levels, in order to address the negative perception of tourism service standards in Vietnam.
- 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.
- Handover full budgetary functions and responsibilities from the MCST to the VNAT. Whilst the MCST is the governing authority, the VNAT possesses the fiscal, technical and operational know how and first-hand expertise for an effective and timely planning of tourism marketing and promotional activities in- and outside of Vietnam. The planning and execution of marketing and promotional activities by VNAT is currently removed from the budgeting, approval and disbursements of funds done by the MCST, making most marketing and promotional activities of Vietnam as a travel destination untimely, uncoordinated and ineffective.
- Allocate a higher marketing and promotion budget to enable Vietnam to compete effectively with neighbouring countries, who spend annually significantly more than Vietnam (USD1-2 million), such as Thailand (USD80 million), Singapore (USD100 million), Malaysia (USD98 million) and Philippines (USD278 million).

4. EDUCATION AND TRAINING

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. Firstly, the regulatory framework of the education and training system remains complicated and cumbersome. Secondly, the overall strategic and pedagogic 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 professional industry. Thirdly, regulatory bodies as well as 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 private tourism and hospitality sector, neither with local nor foreign companies. Curricula, syllabi and teaching methods remain largely academic and theoretical in nature, and much of the training is being delivered by lecturers with mainly academic qualifications, but no or very little practical work experience in the sector. Lastly, the overall teacher education system remains inadequate and a training-of-trainers approach is new and unfamiliar.

Certain measures aimed at resolving the issue have been put in motion. In conjunction with the VNAT, the 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 tourism industry. 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 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. Following the guidelines of Decision 09/2008/QĐ-BLĐTĐ dated 27 March 2008, in partnership with VNAT, the ESRT supported the revision of the Vietnam Tourism Occupational Standards (VTOS), in collaboration with representatives from tourism and hospitality businesses, and with the aim to prepare national standards for the fast growing tourism industry and to set internationally recognisable standards for tourism jobs as the ASEAN Economic Community will come into effect in 2015.

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, however 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 hotel, 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.

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.

The implementation of the MRA-TP in Vietnam is late and not very transparent. Each ASEAN member state is to implement competency standards and a certification body on national level. At its current state, the Vietnam Tourism Certification Board (VTCB) has not yet reached full and independent status to be able to effectively execute its role as the a National Tourism Professional Board (NTPB) and Tourism Professional Certification Board (TPCB) under the MRA-TP. Moreover, though the revised VTOS have formally been endorsed by VNAT, they have not yet been officially recognized as mandatory national standards and have not been put into binding law by the MCST and MOLISA. Without legalization and mandatory application on national level, neither training and education institutions, nor the wider tourism and hospitality industry will fully implement the revised VTOS, meaning in effect the failure of the MRA-TP in Vietnam. According to unofficial sources, legalization by the relevant ministries is envisioned for mid 2015, which is however far from certain and way behind schedule of the MRA-TP and as agreed between ASEAN members.

Recommendations:

- Make the revised VTOS mandatory for those institutions in Vietnam, which deliver any form of training and education related to tourism, hospitality or travel
- Provide legal status to and establish effective and professional management and working structures for the VTCB, in order to properly fulfil its role and function as the National Tourism Professional Board (NTPB) and Tourism Professional Certification Board (TPCB). Establish the VTCB under participation and fair representation of all relevant sectors, public and private, but particularly of the domestic and foreign tourism and hospitality sector.

- Allow foreign nationals, in line with the MRA-TP framework, to acquire VTOS master trainer, trainer-of-trainer and assessor status, in order to support the certification of industry professionals, share international experience and transfer know how to the Vietnamese people
- Encourage the industry and all training establishments to utilise the results of the Vietnam Training Needs Assessment 2013¹⁰, which provides up-to-date information to complement MCST's plan for "Human Resource Development in Tourism till 2015 and Vision 2020".
- Establish a permanent platform and consultation process for a regular and effective dialogue between the public and private tourism and hospitality sector, between MCST/ VNAT, MOLISA, MOET and representatives from the tourism and hospitality industry, with the purpose of advising authorities on skill requirements and the development of suitable tourism curricula in Vietnam.
- Consider, recognize, accredit and certify hotel companies which already have internationally recognized and high quality training standards.
- Separate the assessment of hotel properties for the purpose of licensing and star rating from the process of assessing staff's competency levels. This practice has led to the absurd situation where international and globally operating hotel management companies, with well established training programs and highly recognized quality standards, have been withheld the timely or appropriate star rating, or even been penalized. As the VTOS is a system in the making, from which Vietnam will benefit as a whole, it should not be mishandled by authorities to single out hotel operators and create administrative bottlenecks, bureaucratic hassles and additional and undue costs.

5. EMPLOYABILITY, LABOUR MOVEMENT AND TOURISM COMPETITIVENESS

In relation to the points already raised in Section 4 – Education and Training, the establishment of the ASEAN Economic Community in 2015 will be a tremendous opportunity for Vietnam, and in particular for its tourism sector. The ASEAN common market will not only simplify the flow of goods and services, but also the movement of labour and human resources. Vietnam will only be able to take part and benefit from this, if the Government makes the right long-term decisions and implements effective human resources development policies now. This will increase the levels of competency and productivity, foster employability, free labour movement and the competitiveness of the Vietnamese tourism industry.

Within the region, Vietnam's tourism sector benefits from a young population, central geographic location and increasingly travel-savvy middle class. On the other hand, the tourism and hospitality industry suffers from a severe shortage of skilled workers, by quantity and quality, which poses a serious threat to the sustainable development of the sector. The "Government's Strategy for Tourism Development in Vietnam 2011–2020" estimates that up to 2.2 million workers will be needed in the tourism sector by 2015, and 3 million by 2020. This problem has been well recognized and endeavours to address this have been undertaken, least through the implementation of the ASEAN Mutual Recognition Arrangement on Tourism Professionals (ASEAN MRA-TP).

The ASEAN MRA-TP is a comprehensive framework with the goal to establish common tourism competency standards, develop training and education, facilitate employability and free labour movement, and improve competitiveness of the tourism sector within ASEAN countries. It is envisioned that tourism and hospitality enterprises, for the first time, will be able to move and transfer employees freely, duly certified within a national competency standard system under the MRA-TP's framework, within ASEAN countries and without the normal visa and work permit restrictions, thus contributing to ease the shortage of skilled labour.

¹⁰ <http://www.esrt.vn/default.aspx?portalid=5&tabid=391&itemid=551>

To be effective and sustainable, the implementation of the MRA-TP needs to follow a clear and distinct roadmap as agreed between ASEAN members. By 2015, Vietnamese workers will be in direct competition with regional labour. Implementation of the MRA-TP in Vietnam has overall been slow and ineffective, despite recent efforts of establishing the National Tourism Professional Board (VNAT) and Tourism Certification Board (VTCB), as well as the revision of the National Occupational Skills Standards (VTOS). Major concerns remain with the tourism and hospitality industry in Vietnam in regards to the implementation of the new VTOS, their mandatory nationwide implementation and practical application within education and training institutions, and most importantly, about the certification of competency standards, control of access to the ASEAN Tourism Professionals Registration System (ATPRS), and the actual liberalization and free movement of the labour market. Industry practitioners in Vietnam fear that the new system of VTOS and the VTCB will create just another bottleneck, administrative costs and bureaucratic hassle. Whereas most local businesses take an indifferent stance towards the issue, many international hotels, restaurants or travel operators have expressed considerable scepticism or even adversity towards the implementation of MRA-TP and the revised VTOS in Vietnam.

Recommendations:

- Establish a permanent platform for an effective partnership and regular dialogues between the public sector, Government agencies and relevant authorities, and the private tourism and hospitality sector, national and international airlines, hotel chains, restaurants operators, travel agencies, tour operators, tourism and hospitality training and educational institutions, relevant trade associations and business groups.
- Involve the tourism and hospitality industry in the implementation of the MRA-TP and VTOS, exchange experiences in training and education, especially with international hotel chains.
- Raise awareness, increase understanding and knowledge, and explain the significance of the implementation of MRA-TP and VTOS for Vietnam's tourism sector.
- Implement the MRA-TP strictly in accordance to the roadmap as agreed by ASEAN members, make VTOS mandatory for all tourism and hospitality training institutions, as minimum competency standards, not as curriculum, establish an effective and transparent certification system under the VTCB, create an effective ASEAN Tourism Professionals Registration System with free and open access for all, and liberalize the labor market for free the movement of Vietnamese and foreign workers in the tourism and hospitality sector.

6. LICENSING OF TOURIST-RELATED SERVICES

If Vietnam is to be able to meet the quality standards required of the industry and to reach the employment targets¹¹ set in the Strategy for Tourism Development in Vietnam to 2020¹² then the management of the industry through licensing is imperative. With the increase in visitor arrivals and the opening up of new areas to increased tourism such as Phu Quoc and Phu Yen, it is imperative that the number of professionally trained staff is increased not just in the major cities.

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 implementation of the free movement of labour within ASEAN from 2015.

These support industries are crucial if Vietnam is to maintain its attraction and maintain the growth in visitor arrivals. Better service standards attract further investment and create more jobs. Formally licensed activities help drive out illegal activities and lead to better control and

¹¹ Page 6 states "million jobs are to be created, of which 870,000 labourers will be directly involved in tourism industry"

¹² Strategy for Tourism Development in Viet Nam to 2020, vision 2030 developed by VNAT with the support of ESRT and approved by the Prime Minister on December 30, 2011.

tax collection. At the same time, proper licensing also helps drive better health and safety standards which will also become increasingly important in the coming years.

Recommendations:

- Grant licenses 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.