

SPEECH OF TOURISM WORKING GROUP

*Presented by
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Working group head*

Your Excellency, Mr. Nguyen Xuan Phuc, Member of the Politburo & Prime Minister, Your Excellencies Ministers and Vice Ministers, honored guests and fellow members of the Vietnam Business Forum, it is my privilege to present some findings and thoughts of the Tourism Working Group.

The Tourism & Hospitality sector in Vietnam has continued to see both impressive growth and increasing support from Vietnamese authorities, including at the highest levels as seen by the Politburo's Resolution 8 that Tourism should be a "spearhead" industry and by the commitment to establish a Tourism Development Fund. Through the first 10 months of 2018 Vietnam has seen international arrivals reach a total of nearly 13 million representing a year on year increase of over 22%. Vietnam is considered one of the hottest destinations for hotel and resort investment as can be seen by the level of new development in destinations through the country from Ha Long to Quang Nam, Nha Trang and Phu Quoc.

Continuing this trend will be extremely important as Vietnam like other emerging economies as well as developed economies adapts to the emerging challenges and opportunities of Industry 4.0. The tourism and hospitality sector will only increase in importance in terms of its contribution to GDP and importantly employment as hospitality remains a service industry that puts a high value on the human touch and particularly for foreign visitors on having exposure to the culture through interaction with tourism and hospitality professionals. Neither robots or artificial intelligence software can replace the smiles and warmth of the Vietnamese people in welcoming guests to their country.

While Vietnam has gotten many things right in developing its tourism and hospitality industry, it is important to always remember that Vietnam as destination is competing both worldwide and especially with many other attractive destinations among its neighbors in ASEAN. Thailand and Malaysia remain in 9th and 10th respectively in terms of visitation and Singapore, Cambodia and Indonesia continue to grow their international visitation. In order to continue to compete and stay among the fastest growing tourism destinations, Vietnam needs to continue to make sure its "APP" is best in class. "APP" in this context stands for, in English, Access, Promotion and Product. These three categories are particularly important to grow international visitation, but also are relevant to continuing to grow domestic tourism.

Access has two key components both of which the State has substantial to total control over. These are visa regulations for foreign visitors to Vietnam and aviation industry policy.

With respect to visa regulations, whether or not a visa is required and how difficult and expensive it is to obtain one can be a key deciding factor for whether one visits a particular country. The World Travel and Tourism Council has stated that visa facilitation can add 10% to international arrivals. Vietnam has continued to take measured steps to reduce the requirement for visas and to make it easier to obtain one when one is required by increasing the number of countries with visa waivers to 24 and by implementing a true e-visa platform. The Tourism

Working Group however has recommendations to further enhance these efforts which we believe are achievable now and should be implemented. These are:

- Extend the period for stay to 30 days for travelers granted a visa waiver. In addition to this, conditions on reentry within this 30-day period should be removed. These recommendations, if implemented would both help to attract long-haul passengers from Europe and other destinations and would also be supportive of the establishment of the international airports in Vietnam as hubs for travel to the region and onward to Europe or Australasia.
- Vietnam's evisa portal should be given more prominence by changing the domain name to evisa.gov.vn and by ensuring that websites access speed and connectivity during processing remains high as there have been both reports misleadingly named websites that charge additional fees for simply processing the evisa and the official site crashing during applications.
- For visa waivers these should be made with effect for several years (say 5 years) not renewable on an annual basis as travel promotion is a long lead time activity and operators, airlines and websites both need to plan well in advance and have marketing collateral that needs to be prepared taking into account the real policies and costs of visiting a country.

Aviation policy, including both in respect to policy regarding airlines and airports is the second key area regarding access. Vietnam is tied with Singapore for the fewest number of licensed public transportation airlines among the major ASEAN destinations and among the 4 approved carriers, Jetstar has major shareholding from Vietnam Airlines and Bamboo Airlines has only recently been approved. This relative lack of competition to growing destinations not served directly by international airports likely increases the cost of travel and this is implied where the cost of some domestic tours is higher than the costs of equivalent international tours travelling the same distance and for the same duration. At present Vietnam has 21 airports that receive commercial flights with an aggregate annual capacity of 75 million passengers which is less than designed capacity of the leading airport (a single airport) in Singapore, Thailand and Malaysia. In particular, it is still not clear when Long Thanh International Airport will actually commence construction and expected to be put into operation. To ensure that Vietnam meets its ambitious targets, for tourism growth, it is recommended that:

- The approval process for establishing new airlines should be improved and the room for foreign ownership should be increased.
- The State should strongly continue to pursue the policy of "open skies" in ASEAN.
- Development of Long Thanh International Airport should be accelerated as a priority.
- The State should create favorable conditions for private investment in airports, including Fixed Base Operations airports, particularly for locations that have a critical mass of hotel and resort development, but remain some distance from existing airports. Such development could help to ensure that investment into hotels, resorts and other tourism & hospitality ventures is spread across the entirety of Vietnam.

Promotion is a second important key to continuing to grow Vietnam tourism, particularly international visitation. Vietnam has done much recently to position itself positively, but resources remain a key constraint, in particular the budget for promotion. There are several ways to address this. We believe that one highly valuable one is through public-private partnership as

can be seen in the example of the Tourism Advisory Board which has raised funding from industry actors for digital marketing. Having an adequately funded and coordinated State actor is also important. The decision to establish a Tourism Development Fund is an important step in this direction. However, to date, the specifics around the funding mechanism for this Fund and how the Fund will be administered in detail remain to be finalized. The Tourism and Hospitality sector sincerely asks that such decisions be made expeditiously and balancing other key initiatives for promoting tourism. For example, if a key source of funding remains revenue from collecting visa fees this will create a disincentive for the further expansion of the visa waiver program which we feel would be counter-productive.

Product covers many aspects. Key areas that are related to the innovations that are accompanying the developments from “Industry 4.0” are both lodging products and tourism services that are provided through “sharing economy” platforms where assets or labor can be provided on a fractional basis and “on demand”. In particular with respect to lodging, two trends that have become very popular in Vietnam is the development of condotel products, where a hotel unit is sold to a customer and then put back into inventory for travelers, and the renting out of part or all of a home which was not developed specifically as a hospitality product through platforms such as “Airbnb”. Both trends can be beneficial to the development of tourism, but neither has clear regulatory framework. Consideration should be given to:

- Providing a clear legal basis, where appropriate, for developing hotel and resort investments with a “for sale” component, provided that the majority of the year the units will be available for use by tourists. Doing so, will help to ensure that there is adequate supply of lodging, particularly for destinations with substantial year-on-year growth of international visitation such as Nha Trang.
- Providing clear guidelines to ensure that owners of assets rented out on sharing economy platforms meet their obligations under the law (including tax and registration of foreign guests) and that guests staying in such accommodation are ensured of safety and security.

In addition to the foregoing, a key consideration is how to ensure that services provided to tourists are provided in an honest and high-quality way and that tourism development and ongoing tourism and hospitality activities do not unduly damage the natural environment or Vietnam’s historical and cultural heritage. Further development of standards and public education in both areas are efforts that the State can undertake to ensure that Vietnam’s tourism offering remains attractive.

Vietnam has continued to grow and improve its tourism and hospitality industry. This has been recognized by the global industry with both Vietnam as a country and key destinations, such as Hoi An, receiving international recognition as leading tourism destinations. Keeping Vietnam competitive in terms of Access, Promotion and Product will be key to continuing to grow this industry and meet the ambitious targets that have been set for it.