

## POSITION PAPER OF TOURISM WORKING GROUP

*Prepared by  
Tourism Working Group*

### 1. OVERVIEW

#### *Status*

Vietnam continues its trend of strong growth of its tourism industry, leveraging the abundance of natural beauty, historical and cultural heritage and a dynamic, friendly and welcoming population. The tourism and hospitality industry has been a key contributor to Vietnam's economic and social development and is being positioned to only grow in importance.

In terms of the growth of the tourism and hospitality sector, as of October 2018, Vietnam welcomed 12.82 million international visitors representing an increase year on year of 22.4%<sup>1</sup>. It was estimated that the industry contributes nearly 10% to Vietnam's GDP when calculating all direct, indirect and inferred inputs<sup>2</sup>. Vietnam's focus on continual development and improvement of its tourism and hospitality industry (including a decision by the Politburo to classify tourism as a key economic sector) has paid off with not only a continuing trend of growth but also international recognition for Vietnam generally, as well as several key destinations, including recognition for Vietnam as Asia's Leading Destination<sup>3</sup> and Hoi An as one of the top 15 cities in the world to visit<sup>4</sup>.

#### *Growing the Tourism & Hospitality Industry in the Evolving Economy*

Vietnam has set ambitious goals for its tourism industry. The country has numerous natural advantages, but also several strong competitors for both international and domestic visitors, including several fellow ASEAN members. The nature of the industry also continues to change with the continuing trends of empowerment of the individual traveler through leveraging internet and mobile solutions, expansion of low-cost airlines carriers, disruption of traditional lodging by shared economy products and the ever-growing impact of the increasing international travel of a huge Chinese middle class. In order to continue to develop and be in a position to achieve the goals that have been set, a focus will need to be put on three key areas: Access, Promotion, Product (A.P.P). When looking at each of these areas either independently or as a whole it is important to place them in a competitive context, particularly in respect to Vietnam's ASEAN neighbors.

### 2. ACCESS

Continuing to grow Vietnam's tourism industry relies in large part on growing international arrivals. This will rely on making it as easy as possible to visit Vietnam (visa policy) and to ensure that there is a sufficient supply of easy, convenient and affordable transportation to Vietnam's tourism destinations (aviation policy).

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<sup>1</sup> Vietnam National Administration of Tourism ("VNAT")

<sup>2</sup> "Travel & Tourism Economic Impact- 2018: Vietnam", World Travel & Tourism Council ("WTTC")

<sup>3</sup> World Travel Awards

<sup>4</sup> Travel + Leisure

## 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. This is particularly important in the context of an increasingly competitive regional travel market.

Vietnam continued to take the steps in the right direction by increasing the number of countries that are exempt from visa requirements to 24 (an increase of 2) and by committing to an e-visa platform. 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 <sup>5</sup>	54
Cambodia <sup>6</sup>	9
Indonesia <sup>7</sup>	169
Laos <sup>8</sup>	8
Malaysia <sup>9</sup>	161 (plus Hong Kong & Macau)
Myanmar <sup>10</sup>	10 (plus Hong Kong & Macau)
Philippines <sup>11</sup>	157
Singapore <sup>12</sup>	158
Thailand <sup>13</sup>	55
Vietnam <sup>14</sup>	24

Further, while Vietnam has introduced a much welcomed e-visa option, the official website for applying for an e-visa (<https://evisa.xuatnhapcanh.gov.vn/trang-chu-ttdt>) is difficult to find in simple online searches and has a domain name which may confuse online searchers as to whether it is the “genuine” portal while many commercial portals that charge fees in addition to the official fee. Vietnam’s official portal also can be slow, time out and difficult to use.

## 2.2. Aviation Policy

The Politburo’s decision 08-NQ/TW dated 16 January 2017 sets clear targets for the near term of Vietnam tourism, including up to 20 million international arrivals, 82 million domestic tourist arrivals, USD 35 billion from tourism receipts and export value of USD 20 billion per year.

<sup>5</sup> Brunei Darussalam Ministry of Foreign Affairs & Trade

<sup>6</sup> Cambodia Ministry of Foreign Affairs & International Cooperation

<sup>7</sup> Indonesian Ministry of Justice

<sup>8</sup> Lao Tourism Authority

<sup>9</sup> Immigration Department of Malaysia

<sup>10</sup> Myanmar Ministry of Foreign Affairs

<sup>11</sup> Philippines Department of Foreign Affairs

<sup>12</sup> Singapore Ministry of Foreign Affairs

<sup>13</sup> Thailand Ministry of Foreign Affairs

<sup>14</sup> VNAT

Without proactive attention to the aviation industry policy and investment in expanding airport capacity and infrastructure there will be a major bottle neck in getting travelers to Vietnam and once there to the key destinations that are being developed as key tourism locations.

Again, it is useful to look at Vietnam in comparison to its regional competitors. In the ASEAN region the number of approved airlines stands at:

No.	Country	Number of granted commercial airline licenses
1	Vietnam	4
2	Thailand	13
3	Singapore	4
4	Malaysia	6
5	Indonesia	15
6	Philippines	5

Vietnam is tied for fewest airlines with Singapore (which has no domestic aviation) and among the four airlines, Vietnam Airlines has a significant stake in Jetstar Pacific and Bamboo Airways has only just recently been approved. Comparing to Thailand a country which has roughly 70% the population of Vietnam has over three times the number of approved airlines. This relative lack of competition likely keeps the price of travel higher than it would be with more competition where there are instances of domestic tour packages costing more than international tour packages travelling essentially the same distance and for the same duration of stay.

In addition to the relative lack of competition in airline transportation, the issue of airport infrastructure is a critical issue that could be major determinant of Vietnam's ability to continue to grow its tourism industry. At present, Vietnam has 21 airports with an aggregate capacity of serving 75 million passengers per year which is less than the capacity of each of Changi Airport in Singapore, Kuala Lumpur International Airport in Malaysia and Suvarnabhumi Airport in Thailand. Tan Son Nhat airport the busiest international and domestic airport remains chronically overloaded, and the Long Thanh International Airport was endorsed by the National Assembly as early as 2015, yet the Investment Reports has not yet been completed. This is a prime example in the critical bottleneck risk that airport development and investment represent in continuing to grow Vietnam's tourism industry.

## RECOMMENDATIONS

- Extend the permitted period of stay to 30 days for all countries granted a waiver. Travelers from long-haul destinations, particularly from Europe, tend to take longer holidays when travelling. Limiting the visa exemption to 15 days for distant countries may turn away travelers.
- Expand the number of countries that are eligible for waiver of visas. 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 long haul markets which could easily start with Australia, New Zealand and Canada and look to a timing for major markets like the USA.

- 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.
- Improve the e-visa process by ensuring that the official portal is easily recognized and prominently displayed on internet search functions and has adequate technical support to ensure it operates smoothly.
- Open up the ability for further competition and supply in the airline industry by streamlining the approval process for airline licensing, increasing foreign-ownership limits for airlines and strongly advancing a program of full “open skies” in ASEAN.
- Accelerate the development of Long Thanh International Airport. Recognizing that funding can be an issue in airport development, create conditions that will attract private and foreign funding for airport and related infrastructure, including fixed-base operations (FBO) airports that can help to integrate tourism destinations with the major international airports.

### **3. PROMOTION**

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, these are not unique to Vietnam in ASEAN and 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**

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 and created a new global website: [www.vietnamtourism.vn](http://www.vietnamtourism.vn) which is a key platform for e-marketing to international travelers. Vietnam Airlines, a member of the TAB, has put attractive and effective promotional material on all of their in-flight screens and other major industry players have also contributed to the promotion of Vietnam.

#### **3.2 Tourism Development Fund**

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. Vietnam has identified this as a priority by committing to establishing a Tourism Development Fund. This commitment is a positive sign, but the detailed decisions on sources of funding and the procedures for the use and administration of the fund still remain to be formally completed.

### **RECOMMENDATIONS**

- Invite the TAB and other industry associations 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 Vietnam<sup>15</sup>
- 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.

#### **4. PRODUCT**

One of the key areas for the future of tourism in Vietnam and its context in Industry 4.0, is how the tourism Product will be developed, managed and maintained. Tourism product, includes both hard and soft elements, with hard elements including lodging and tourism and entertainment destinations and soft elements including the human capital that is required to provide high quality service to both domestic and international travelers and Vietnam's precious natural environment.

With respect to lodging there has been a trend, particularly at beach-side tourism destinations to develop condotel and villas products which are sold to end users and then put back into a pool for rental by travelers. However, the legal framework for this is not clear and there have recently been issues with regards to approval from provincial authorities. Another trend which is becoming popular after success in other markets is the offering of private homes to travelers through platforms such as Airbnb. This form of traveler accommodation can be very attractive both to the traveler and the private owners of the space but is important that there are safeguards in place to protect both sides.

In respect to the long-term sustainability of Vietnam's tourism industry product, two key areas deserve attention and support from relevant authorities. These areas are ensuring enough high-quality tourism and hospitality professionals are active in the labor market and that the natural environment is protected when tourism products are developed, and localities are opened up to visitation by tourists.

#### **RECOMMENDATIONS**

- Create conditions where the development of condotel and villa properties for sale inside of resorts and hotel developments are possible and can be developed, marketed and sold in accordance with the relevant laws on investment, real estate and housing.
- Establish guidelines that both encourage the continued sharing economy practice of letting out unused space in residential properties, but also makes clear the responsibilities of each of

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<sup>15</sup> <http://centralcoastvietnam.com/>

the parties to these transactions (including payment of tax, registration of guests, etc.) and provides frameworks that ensure appropriate levels of security and safety.

- Establish standards for key tourism areas and activities that ensure that the natural environment is protected. This is especially important in heritage sites and important sites of natural beauty such as Ha Long Bay and Phu Quoc island. Public rating data could be provided on developers and operators in terms of their adherence to environmentally friendly practices.