

TOURISM WORKING GROUP POSITION PAPER

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Tourism Working Group

1. OVERVIEW

Status

Vietnam possesses a number of advantages allowing it to position itself as a leading destination for travelers for the development of a thriving tourism and hospitality industry. With an abundance of natural beauty, historical and cultural heritage and a dynamic, friendly and welcoming population, Vietnam has much to offer visitors to its many travel destinations. The tourism and hospitality industry has been a key contributor to Vietnam's economic and social development and will undoubtedly continue to be a very important contributor moving forward.

In terms of the growth of the tourism and hospitality sector, Vietnam welcomed 7.94 million international visitors in 2015 and saw 57 million domestic travelers enjoy visits to Vietnam's travel destinations¹. In the first 8 months of 2016 nearly 6.5 million international tourists visited Vietnam representing an increase of 25.4% from the same period for the previous year². The stock of 4 and 5 star rooms has nearly doubled since 2011³. The industry contributes 13.9% to Vietnam's GDP when calculating all direct, indirect and inferred inputs⁴. In 2015, the sector contributed 8.5 billion USD in export value⁵. The industry is measured to directly employ 2,783,000 people and when measured for indirect benefit to employment to be responsible for 6,035,000 jobs⁶.

Vietnam's ability to further grow its tourism and hospitality market and industry is a very important strategic issue for the continued economic and social development of Vietnam. Asia's tourism receipts in 2013 were measured as being USD 359 billion representing nearly 30% of the world total⁷. ASEAN region, the World Travel and Tourism Council expect that the region will achieve annual average sector GDP growth rates of 6.2% for each of the years to 2026⁸. In the long term Vietnam has an incredible potential gain from the further development of the tourism and hospitality industry, ranking 5th out of 184 countries in terms of the importance of contribution to GDP from the industry for the period 2016-2026⁹.

Growing the Tourism & Hospitality Industry

To achieve this potential and continue to positively contribute to economic and social development, there are some key areas of focus that will require time, attention and investment from all relevant stakeholders, including the lawmakers and Government of Vietnam and Vietnam's commercial travel, tourism and hospitality sector. Further growth of inbound international visitation will be largely driven by the issues of "access" and "awareness". Access refers to Visa policy and travel facilitation for international visitors. Awareness refers to the effective marketing of Vietnam's tourism and travel offerings and the proper execution of destination management. Additionally, it will be important to continue to develop Vietnam's tourism and travel infrastructure (both hard and soft) and to create a framework of international

¹ Vietnam National Administration of Tourism ("VNAT")

² VNAT

³ VNAT

⁴ "Economic Impact 2016- Vietnam", World Travel & Tourism Council ("WTTC")

⁵ Vietnam General Department of Statistics

⁶ "Economic Impact 2016- Vietnam", WTTC

⁷ "Asia Tourism Trends", UNWTO & Global Tourism Economy Research Centre, 2014

⁸ "Travel and Tourism Investment in ASEAN", WTTC, October 2016

⁹ "Economic Impact 2016- Vietnam", WTTC

quality standards to ensure a sustainable, guest-friendly and environmentally-friendly tourism and hospitality industry.

Continued positive development of the tourism and hospitality industry will require effort and input from all stakeholders; however, the State plays a central role and can facilitate significant acceleration of sustainable and beneficial growth of the industry through its guidance and support. A legal and policy framework that is supportive and competitive with Vietnam's neighbors is critical. Budgetary support for the development of the industry and cooperation and coordination with the commercial enterprises

2. VISA POLICY AND TRAVEL FACILITATION

2.1 *Visa Policy*

The requirement to obtain a visa is a major consideration for travelers planning travel abroad. This is particularly true for leisure travelers traveling for the purpose of tourism and business tourism travelers (Meetings, Incentives, Conferences and Events- "MICE") and has been cited by the World Tourism Organization (UNWTO) as a key factor in determining the flow of tourism globally and within regions. Tourists evaluate the cost of obtaining a visa in terms of money, time and effort. The World Travel & Tourism Council has noted that once the combined cost of these factors exceeds a certain threshold travelers "will be deterred from making a particular journey or choose an alternative destination with less hassle."¹⁰ This is particularly important in the context of an increasingly competitive regional travel market.

Vietnam has taken some positive steps in making its visa regime for tourists more competitive with its ASEAN neighbors by adding Belarus, France, Germany, Italy, Spain and the United Kingdom to the list of countries whose citizens are able to travel to and enter into Vietnam without first obtaining a visa. This brings the number of countries that are exempt from visa requirements to 22. However, it is important to always consider such a positive move in the context of Vietnam's competitors. The table below outlines the number of countries that the other ASEAN countries exempt from visa requirements:

Country	Number of Countries exempt from visas (not including diplomatic exemptions)
Brunei Darussalam ¹¹	50
Cambodia ¹²	9
Indonesia ¹³	169
Laos ¹⁴	8
Malaysia ¹⁵	155
Myanmar ¹⁶	8
Philippines ¹⁷	157
Singapore ¹⁸	158
Thailand ¹⁹	56

¹⁰ UNWTO & WTTC, "The Impact of Visa Facilitation in ASEAN Member States", January 2014

¹¹ Brunei Darussalam Ministry of Foreign Affairs & Trade

¹² Cambodia Ministry of Foreign Affairs & International Cooperation

¹³ Indonesian Ministry of Justice

¹⁴ Lao Tourism Authority

¹⁵ Immigration Department of Malaysia

¹⁶ Myanmar Ministry of Foreign Affairs

¹⁷ Philippines Department of Foreign Affairs

¹⁸ Singapore Ministry of Foreign Affairs

¹⁹ Thailand Ministry of Foreign Affairs

Vietnam²⁰

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2.2 *Travel Facilitation- E-Visas*

For those countries that Vietnam maintains a requirement for a visa, there should be a simple, fast and inexpensive electronic visa application with a genuine proper visa-on-arrival mechanism. It is a very positive sign that the Prime Minister has stated that an electronic visa scheme will be implemented in January 2017. This brings Vietnam in line with its immediate ASEAN neighbors, Cambodia and Laos.

The benefit of travel facilitation by methods such as electronic visas, has been studied in detail by the World Travel and Tourism Council. In a study published in 2014, the WTTC conducted an analysis the positive impact that travel facilitation could have. Based on 50 case studies, it was found that the impact of a more facilitative policy would be up to 10 million international visitors to the region and the creation of 654,000 additional jobs and the potential for a growth premium of 17.8% on international visitors to Vietnam²¹.

RECOMMENDATIONS

- Vietnam should make a strong public commitment to the tourism industry, identifying it as a strategic industry and committing to compete on all important metrics with its ASEAN neighbors with a goal to grow over time its international arrivals to levels over time similar to those of Thailand and Malaysia.
- Make permanent the waiver of visa for the current 22 countries that are eligible for visa waiver.
- Extend the permitted period of stay to 30 days for all of the above countries. Travelers from long-haul destinations, particularly from Europe, tend to take longer holidays when travelling. Limiting the visa exemption to 15 days may turn away travelers and/or cause them to
- Expand the number of countries that are eligible for waiver of visas. A first step would be to extend visa waivers to all countries of the European Union. As Vietnam continues to expand its international airport infrastructure and particularly with the development of the Long Thanh International Airport, plans should be put into place to introduce visa waivers for the major North American markets.
- Ensure that the electronic visa program is put in the best position to succeed:
 - The information on both visa waiver and electronic visa procedures is readily and broadly available. The information should be placed on Vietnam's official tourism websites in as many major languages as possible and provided to Vietnam-based and international tourist agencies.
 - Payment options for visa fees should include payment by credit card through online portals
- For any decisions affecting changes in visa policy, decisions should be made well in advance of any decision expirations as the international travel market plans on a one year in advance basis

3. DESTINATION MARKETING

One of the most important areas for focus in growing and improving Vietnam's tourism industry is a broader and stronger marketing platform and campaigns. Vietnam has several natural advantages that it can use to draw visitors, both international and domestic, including its long coastline with numerous beautiful beaches, long history and diverse cultural offering. However,

²⁰ VNAT

²¹ "The Impact of Visa Facilitation in ASEAN Member States", WTTC, 2014

these are not unique to Vietnam in ASEAN and also are not yet very well-known throughout the world. The key to leveraging these advantages is broad and robust marketing.

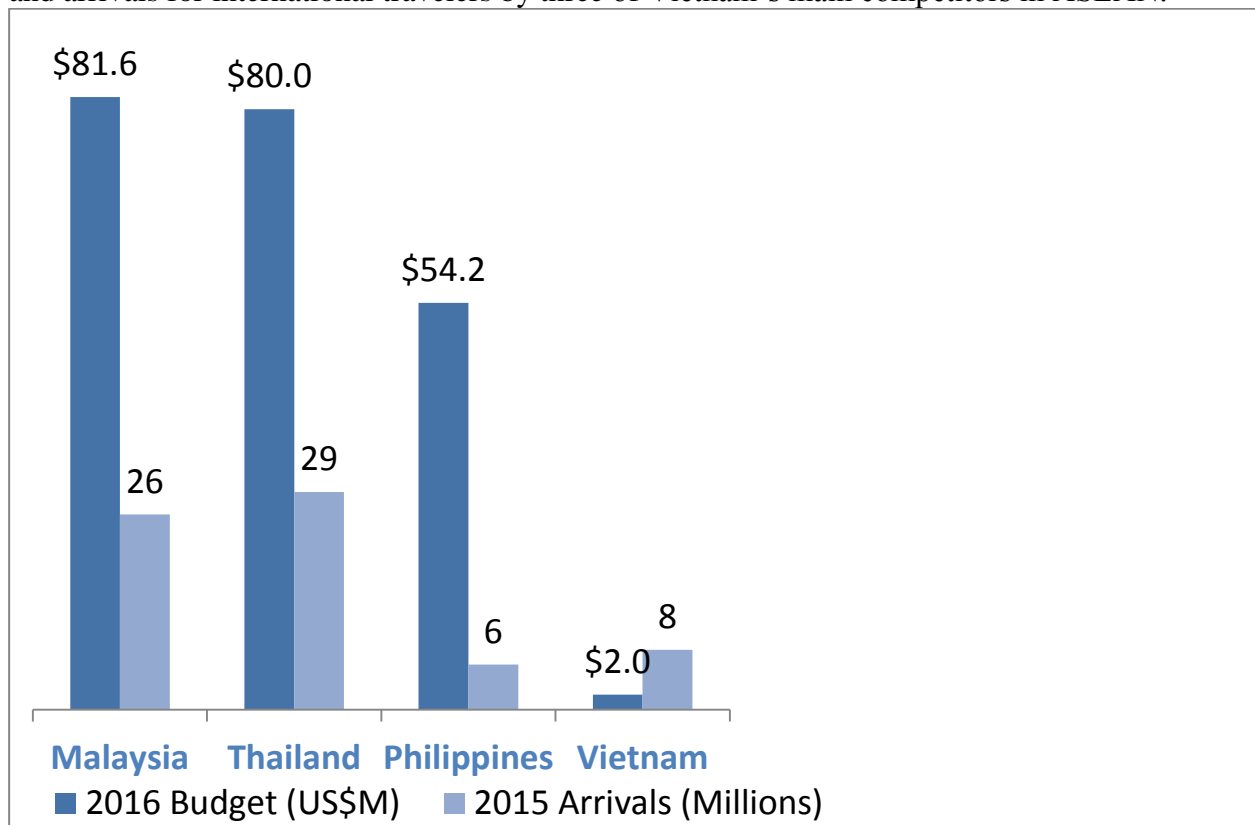
3.1 *Public-Private Cooperation*

Through the support of the European Union’s Environmentally and Socially Responsible Tourism (“ERST”) program and in coordination with Vietnam National Administration of Tourism (“VNAT”) advocated for and successfully established a broad industry group to coordinate with VNAT on tourism matters. This group, the Tourism Advisory Board (“TAB”) is comprised of leading Vietnamese and foreign-invested enterprises in tourism, travel and hospitality and has worked closely on a number of matters, particularly in the area of marketing. VNAT with the advice of TAB appointed OlgivlyOne Worldwide as its agency of record for electronic marketing. OlgivlyOne Worldwide has worked with other national tourism bodies, including: Australia, Hong Kong, India, United Kingdom and Japan.

Following from this and with the conclusion of the European Union’s ERST project, the TAB has been incorporated as a social enterprise with a target of raising VND 70 billion in funding from industry for the marketing of Vietnam as a tourism destination. At the London World Travel Mart, VNAT and TAB will be unveiling the new global website: www.vietnamtourism.vn which will be the main platform for e-marketing to international travelers.

3.2 *Budgetary resources for marketing*

A key issue regarding the marketing of Vietnam as a tourist destination is the resources that are available to the tourism authority to promote the country. The graph below compares the budgets and arrivals for international travelers by three of Vietnam’s main competitors in ASEAN:



Vietnam has recognized this issue and the Government has noted the need for a Tourism Development Support Fund. This is a positive signal and a needed step. It is critical that the resources to market the country are provided and there is a major opportunity to work with the TAB and the endeavors of the private sector.

3.3 Market Positioning & Destination Management

Most destination management issues arising in the region need to be addressed at the provincial level. It is therefore important that effective governance structures for tourism are in place locally.

Destination management at present is largely the responsibility of Departments of Culture, Sport and Tourisms (“DCSTs”) reporting to People’s Committees and, occasionally, to the Vietnam National Tourism Administration (VNAT). There are very limited structures for shared responsibility between Government agencies which impact tourism, or between DCSTs and the business sector. Financial resources for marketing are very constrained and not transparent.

The EU-funded Environmentally and Socially Responsible Tourism Capacity Development Programme (ESRT) with 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.

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, as a destination that delivers high quality, sustainable tourism experiences that benefit local people and respect and conserve national resources.

RECOMMENDATIONS

- Build on the work of the ERST program and the Tourism Advisory Board by inviting the TAB to consult and coordinate with the relevant Ministries and Provincial authorities in the preparation of tourism development strategies, policies and marketing plans
- Put in place region-wide coordination structures to focus and maximize the actions of cooperating provinces and facilitate cooperation
- Improve 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; Examples of success include the coordination and marketing of tourism products by the provinces of Central Vietnam²²

²² <http://centralcoastvietnam.com/>

4. SUSTAINABLE TOURISM- ENVIRONMENT AND HERITAGE

4.1 *Environmental issues*

The growth of number of travelers (both domestic and international) and tourism products is a positive development for Vietnam's economic and social development, but does come with issues that have to be managed effectively lest they create negative by-products. Chief among these are issues related to pollution. There have been recent reports about concerns around the impact of pollution on important tourism sites such as the beaches of Phu Quoc and Ha Long Bay. Additionally, development of tourism assets while needed and overall good lack coordinated master planning across provinces and threaten to result in uneven development of certain classes of tourism assets. Existing government policies around land tend to lead developers to invest in high-rise, high density projects that can put a heavy demand on water and power and often are discharging some or even most of their waste water into the ocean.

An alternative to this could be a focus on green tourism. Wellness, culture and environmental tourism are significant sectors of the tourism market and growing very quickly. Tourism programs can be focused around spas, traditional medicine long-stay treatments, trekking, bicycling and kite-surfing and water sports and activities. Vietnam is very well positioned to offer attractive products in these areas whether it be the mountains of the northern region, the beaches and natural wonders of the central region, the central highlands or the rich diversity of the Mekong Delta.

4.2 *Culture and Heritage*

Vietnam has a significant cultural and heritage attraction to offer to tourists and has done a good job in some instances in positioning these products in a sustainable and educational way such as the Museum of War Remnants in Ho Chi Minh City and the Museum of Ethnology both of which rate in the top 5 museums in Asia for 2016 according to Trip Advisor²³. However, outside of the two main cities, the protection and promotion of cultural and heritage sites is less developed and there are even instances of sites being damaged by neglect and/or aggressive commercial development.

The currently completed ERST program funded by the European Union has addressed both of these important issues and has handed over valuable information and resources to further advance them.

RECOMMENDATIONS

- VNAT and all Provincial Departments of Sports, Culture and Tourism should prepare action plans for the implementation of environmentally sustainable development of tourism in Vietnam taking into account the recommendations of the ERST
- Standards in regards to the environmental impact limits of tourism cruise boats, specifically, but not exclusively in Ha Long Bay, should be developed and implemented to ensure that these boats are not excessively polluting the natural waters that are a major attraction to tourists. A certification process should be put in place so that tourism companies and destination management organizations can steer tourist to environmentally responsible operators which will create a market pressure for all operators to adhere to the standards.
- A program should be put in place to reduce the use of plastics (whether drinking bottles, plastic bags or other), particularly along coastal and beach areas. This program could start with a public awareness campaign about the impact of discarded plastic on the environment and its consequential impact on attracting tourists. Local populations and

²³ <https://www.tripadvisor.com/TravelersChoice-Museums-cTop-g2>

visitors alike should be encouraged to reduce their use of such plastics and be encouraged to dispose of them properly.

- Relevant authorities should invest more in “story-telling” and education at cultural and heritage sites which an investment in better signage in Vietnamese and the major languages of Vietnam’s leading international visitors and the development of expert docents and site-based tour guides that become experts in a particular attraction. Digital solutions to this should be prioritized to allow for easy updates, linkage with tourism marketing efforts and the lightest touch upon important cultural and heritage sites.
- Land policy should be changed to allow for lower-density but high yield development of coast regions, including allowing for the sale of residences along the coast line to both Vietnamese citizens and foreigners and second vacation homes. This could have the effect of limiting over-development of too many high-rise building and help to provide an impetus for repeat visitation by foreign tourists.

5. TOURISM DEVELOPMENT FUND

The Government has indicated the plans to create a Tourism Development Assistance Fund. This is a very positive development, but the key questions around this will be how the source of funding, how the fund is managed and the priorities that the fund will be used to advance the tourism industry. There are several priorities that could be addressed. Among the most important would be providing more resources to the marketing of Vietnam as a “must-see” tourism destination for international visitors.

RECOMMENDATIONS:

- When the Fund is set up funding should come from sources that are neutral to the attracting of international visitors. Any change in visa policy that may involve an increase in the requirements for obtaining a visa will be counterproductive to the growing of the tourism industry.
- The TAB and other industry representatives should be involved in setting up and assisting in administering the Fund. The current TAB is already mobilizing capital towards a goal of VND 70 billion for the development of tourism from the private sector. This represents a golden opportunity for Public-Private cooperation for the economic and social development of Vietnam.
- Once the fund is established, it should be allocated on the basis of national and regional goals and broadly across the entire tourism sector. The focus should be on marketing and increasing awareness of the wonderful offering Vietnam has, improving standards and service and coordination of planning and other efforts by regions and provinces in developing the tourism industry.