

<p style="text-align: center;">Joint EuroCham and VBF Working Group Position Paper</p> <p style="text-align: center;">Tourism and Hospitality</p>

I. Overview

The tourism industry currently accounts for nearly 5% of the country's GDP and is employing approximately 10% of the labor force in the service sector, thus making the tourism industry one of the country's key employment industries. After the global economic downturn, Vietnam's travel and tourism industry has strongly rebounded in 2010, with tourist arrivals in Vietnam rising more than 30% in 2010. Foreign visitors are up partly thanks to the recovery of global tourism but also thanks to the government's good efforts in tourism-promotion campaigns, including television advertisements on CNN, BBC, Chinese national television and other networks as well as government-led efforts to cut hotel prices and airline fares. The citadel in Hanoi has been declared a UNESCO World Heritage site, meaning a total of 7 World Heritage sites, and some major new hotels and attractions such as Bana Mountain Cable Car have opened. In a survey carried out by the VBF Tourism Working (TWG) Group in late 2010, over 80% of the respondents said that scenic attractions and natural heritage sites were unique selling points for Vietnam. Interestingly, less than 2% thought entertainment and shopping were a selling point.

However the recovery should not lead to complacency, but to continued strong action to improve the quality of tourism in Vietnam. This should be done by focusing on environmentally and socially responsible tourism respecting the Vietnamese culture and ensuring ethical behavior of all stakeholders in tourism. We have previously advocated the establishment of a Tourism Advisory Board ("TAB") and obtained the support from the Vietnamese National Administration of Tourism (VNAT) for this more than a year ago, however there has been no ministerial approval yet. The European Union will launch a major project in 2011 for 11 million EUR to work with the VNAT to promote responsible tourism services through public private dialogue, improved tourism planning and regional tourism product development. This project includes the necessary funding for the TAB. The Vietnam Tourism Occupational Skills Standards System will be expanded to cover more professions and make it available throughout the country. The tourism- and hospitality businesses within EuroCham are committed to join the government's efforts in this project to make Vietnam one of the best tourism destinations in South East Asia.

We have some specific recommendations as follows:

II. Promoting Vietnam as an attractive tourist destination

Within the ASEAN region, Vietnam competes with similarly attractive tourist destinations like e.g. Thailand, Malaysia, Indonesia, the Philippines and Cambodia. Vietnam' perception as a tourist destination has improved over the last year, but mostly by the general economic recovery and weaknesses of other ASEAN destinations, in particular security concerns over Thailand and Cambodia. Structural issues in the sector remain: In particular, poor service and customer care.

However these other destinations have invested and continue to invest in destination marketing and all run advertisements on International TV Channels. We congratulate the authorities on organizing the competition for a new slogan and tag line for the promotion of tourism and on the selection of the “Vietnam – A Different Orient” slogan. But we are concerned about announcements that the slogan has now not been selected by VNAT. This decision has been based on input from government agencies and the public. However it seems that - as this slogan is aimed at foreign tourists – the feedback should also have been sought from experts overseas, and not only from experts in Vietnam. Interestingly from the results of the TWG survey, only 25% of the respondents considered the logo as important whilst 40% thought the slogan was important. More importantly, only 5% of the respondents were satisfied with the current marketing programs and 59% were dissatisfied or very dissatisfied with the current programs.

We believe that one of the most efficient ways to address this negative service perception of Vietnam as a tourist destination is to continue a concerted promotion campaign on both national and international level using the “Vietnam – A Different Orient” slogan and tag line. Such promotion campaign should highlight Vietnam’s continuous attractiveness because of its rich cultural heritage, its outstanding natural beauty including beaches and its friendly people. Whilst good progress has already been made in this area nationally and to a limited extent internationally, we note again that minimal further investments could tremendously improve the passenger’s introduction and perception of Vietnam: For example, improving the travel experience with measures such as improved flight-videos showing the natural beauty of Vietnam, highlighting it’s culture and people that are played on all arriving international flights, or the creation of a welcome video played in the immigration area identifying the logistics of immigration, customs and transport.

We also note that tourism thrives where it is considered a priority over other investments such as residential real estate development and modern agriculture. Heritage preservation is often not considered a priority in urban development despite an abundance of land in new urban areas. Tourists stay relatively short in Vietnam and the repeat rate of visitors is low as there are too few entertainment or sightseeing options available at key tourist destinations. Information about tourist sites is often limited on the internet and sites are sometimes difficult to find. It is worth noting in the TWG survey, 71% of the respondents thought Thailand was Vietnam’s biggest competitor. In the mid to late 1980’s, Thailand attracted between 5 and 6 million foreign visitors a year a figure which has now reached almost 15 million even with Thailand’s current somewhat tarnished image. We believe that Vietnam could surpass Thailand’s 15 million by 2030 if much greater resources were devoted to tourism development. It is also worth noting that a high percentage of Thailand’s foreign visitors are regular repeat visitors coming for family and golfing holidays.

Recommendations:

- We recommend the adoption of the “Vietnam – A Different Orient” slogan and tag line both nationally and internationally to compete with our ASEAN neighbors who are all running successful campaigns. If VNAT wishes to get further input before making the final decision then input should be sought from overseas experts and interested parties not just locally.
- We believe that in addition to existing campaigns, a “smile campaign” at the immigration could be a further step to create a positive first impression. In a country full of welcoming and friendly people, immigration staff should display a positive and welcoming attitude at all times.
- We also suggest that the Vietnamese government allocates more funds towards such tourism promotion campaigns and operates in close co-operation with the foreign private tourism/travel providers to make best use of such additional funding. One way of funding such campaigns could be through a tourism levy collected at hotels. Even a levy of US\$ 1 per stay would raise several million dollars.
- We recommend the early approval for the establishment of a Tourism Advisory Board to be funded under the EU project as mentioned above.
- EuroCham also suggests that the Vietnamese government allocates more funds towards such tourism promotion campaigns and operates in close co-operation with the foreign private tourism/travel providers to make best use of such additional funding.
- EuroCham suggests incentivizing environmentally and socially responsible tourism. At the same time, we believe that promoting such high-quality tourism, value could be added to the industry as a whole, resulting in higher-paid and better jobs for Vietnamese seeking employment in the hospitality industry.
- EuroCham suggest improving tourism planning and tourism products: In particular, a regional approach to tourism going beyond provincial borders and allowing joint product development will allow tourists to stay longer and encourage return visits to visit different parts of the country.
- Public private dialogue in planning and creation of new tourist attractions is crucial for the success of local/regional tourism strategies. The focus should be to develop new attractions such as more cultural attractions, more sports facilities or even more adventure tourism. Information about the local and regional attractions should be made available on the internet for easy planning and as a promotional tool.

III. Expanding Visa exemptions and improving the “Visa-on-Arrival”

Currently, only ASEAN passport holders are Visa-exempted for stays of 30 days or less, and only passport holders from Denmark, Norway, Finland, Sweden, Japan, Korea and Russia are

allowed to enter the country for a period of 15 days without a Visa. Accordingly, most tourists need to apply for a visa. However, obtaining such visa for Vietnam is often a problem for many tourists: Sometimes, there is insufficient information by the embassies/consulates on the matter and processing is difficult and time-consuming. We are aware of situations where the local embassies take weeks to reply to email requests for information. Overall, visa requirements remain a huge obstacle particularly for last-minute travelers: Due to formalistic and bureaucratic visa requirements and unpredictable processing times, last minute travel to Vietnam is not an option and has been replaced by weekend trips to Phuket, Bali, Boracay, Macao and Singapore. In the TWG survey 97% of the respondents considered the current visa system an obstacle to potential visitors.

We believe there are still some serious misunderstandings on what the real objective is: The people that are deterred are the short-term last minute travelers who want to get away for the weekend or for a few days relaxation or golf and who are deterred by having to apply for a visa. In particular this applies to expats living and working in place like Hong Kong, Singapore, Thailand and Malaysia and who are usually high end high spending visitors. Whilst we would prefer that there were no visa fees we do understand that there are financial reasons for the collection of visa fees. Therefore, a system similar to Cambodia could be considered where visas are issued on arrival and visa fees collected at the arrival airport.

We note that the present “Visa-On-Arrival” in Vietnam system could easily be simplified: In fact, a “Visa-On-Arrival” can only be issued if certain documentation is provided before arrival, making it a misnomer. Currently, only Myanmar and Vietnam still use the pre-approved Visa-on-Arrival system. Myanmar has recently introduced a real visa free entry for people traveling to Myanmar on Myanmar Airways International from Siem Reap and Guangzhou. In Vietnam, the processing of Visa-on-Arrival documentation can take anywhere from a few hours to several days and often requires the intervention of 3rd party agents as the system is not well documented or explained. We note that upon arrival at the airport, the “Visa-on-Arrival” area provides no clear information on the necessary forms, policies, or fees. Little English is spoken, there is no explanation of procedures and no number system in place.

Recommendations:

- As a first step, EuroCham recommends that a real “Visa-on-Arrival” procedure should be established, such as in Cambodia or Laos, without pre-submitted documentation. Such Visa-on-Arrival should enable qualifying passport holders to enter Vietnam for a period of **at least fourteen (14) days** without any documentation other than their passport. “Visa-on-Arrival” procedures and policies should be transparent and consistent, including an explanation of the process, a set fee schedule and the equal enforcement of these policies and procedures at the airports. We believe that such improved “Visa-on-Arrival” could attract last-minute expat business travelers in the region and ease logistics for tour operators and travel agencies.

- We further recommend that Visa-exemptions are expanded to 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 **thirty (30) days**.

IV. Training of staff / Licensing of tourist-related services / foreign operators

We note that the tourism industry in Vietnam is still experiencing a shortage of well-trained staff. Tourists are often confronted with employees not familiar with the service industry, resulting in many tourists leaving with a bad image of Vietnam. Tour-guides are often not knowledgeable about Vietnamese culture and history, and not proficient in English or other foreign languages. Many of these tour-guides because of their lack of training are not well paid and seek additional income from other sources related to their work.. Taxi drivers at the airport and elsewhere massively over-charge unsuspecting first-time visitors. Whilst the damage to the image of the country is immeasurable it often puts off returnee visitors which ultimately are the people that drive tourism growth At the same time, some of the world's best travel service providers are prohibited from setting up simple representative offices to support the development of tourism arrivals to Vietnam.

Recommendations:

- We recommend that licenses to tourist-related services are only granted to well-trained personnel with a formal education/qualification relating to the service-industry. We believe that creating a favorable image of Vietnam and thus contributing to a growth of foreign arrivals is more important than “protecting” Vietnamese businesses . As we have seen in the hotel industry well run foreign firms help raise the standard of the sector and the standards of local hotels and operators.
- We recommend reviewing and updating official guide training programs and curricula at tourism educational programs/courses. In particular, all programs could include some foreign experts teaching what foreign tourists really expect and understand as good service standards.
- Accordingly, additional restrictions for foreigners to work as tour operators in the tourist-industry should be lifted to improve overall-quality of tourist-services in Vietnam. In particular, the Implementation of the Circular for Decree 92 on the Representative Offices of Foreign Travel Service Providers is more than two (2) years overdue and could be helping promote the industry and boost revenues and standards.

V. Better Protection of Cultural Heritage

Many of our European member companies and European visitors have raised their concerns about cultural heritage destruction in the country's major towns: As a matter of fact, some major towns are conducting rapid and major construction works on places with cultural heritage

protection (or places which deserve such protection). In particular, Ho Chi Minh City's District 1 is losing many relics of its old "*charme*" and "*grandeur*": For example, the Vincom Tower was recently completed; destroying testimonials of French colonial architecture; and another whole block is now under construction. So far, only a few building owners resist the lucrative new projects, which ruin the beautiful image of towns in Vietnam. In fact, many things that tourism authorities are promoting in their campaigns are lost to big construction projects. Ho Chi Minh City is not the only case: The first high-rise buildings are in construction in Hue and Danang. It appears that only official UNESCO World Heritage sites such as Hoi An Ancient Town and Hue Citadel are safe from any cultural heritage destruction.

Recommendation:

- We encourage Vietnamese authorities to develop and implement guidelines to efficiently preserve the cultural heritage in Vietnam. In particular, cultural heritage rules should be strictly followed in lucrative high-rise construction projects. A comprehensive strategy of what should be protected should be implemented nation-wide. Special attention should be directed to Hanoi Old Quarter, which is unique in Asia.
- We encourage clear guidelines on hotel/hospitality projects with regards to both cultural heritage and environmental standards. In particular, proper waste water treatment should be mandatory, and building codes respected and not 'arranged'. An overall strategy must be applied.

VI. Improvements of Tourist Police / Tourism Service Center and Signboards

Cases of thefts continue to be a problem, both in the street and even in hotels. Harassment of tourists is not uncommon. Reporting of thefts and other crimes and misbehaviors is often a problem, due to the language-barrier and the time consuming procedures. Most thefts therefore remain unreported and thereby not revealing the real situation.

Recommendation: We recommend that the existing Tourist Police be more active and present, with better recognizable uniforms. The Tourist Police should cover all major tourist destinations in Vietnam, and patrol at least the city centers and places of interest frequently. Officers in such Tourist Police should speak basic English and have a welcoming and polite attitude. At least one Tourist Police station and a phone hotline should be set up in city centers and be open 24 hours, where visitors can report crimes and misbehaviors, regardless of where they happened. The major tourism destinations should also have official tourism service centers where tourists can buy official handicrafts, souvenirs and postcards. Other services should include posting letters (buying stamps), general information, free hand-out of city maps and brochures, etc. Moreover, the major tourism attractions need to become more visible: Most of the tourists get lost when walking around due to missing maps and inexistent signage. Major attractions should be indicated and pavement needs to get improved so that tourists can easily access the major tourism attraction by foot (especially in Hue, Hoi An, HCMC and Hanoi).