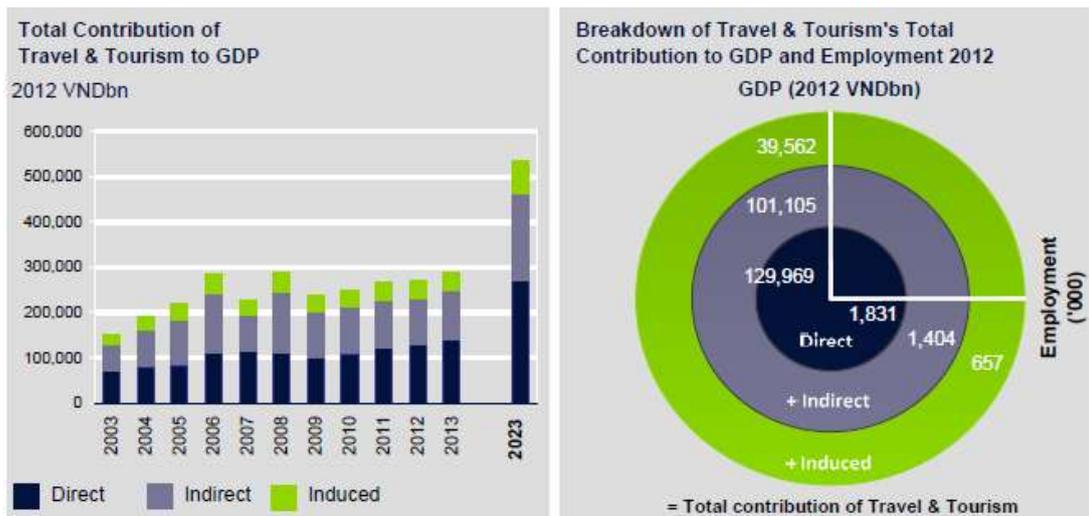


TOURISM AND HOSPITALITY

*Prepared by
Tourism Working Group*

1. Overview

In 2012, the Tourism & Travel industry’s direct contribution to Vietnam’s GDP was VND 129,696 billion (4.5% of GDP) and total contribution was VND 270,637 billion (9.4% of GDP).² In the same year the sector directly supported 1,831,500 jobs (3.8% of total employment) and has attracted an estimated VND 77,565 billion of capital investment.³



Source: World Travel and Tourism Council, 2013

In 2011, The Prime Minister approved the “Strategy on Vietnam’s tourism development until 2020, vision to 2030”. These include achieving an average growth rate of 11.5-12% in the period 2011 – 2020; receiving 7-7.5 million international arrivals and 36-37 million domestic arrivals by 2015; creating 3 million jobs of which 870,000 to be directly employed in the tourism sector by 2020; and doubling total revenues achieved in 2020 by 2030. In order to achieve these targets, the Strategy recognised the need to develop a range of tourism products; develop the infrastructure and the physical/technical facilities for tourism services; train and develop human resources; support marketing and tourism promotion; set a clear investment and tourism development policy; expand international cooperation; and strengthen state management.

Vietnam Business Forum Tourism Working Group would like to commend the Government and the Vietnam National Administration of Tourism (VNAT) on approving this

¹ *Travel & Tourism Economic Impact 2013: Vietnam*, World Travel & Tourism Council, http://www.wttc.org/site_media/uploads/downloads/vietnam2013.pdf, 2013.

The direct contribution of Travel & Tourism to GDP is calculated to be consistent with the output, as expressed in National Accounting, of tourism-characteristic sectors such as hotels, airlines, airports, travel agents and leisure and recreation services that deal directly with tourists. This measure is consistent with the definition of Tourism GDP, specified in the 2008 Tourism Satellite Account: Recommended Methodological Framework (TSA: RMF 2008).

² *Ibid.* The total contribution of Travel & Tourism includes its ‘wider impacts’ (ie the indirect and induced impacts) on the economy. The ‘indirect’ contribution includes the GDP and jobs supported by investment spending, government ‘collective’ spending and domestic purchases by sectors dealing directly with tourists.

³ *Ibid.* includes capital investment spending by all sectors directly involved in the Travel & Tourism industry.

comprehensive document, and welcomes the opportunity to work with the relevant authorities to support the realisation of these objectives.

The 2013 survey of the Vietnam Business Forum Tourism Working Group highlighted the top five issues which we feel should be addressed with priority, in order to help facilitate the abovementioned goals.

2. Destination Marketing⁴

Relevant Ministries: Ministry of Culture Sports and Tourism (MCST), Vietnam National Administration of Tourism (VNAT)

Issue description: The VNAT, being an administrative body, generally follows the direction and guidance set out by the MCST on issues including marketing. However, our members feel that in order to enforce VNAT's position as the specialist body for Tourism, its role and responsibilities need to be enhanced. To this end, its function as the national marketing body should be strengthened; and the organisation should be extended greater decision-making power. Likewise, it should be allocated additional funding for tourism promotion activities.

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 alignment between the public and private sectors, through effective stakeholder engagement and the reinforced role of DMO's, needs to be ensured.

The Committee recognises that progress has been made in the above areas; in November 2012, the Vietnam Tourism Advisory Board (TAB) was 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 proposed 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.

Potential gains/concerns for Vietnam: The year-to-date growth in visitor arrivals, at around 7%, is much lower than the increases being seen in neighbouring countries like Cambodia and Thailand (which have experienced 20%+ growth). The majority of Vietnam's regional competitors are continuing to spend more on promoting their countries and nearly all invest heavily in promotion on international TV channels.

Tourists' stay in Vietnam tends to be relatively short and the repeat rate of visitors is relatively low, one reason being that there are limited entertainment and sightseeing options available at key tourist destinations. Vietnam has to compete with other attractive tourist destinations within the ASEAN region.

We believe that more effective central and regional coordination to create a more attractive supply chain of offerings, coupled with better targeted marketing campaigns/strategies would help Vietnam differentiate itself from competing destinations. Targeted marketing

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

could also facilitate the development of Vietnam's regions/cities into hubs for specific types of tourism e.g. HCMC as a 'Meetings Incentives Conferencing Exhibition (MICE)' destination.

Recommendations: Our members feel that active involvement of the Ministry and the Government in enabling, legalising and supporting the development of destination region management boards is necessary.

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 DMO's.
- 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.
- As we understand, the ministry is guiding the VNAT in developing a tourism marketing and promotion fund. These funds would be best utilised to contribute to the enhancement of quality and effectiveness of tourism promotion and marketing in Vietnam.
- Allocate more funds for tourism promotion campaigns, operating in close cooperation with the foreign private tourism/travel providers. One way of funding such campaigns could be through a tourism levy collected at hotels. Even a levy of US\$ 1 per night per stay would significantly increase the limited allocation to destination marketing and promotion.
- Further support PPP and PPD initiatives.
- 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.
- We welcome the recent discussions on extended foreign home ownership and urge 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 leasehold interests in holiday apartments and villas.

3. Visa Exemptions and 'Visa-on-Arrival'

Relevant Ministries: Ministry of Foreign Affairs (MOFA), Ministry of Culture Sports and Tourism (MCST)

Issue description: Currently, only Foreign Independent Travellers (FIT's) who are ASEAN passport holders are exempt from visas for stays of up to 30 days.⁵ 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, under the pilot visa waiver project. We believe that there are strong arguments for broadening the visa-exempt category and we would like to commend the Government for recently extending the life of the visa waiver project.

The Tourism Working Group feels that if visas cannot be outright waived for countries with large numbers of visitors, then Vietnam's present 'Visa-On-Arrival' system should be

⁵ The exceptions are the Philippines (visa exempt for stays up to 21 days), Brunei (14 days) and Myanmar (still have to apply for visas).

simplified. It has been noted the “Visa-on-Arrival” area at the airport provides no clear information on the necessary forms, policies, or fees; little English is spoken; and there is no queuing/numbering system in place.

Potential gains/concerns for Vietnam: With the exception of Myanmar, Vietnam is the only country in Southeast Asia where visitors from major tourist nations in Europe, Oceania and North America still have to go through a pre-approval process before travelling. Laos and Cambodia issue visas upon arrival at airports without the need for pre-approvals. Thailand and Malaysia, the two countries with most tourist arrivals in the region, open their doors to 55 and 155 nations respectively (compared to 15 for Vietnam).

In the context of the efforts to facilitate the ASEAN common visa scheme, it should also be pointed out that the European Union is the largest contributor in terms of visitor numbers to ASEAN countries (after the ASEAN group itself). In 2011, the number of visitor arrivals from the EU to ASEAN amounted to over 7 million.⁶

Furthermore, whilst we would prefer that visa fees be abolished, we do understand the financial reasons behind these. Whilst a change in policy and procedure may result in lower revenues from visa fees, there will be significant increases in employment and added contribution to GDP growth. Nguyen Huu Tho, chairman of the Vietnam Tourism Association, mentioned that Vietnam received 5.57 million visitors between 2004 and 2012 from the seven countries in the pilot visa waiver programme, and they spent nearly \$4.6 billion in the country. However, we are seeing significantly lower growth in arrival numbers compared to our neighbours, including Cambodia, Myanmar and Thailand, all of whom more efficient Visa-on-Arrival systems.

Recommendations: We suggest that the Government waives the requirement for a visa for EU nationals. Should this not be an option, an efficient ‘Visa-on-Arrival’ procedure ought to be established without pre-submitted documentation. 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.

Our specific suggestions include:

- Visa-exemptions should be 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 30 days.
- Provide clearer guidance and information in arrivals halls regarding where the ‘Visa-on-Arrival’ process.
- Provide appropriate training (including English language training) to immigration officers.
- Visa fees could be used to finance marketing campaigns, training and/or establishing the new up-to-date and modern ‘Visa-on-Arrival’ handling at airports.
- Where a waiver is not possible, a reduction in visa fees is recommended. Currently Vietnam stands out as the most expensive country in the region.

4. Education and Training

⁶ Overview of ASEAN-EU Dialogue Relations, ASEAN, <http://www.asean.org/asean/external-relations/european-union/item/overview-of-asean-eu-dialogue-relations>

⁷ Tourism bodies want to keep visa waiver, Vietnam News, <http://vietnamnews.vn/economy/238949/tourism-bodies-want-to-keep-visa-waiver.html>, May 6 2013

Relevant Ministries: Ministry of Education and Training (MOET), Ministry of Labour Invalids and Social Affairs (MOLISA), Ministry of Culture Sports and Tourism (MCST)

Issue description: The tourism industry is still experiencing a shortage of well-trained staff. Much of the training being delivered is by academics. Our members believe that students would greatly benefit from receiving training from industry practitioners who could share real-life experience.

Certain measures aimed at resolving the issue have been put in motion; in mid-2013, the ESRT programme developed a National Training Needs Assessment (TNA), in conjunction with the VNAT. The purpose of the TNA is to provide up-to-date information on the skills and training needs of both public and private sector organisations and enterprises in the sector. The study recognises the skill needs in all regions and provinces across country, the demands of emerging tourism sectors, and the specific needs of women and ethnic minorities seeking to work in the industry.

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.

Moreover, with the upcoming establishment of ASEAN Economic Community in 2015, VNAT (with the support of the ESRT programme) has produced the ASEAN Mutual Recognition Arrangement on Tourism Professionals Handbook. This project, set to be endorsed at the ASEAN Tourism Ministers Meeting, aims to facilitate the mobility of tourism sector professionals. Improving the education and training of the workforce will thus serve as a catalyst for Vietnam's participation in the initiative.

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 Vietnam Tourism Occupational Standards (VTOS).
- Provide a legal status to the Vietnam Tourism Certification Board (VTCB).
- Encourage the VNAT to work with the General Department of Vocational Training (GDVT) of MOLISA to support the formation of an ASEAN - National Tourism Professional Board (NTPB).
- Introduce a requirement for all training establishments and colleges to implement the VTOS training materials with accreditation from the VTCB.
- Encourage industry stakeholders, universities and colleges 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".
- 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. Responsible Tourism Policy

Relevant Ministries: Ministry of Culture Sports and Tourism (MCST)

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 ESRT 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 aims to provide the tourism sector with an overall guiding document that is linked to specific actions. The initiative aims to contribute to a more competitive, profitable, sustainable tourism sector.

The foundations of the Framework for a Responsible Tourism Policy are based upon the following 6 pillars:

1. Creating a dynamic and efficient tourism sector
2. Supporting competitiveness with sustainability
3. Creating broad-based socio-economic development
4. Expanding knowledge and understanding
5. Investing in human capital / resources
6. Conservation and enhancement of natural and cultural resources

For each pillar, key issues and action points 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 a Responsible Tourism Policy 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.⁸

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:

⁸ The Travel & Tourism Competitiveness Report 2013, World Economic Forum, http://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf

- Support the adoption of the Responsible Tourism Policy and its Actions. The Responsible Tourism Policy provides suggestions for 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 implement the Responsible Tourism Policy, 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 Framework 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.

6. Licensing of Tourist-Related Services

Relevant Ministries: Ministry of Culture Sports and Tourism (MCST)

Issue description: 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. Recent press coverage highlighted some of the problems currently having a negative impact on the image of Vietnam and its people.

Potential gains/concerns for Vietnam: We can foresee the following specific benefits

- More efficient licensing processes will ultimately lead to better service standards hence attract visitors, including repeat visitors. This will serve to raise investment and job creation.
- Avoiding illegal activities and encouraging formal activities is likely to lead to increased tax revenue for the Government.
- Avoiding rouge operations will lead to better enforcement of health and safety standards, benefiting not only foreign visitors but Vietnamese society at large.
- Positive impact on the perception and reputation of Vietnam encouraging return visitors.

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.
- Improve the enforcement disciplinary measures and penalties against violations (e.g. revoking license of taxi drivers found guilty of scams).
- Remove additional restrictions for foreigners to work as tour operators in the tourist-industry.
- Improve the licensing process for tourism companies.
- Accelerate and increase guide licensing speed and capacities and simplify cumbersome paperwork for existing guides.