A Periodisation of the Development of Vietnam's Tourism Accommodation since the Open Door Policy

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This paper proposes that the development of the tourism accommodation sector in Vietnam, since the inauguration of the open door policy within the reform programme of doi moi, can be divided into five periods. This periodisation is based on a study and analysis of the evolving roles of accommodation providers in Vietnam tourism and the shifting patterns of state-owned enterprises, foreign direct investment and private businesses / SMEs in this sector. Each period, and each transition between consecutive periods, is investigated in terms of the dynamics of interrelations between public, private and foreign operators, and the interaction of the accommodation sector with other political, social and economic factors in Vietnam during this era of transition. The paper concludes by identifying factors and trends that best characterise the evolution of Vietnam's tourism accommodation sector over the last two decades.

Key Words: Tourism accommodation, tourism development, *doi moi*, Vietnam tourism, open door policy

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Introduction

The *doi moi* or "Renovation" programme of political and economic reforms was introduced by the Vietnamese Congress in 1986. This policy decentralised aspects of governance and planning and streamlined the government bureaucracy. Reforms were enacted to promote the private sector as an economic driver, and to permit state and privately-owned industries to trade directly in foreign and international markets. *Doi moi* has been extremely successful in transforming Vietnam from a stagnant, unstable, centrally planned Soviet-style economy to a dynamic and quickly growing market-oriented economy grounded in a socialist society (Kokko, 1998, p. 2). Events such as the end of the US trade embargo on Vietnam in 1994 and Vietnam's 1995 entry into ASEAN, as well as Vietnam's admission into the World Trade Organization (WTO) at the beginning of 2007, indicate an increasing re-integration of Vietnam into international capitalist markets. The United Nations World Tourism Organization (UNWTO) and the United Nations Development Programme (UNDP) have been involved in assisting Vietnam in developing a tourism policy and a tourism master plan to impose some organisation on this still-emerging market, as well as helping to draft the country's first ever tourism law.

Before the open door policy *doi moi*, the Vietnamese government had monopolised all tourism sectors. In 1987, one year after *doi moi*, the state issued the Law on Foreign Investment, which encouraged foreign direct investment in Vietnam, especially in the tourism industry. Parallel to the rush of foreign investment that followed, private enterprises also increased in number, leading to the end of the government monopoly in provision of tourism services, although the government still owns a large number of hotels. Under these new circumstances, state-owned enterprises have had to reinvent themselves for the first time to survive in an open market where competition is fierce.

These political and economic changes have increased Vietnam's accessibility and attractiveness in the international tourism market, causing tourists from around the world to rediscover Vietnam. Consequently, Vietnam's tourism industry has experienced a period of meteoric growth in recent years. The number of foreign tourists visiting the country grew from 92,500 in 1988 to 3,583,486 in 2006 (Vietnam National Administration of Tourism [VNAT], 2007). According to UNDP/WTO, Vietnam's tourism turnover in 1989 was about US$ 140 million, and direct employment in the tourism industry accounted for 8,000 jobs (Economist Intelligence Unit [EIU], 1993, p. 63). A 2001 estimate stated the nation's earnings from tourism as US$2.6 billion (Sadi & Henderson, 2001, p. 70). In 2006, there were 234,000 people employed directly in tourism jobs in Vietnam and 510,000 whose jobs indirectly depended on tourism (John, 2006). According to World Travel and Tourism Council and Oxford Economic Forecasting, Vietnam's tourism sector is expected to experience the sixth-highest growth rate of countries in the world between 2007 and 2016 ("Vietnam's Tourism Grows," 2006). Aside from this quantifiable growth, tourism in Vietnam also continues to change in character. New tourism niches, new types of tourism attractions and enterprises and new kinds of tourists have been appearing in Vietnam since 1986. *Doi moi* is an ongoing process that is reflected in all aspects of the Vietnamese society, economy and politics.

Position and Methodology

This paper presents two primary positions: (1) changes in the tourism accommodation sector in Vietnam since the beginning of the *doi moi* programme have been characterised and, to a certain extent, driven by the dynamic interactions between state-owned enterprises, foreign direct investment and domestic private operators in this sector, and (2) these changes are linked to the political, social and economic changes occurring in Vietnam within this period of transition. To articulate these positions in detail, the author has divided the development of Vietnam's accommodation market since the beginning of *doi moi* in 1986 into five periods, each of which represents a distinct stage in the development of the two above-mentioned historical narratives ("bracketed" in this paper by the pre-1986 state preceding *doi moi* and the current developments and future outlook).

This research incorporates a series of interviews conducted by the lead author with administrative figures in two international hotel chains, seven state owned hotels and three guesthouses at different locations in Vietnam. These were supplemented with interviews with a senior expert in hotels from the Vietnam National Administration of Tourism (VNAT) and a senior official of the Foreign Investment Agency, Ministry of Planning and Investment (MPI).

Because the research aims at understanding change over a period of years, one criterion for the identification of interviewees was the length of time that they had been continuously operating in the Vietnamese tourism sector. Firms, organisations and individuals that have been active in Vietnam tourism from before *doi moi* were the most valuable sources of information in this respect, because of their ability to see patterns over a longer period of time, in some cases since before the beginning of *doi moi*. Since the state had a monopoly on tourism businesses before 1986, the longest-established hotels and firms are by nature government-owned. Thus, mostly state-owned hotels and tour operators were targeted for interviews. For private and foreign actors, such as SMEs (Small and Medium-Sized Enterprises) and FDI (Foreign Direct Investment) firms, interviewees were chosen from firms that have been established since the early days of *doi moi* and which have experienced the full history of the development of private and FDI enterprises in Vietnam tourism. Interviews with representatives of government bodies were sought in order to understand changes in tourism policy from the point of view of those charged with its formulation and enforcement. While these criteria were applied to the prioritisation of certain potential interviewees over others, it was not always possible to gain access to the first-choice interviewees. Thus, a degree of flexibility had to be exercised in replacing filling-in for desired but inaccessible interviews.

The author strove to verify and corroborate interview results by addressing issues through multiple lines of questioning aimed at different interviewees at different levels or sectors, such as the interviewing of representatives of the VNAT as well as private, state-owned and international operators in the accommodation sector. Interviews with representatives of government bodies often served the purpose of verifying the findings obtained from other primary sources such as interviews with representatives of tourism businesses.

Significance of the study

As a still-developing destination, Vietnam has not been the subject of much research in the area of tourism. Literature on accommodation in Vietnam and tourism development overall is particularly scarce. Thus, this study makes a contribution to a body of tourism research that is still in its early stages by proposing a cognitive structure to articulate past, present and future developments in the Vietnamese accommodation sector. The periodisation laid-out in this paper contributes to the articulation of a history of tourism in this country and provides a reflection on the nature of the forces and mechanisms that shape and direct accommodation development, which may be drawn on to inform decision-making within this sector.

A great deal of the literature that has been published to date on tourism in Vietnam is based on secondary data. This paper integrates this literature with primary data collected by the author, enriching the literature available to future researchers.

Because the government of Vietnam is of a different type than those of typical developed tourism destinations, the research adds to the body of knowledge on the effects of regime type on tourism development patterns. Particularly, there are also opportunities for comparison or transferral of knowledge and models from the Vietnamese context to understand possible or actual patterns of tourism development in other transition economies, such as those of the formerly communist nations of Eastern Europe.

Pre-1986: Pre-*Doi Moi*

French-style accommodation and gastronomy characterised the hospitality facilities for tourists to pre-War Vietnam. Much of the physical infrastructure of the colonial tourism facilities suffered physical damage in the American War, and the demand for luxurious accommodation was much less after the War than in the colonial era, due to the low buying power of the domestic tour groups and Eastern European visitors who accounted for the majority of Vietnam's tourists after the reunification. Consequently, between 1975 and 1988, the significance of French accommodation and cuisine declined to a great extent (EIU, 1993, p. 62). The old resorts built during the French era had been aimed primarily at weekend breaks or very short stays, inspired by middle-class European models. These hotels were not up to the standards of the international tourists who once again began coming to Vietnam after 1986, since most of these hotels lacked any recreational or entertainment facilities beyond beds and food service (United Nations Development Programme [UNDP], 1991, p. 22), and some had been converted to other uses or had fallen into disrepair.

Period 1: 1986-early 1990: Period of state dominance and the first joint ventures

During the communist era until *doi moi*, the government was the sole owner of accommodation in Vietnam. During the early years of *doi moi*, most hotels still belonged to the State and were of a generally low standard. At the beginning of this period, most tourists to Vietnam still came from countries of the communist economic bloc COMECON (Council for Mutual Economic Assistance) and did not demand a high standard of accommodation, nor could most of them have afforded international standard hotel prices. Most accommodation facilities in Vietnam were traditionally state-owned, with the VNAT, provincial and city tourism enterprises and various ministries and state agencies running the majority of hotels (Vietnam National Administration of Tourism [VNAT], 2001, p. 40). Because foreign joint ventures were not yet operating in Vietnam, the state-owned hotels were not experiencing any competition within the accommodation market.

The UNDP/WTO calculated Vietnam's 1989 tourism earnings as around US$ 140 million, and estimated that 8,000 people were directly employed in the tourism industry (EIU, 1993, p. 63). The Vietnamese government decreed 1990 as "Visit Vietnam Year", in hopes of encouraging tourism to the country. However, this programme was deemed largely a failure by the Economist Intelligence Unit (EIU), which cited a shortage of hotel rooms, suitable tourist facilities, services and airline seats as contributing factors (1993, p. 63). At the outset of the 1990s, there was very little accommodation of international standard in Vietnam (VNAT, 2001, p. 39). In 1990, the UNDP and WTO document counted only 1,565 international standard rooms in the whole country (UNDP, 1991, p. 20). It became evident that the quality and quantity of Vietnam's tourism infrastructure and amenities were not sufficient to meet the expectations of the international tourism market. Without the knowledge and money needed to bring about a transformation of the country's tourism industry, the Vietnamese government was compelled to end its monopoly on tourism. With raised awareness of the importance of adequate infrastructure to tourism development, the Vietnamese government began measures to encourage joint ventures in tourism to lure foreign firms to invest in development in Vietnam (EIU, 1993, p. 63).

The 200-room Saigon Floating Hotel was a pioneering FDI-funded joint-venture hotel in Vietnam. It was built in Australia and towed across the ocean to Ho Chi Minh City. It opened in December 1989 and was operated by Southern Pacific Hotels as a joint venture between Australian and Filipino partners and the Vietnamese Overseas Finance and Trade Corporation (OCFC) (Abbott & Abbott, 1996, p. 193; Travel Business Analyst, 1992, p. 19), becoming the only five-star international standard hotel in the city. The Floating Hotel was the only accommodation establishment in Ho Chi Minh City offering features such as an international booking service, international direct dial phone lines, international booking, a business centre and credit card facilities. By 1990, seventy-five percent of the Floating Hotel's rooms were rented long-term to expatriates (EIU, 1993, p. 68; Saigontourist, 1990, p. 31).

Period 2: 1990-1994: Rise of joint venture hotels

Beginning in 1990, there was significant growth in the accommodation sector, spurred by the Vietnamese government's relinquishment of its monopoly and the opening-up of the market to foreign investment. State enterprises no longer held a monopoly and private and foreign investors began to become involved. Because of the increasing number of foreign business travellers to Vietnam, at the beginning of 1990 there was a shortage of international standard hotel rooms in Ho Chi Minh City and Hanoi. Foreign joint venture hotels began to be established to fill this niche. By the end of this period, two large international hotels had been established in Hanoi and five in Ho Chi Minh City. In this period, hotel room prices and occupancy rates became very high. The entry of international standard hotels into the market brought competitors to state-owned accommodation for the first time, requiring them to re-evaluate and revise their businesses to remain competitive. During these years, many state-owned hotels underwent renovation, sanitation and expansion.

The accommodation shortage at the beginning of the 1990s made it possible for five-star joint venture hotels such as the Century Saigon to charge US$ 200 per night, while a visitor could pay US$ 300 for a room at the Saigon Floating Hotel. Even with these high prices, the room occupancy rate was very high and potential visitors to Vietnam were warned to make prior reservations (Antoine, 1992; "Foreign Investors," 1991, p. 19). The Floating Hotel's General Manager at the time reported occupancy rates between 80 and 100 percent consistently for two years (McKinnon, 1993, p. 17). The Pullman Metropole Hotel in Hanoi, reopened in 1992, reported an average occupancy rate of 90 percent (Antoine, 1992) during the same period.

Other hotel openings followed. In 1992, the joint venture Century Saigon Hotel opened with an Average Room Rate (ARR) of US$ 108 (similar to the Floating Hotel's ARR of US$ 110) and had an occupancy rate of 75 percent in its first half-year of operation. These rates exceeded those of state-owned accommodation providers such as the Rex Hotel (US$ 60 per night), the Continental (US$ 85), the Saigon Star (US$ 78), the Norfolk (US$ 75) and the Chains First Hotel (US$ 43) (Militante, 1993). The Century Saigon hotel aimed at an ARR of US$ 123 for 1993 and US$ 138 for 1994 (ibid.) and the low supply of four and five-star hotels in Vietnam in the early 1990s enabled such hotels to charge US$ 150 a night by 1993 (Michael, 1993).

A joint venture between a state-owned enterprise and a Hong Kong investor opened the 14-storey, 552-room New World Saigon Hotel in 1994. The hotel had what were possibly the first escalators in Saigon. Because the project was self-financed, it avoided the ban on syndicated loans imposed by the US trade embargo. The Hong Kong investor New World contributed three-quarters of the US$ 62.5 million budget, with Saigontourist Holding Company making up the remainder (Michael, 1993).

The domestic private accommodation market in Vietnam also grew quickly during over these years, enabled by access to small plots of land and alternative funding sources. By 1992, nearly half of the 2,756 hotels in Vietnam were private enterprises (EIU, 1993, p. 63). These hotels were almost exclusively small-scale, low budget operations, catering primarily to the "backpacker" independent traveller niche, and did not compete directly with larger state-owned of foreign-owned hotels.

A grading system for hotels was among the legal regulations for tourism accommodation passed in 1992, but the 'star' system of hotel classification was not put into actual practice by the VNAT until 1994 according to a government official. The system applies only to hotels catering to foreign tourists and is based on a ranking of one to five stars. Although hotels are required to be graded, a lack of VNAT staff is hindering the full implementation of the system (VNAT, 2001, p. 41).

In 1993 government plans to increase the number of international standard rooms in Vietnam from 4,000 to 9,000 by the end of 1995 were deemed insufficient to meet the requirements of the expected tourism growth in that time, as the number of tourists by 1994 had already reached a million, double the number forecast by the government (Mok & Lam, 1996, p. 32). The Vietnamese Investment Review, quoted in McDowell, reported that a number of Vietnamese tour agencies would sell package tours during these years without even having the necessary hotel rooms available (McDowell, 1994). However, these high occupancy rates apparently applied only to Hanoi and Ho Chi Minh City, as lack of proper tourism planning allowed over-development of accommodation provisions in some areas at the same time that Vietnam's two biggest cities were experiencing a severe shortage. Haiphong, for example, reported low occupancy rates during the same period (EIU, 1993, p. 68) and Theuns (1997, p. 308) has written that parts of the country away from Hanoi and Ho Chi Minh City had average occupancy rates of about 20-50 percent.

Since the Vietnamese government and domestic sector did not possess the expertise or the finances to drive development in the hospitality sector unassisted, the State Committee for Cooperation and Investment (SCCI) approved many foreign investment proposals for hotel development (EIU, 1993, p. 63). According to a Senior Official of the Foreign Investment Agency (FIA) of the Ministry of Planning and Investment (MPI), established foreign accommodation chains brought in their own loyal customers, thus attracting foreign exchange income into the country. Priority was given the refurbishment of existing hotels to bring them up to international standards. In terms of funds invested, hotel renovations were among the largest joint venture projects (Theuns, 1997, p. 314).

During this period, hotel development accounted for between 57.5 and 99.4 percent of the yearly total FDI in tourism (Erramilli, Luu, Gilbert, & Hooi, 1997, p. 280). Together with oil/gas and industry, hotel development was one of three major investment areas that cumulatively accounted for up to 83 percent of total foreign investment in 1992 (EIU, 1993, p. 63).

Period 3: 1995-1996: reaction of state hotels

The increasing number of joint venture hotels posed a challenge for existing state-owned hotels, which had to adjust to competitors in the market that they had monopolised before *doi moi*. State-owned hotels also had to come to terms with the needs and demands of the Western tourists who began to make up an increasing proportion of their customer base. For example, the Dan Chu Hotel in Ho Chi Minh City receives around 75 percent foreign guests and 25 percent domestic. Many of these hotels previously catered to guests from Eastern bloc countries: a market with lower expectations but a market that had dwindled following the collapse of the Soviet Union. Many older urban hotels replaced their Vietnamese names by restoring the Western-sounding names they had borne in the pre-communist era before 1975 (Travel Business Analyst, 1992 p. 26), in an attempt to appeal to the foreign market.

Some hotels supplemented their reservation departments with sales or marketing departments. Around this time, state-owned hotels began to accept credit cards. All of these changes were undertaken concurrent with the withdrawal of government financial support for state-owned hotels. The Deputy General Manager of a state-owned hotel in Hanoi related that guest-oriented thinking was a new concept to her hotel's management in 1993. Before that, an undersupply of hotel rooms had virtually assured hotels of sufficient occupancy, and the government could be counted on to provide subsidies.

Increasing competition and the disappearance of government support were among the factors that inspired the hotel to begin to accept credit cards in 1995 (Respondent, Hotel A, personal communication, June 30, 2004).

In 1995, the Majestic Hotel in Ho Chi Minh City became the first state-owned hotel to open a sales department, as a reaction to the burgeoning success of joint-venture competitors such as the Floating Hotel and Omni Saigon Hotels. Such joint-venture hotels provided both an imperative and an example for the introduction of more progressive management thinking by their state-owned competitors. Although in an interviewed a government official denied that joint-venture hotels have had any effect on state-owned hotels, the Director of Sales and Marketing of one state-owned hotel has openly stated that he had learned about pricing and promotion from the hotel's joint-venture rivals. The discrepancy between these declarations may be indicative of the degree of autonomy that has been assumed by state-owned hotels, which must deal with problems of which government may not even be aware.

Also during these years, domestic private entrepreneurs began to do business serving the independent tourist 'backpacker' market, which was disparaged by state-owned operators, who did not consider independent tourists a significant market sector and did not see small private operators as a threat or competitor. In contrast, all of the seven representatives of state-owned hotels interviewed already saw joint venture hotels as direct threats and competitors within the market sectors to which the state accommodation sector aspired.

Period 4: 1996-1999: Oversupply and falling demand

Accommodation occupancy rates in Vietnam were high in the mid-1990s. Around 1996, the overall hotel occupancy rate in Hanoi was 85-90 percent (Theuns, 1997, p. 308), however, several factors contributed to a fall in occupancy during the period following this peak. The government's xenophobic 'social evils' campaign of 1995, a lack of repeat visitors, irregularity in visa regulation and enforcement and the Asian Economic Crisis of 1998 all contributed to a drop in tourist arrivals to Vietnam during this period. Many joint venture hotels, begun in the boom years of the previous period, were opening at the same time. By 1999, there were seven international foreign joint venture hotels in Hanoi, with between 224 and 441 rooms each. Ho Chi Minh City also had seven such hotels, with between 248 and 552 rooms. This led to an oversupply of rooms in Ho Chi Minh City and Hanoi and a drastic fall in prices and occupancy rates. The greatest fall in prices came between 1996 and 1998. During these three years, room prices in one small private domestic-owned hotel with 17 rooms fell from US$ 70 to about US$ 25 a night (Respondent, Hotel B, personal communication, June 27, 2004). At the Daewoo joint venture hotel in Hanoi, the average room price fell from US$ 120 to US$ 80 in the same period. As a result, many small private hotels went bankrupt (Biles, Lloyd, & Logan, 1999, p. 18). Several interviewees stated that during the crisis, many state-owned hotels adopted pricing policies such as low/high season price differentiation and started programmes of promotion for the first time, following the example of foreign joint venture hotels.

In May 1997, for the first time since *doi moi*, there was a drop in hotel occupancy rates in Vietnam. Occupancy fell to 52 percent in Hanoi and 48 percent in Ho Chi Minh

City (Lamb as cited in Biles, et al, 1999, p. 18). According to the Viet Nam News, though, the hotel occupancy rate had actually started to decline to a low of 40-45 percent in state-owned hotels and 25-30 percent in private hotels from January to September 1996 (as cited in Logan, 1997, p. 175). Another source mentions that occupancy rates in four-star and five-star hotels were only 40 percent in 1997 and fell to 20 percent in 1998 ("Vietnam-Hotel Business," 1998). The Asian economic crisis, a lack of attractions in the cities, a low return tourist rate, complicated visa procedures and poor transport all contributed to this declining trend (Logan, 1997, p. 175).

Domestic private hotels retained their position as primary provider of accommodation to the "backpacker" market. These hotels also remained the most informal accommodation niche. A 1997 survey of twelve private hotels in Bai Chay, Halong Bay, Quang Ninh Province, revealed that seven of the owners were still employed by state enterprises or were receiving state pensions. Nine of the hotels also served as the owner's family's home but only three of the hotels provided the family's primary source of income. The narrow plots of state-owned land on which the hotels are built – often one storey at a time as funding allowed – were often acquired at below market prices by state employees, teachers, former soldiers, officials or state company employees (Nicholson, 1997, p. 30). The owner of one private guest house in Sapa is also the manager of the state-owned hotel across the street (DiGregorio, Pham, & Minako, 1996, p. 5). Throughout the 1990s, however, operators in this sector remained on a precarious footing, due to a lack of land titling and unclear land rights laws, encouraging a rough-and-ready approach to business and a quest for quick profit (DiGregorio et al, p. iv).

In 1998, a policy of seasonal pricing was adopted at the Hoa Binh Hotel in Hanoi for the first time. Interviewed executives at several state-owned hotels have confirmed that lower room rates or special offers apply for Vietnamese guests, and that domestic tourists are targeted more aggressively during the international tourism low season.

Period 5: 1999-present

In 2000, there were 55,760 international standard rooms in hotels in Vietnam compared to 13,055 in 1992: a major increase of over 320 percent. The growth in accommodation has kept pace with the increase in tourist arrival numbers, which reached 2,428,735 in 2003. Consequently, according to the VNAT, in 2002, the room occupancy rate still averaged 45 percent (Vietnam National Administration of Tourism, n.d.). In 2004, Vietnam had 85,381 rooms (Le, 2005). In that same year, it was forecast that Vietnam would have 130,000 rooms by 2010 ("Summary of Vietnam," 2004).

Visitor numbers to Vietnam have continued to increase steadily. Hotel room prices have also gradually increased, but have not reached pre-1996 levels. Only one big new joint venture hotel has been built in Ho Chi Minh City in this period, and none in Hanoi. Asian regional crises such as the SARS outbreak of 2003 and the avian flu of 2004 had temporary effects on occupancy rates. A few of the state-owned hotels investigated in this study have begun to offer various added services such as travel agencies and massages, often provided by private individuals or companies renting space in a state-owned hotel, in order to meet tourist demand. To better deal with fluctuations in international tourism demand, many hotels are trying to attract more domestic tourists through promotion within the country or arranging of events.

The highest concentrations of hotel facilities in Vietnam are in Ho Chi Minh City and Hanoi. In 1999, there were 555 hotels in Ho Chi Minh City and 371 hotels in Hanoi (Government of Vietnam, 2000, p. 20). In 2002, Vietnam had a total of fourteen five-star hotels, six of which were in Ho Chi Minh City and another six in Hanoi ("Summary of Vietnam," 2004).

Hotel rooms in Vietnam were in oversupply from 1997 until at least the early 2000s. Occupancy of hotels in Vietnam is still restricted in part by 'bottlenecks' in the transport system. The General Manager of the Hilton Hanoi Opera Hotel, , blamed a shortage of international flights into Hanoi, and the comparatively high price of those incoming flights that did exist, for stagnation in demand for Hanoi's 3,000 five-star standard rooms. Despite a halving of average deluxe room rates from the original target of US$ 135 - 150 to as low as US$ 65 per night, the occupancy rate for five-star hotels rose only to 60 percent (Son, 2001).

However, the accommodation provisions are at present not sufficient to satisfy demand at the busiest times of the year. According to a senior official of the Foreign Investment Agency of MPI, Vietnam still does not have enough rooms to meet the demand brought by such events as the recent ASEAN summit, which took place in Hanoi in September 2004. A news report issued soon after the APEC (Asia-Pacific Economic Cooperation) CEO summit in Hanoi in November, 2006 claimed that the city experienced a shortage of deluxe hotel rooms during the high season, meeting only 70 percent of demand during the peak period ("Ha Noi," 2006).

According to data received from the General Statistical Office in Hanoi, the number of hotels owned by private enterprises now surpasses the number of state-owned hotels, though private enterprise hotels tend to be very small-scale compared to state-owned hotels. For example, in 2000, there were 2,846 hotels in Vietnam, of which 867 were owned by state enterprises, 257 by joint ventures and 1,722 by private enterprises ("Summary of Vietnam," 2004). Data obtained from the VNAT and General Statistical Office, (GSO) shows that state enterprise ownership still prevails among hotels with star-rating status, but not in the hotel sector as a whole. Under-reporting of room provisions is also more prevalent among private-owned accommodation. Nicholson estimated that the private sector hotel rooms in Bai Chay, Halong Bay, may have been underestimated by as much as 60 percent because of rooms that were not reported to avoid taxation (Nicholson, 1997, p. 30).

Many international hotel chains had opened hotels in Vietnam by 2001, and many of the hotels in Vietnam's larger cities were operated by Vietnamese/foreign joint ventures (VNAT, 2001, p. 41). The scale and budget of tourism accommodation projects in Vietnam continues to increase. An American asset management company has applied for a license for the construction of a US$ 1 billion resort and entertainment complex on the island of Phu Quoc (Vietnam National Administration of Tourism [VNAT], 2006).

Current Issues and Future Outlook

The joint-venture accommodation sector continues to expand. For instance, Accor plans to open four new hotels in Vietnam by 2008, in addition to the nine that it already has

(Strauss, 2007). Despite the growth of FDI in Vietnam's accommodation sector, most new hotels developed in Vietnam are state-owned, often as joint ventures with foreign investors (VNAT, 2001, p. 45). In the majority of cases, especially in cities, the hotels are owned by, and provide a major source of income for, city and provincial tourism bodies. (Travel Business Analyst, 1992, p. 13). Sixty percent of the one- to five-star grade hotels and 65 percent of all hotel rooms in Vietnam belonged to SOEs (State-Owned Enterprises) in 2001. The owning state bodies ranged from national ministries to district and commune-level agencies. The predominance of state ownership of hotels has been seen as a mechanism of built-in government regulation in the accommodation industry (VNAT, 2001, p. 109, 159). However, the diffusion of control over different levels and bodies of government mitigates the effectiveness and homogeneity of policies that was possible within the former centrally controlled market.

State-owned accommodation providers had a strategic advantage over the private operators just entering the Vietnamese market in the post-*doi moi* period by virtue of their possession of a number of well-located, established hotels in historic buildings in the urban centres of Vietnam. However, the competition of foreign joint venture hotels has inspired state hotels to improve their profitability, standards of service and facilities. Many state-owned hotels have been renovated or have moved into newly-built buildings to keep abreast of the demand of the international market. The cessation of direct government support compels these accommodation providers to operate differently than in pre-*doi moi* years, heralding a change in their management and service culture.

As mentioned, some state hotels are adding amenities such as massage and travel services, to supplement the room-only offering of pre-*doi moi*. Small private operators will commonly offer services and run galleries, clubs and other businesses inside state-owned hotels, paying rent to the hotel and thereby supplementing its income (Respondent, Hotel C, personal communication, June 24, 2004).

A continuation of dual private and public ownership has been endorsed in the 'Revised National Tourism Plan for Vietnam 2001-2010, Draft Report', which also calls for a careful thinking-through of privatisation, including the establishment of requisite regulatory systems and bodies. However, the same report also mentions other modes of wholly-private, wholly-state or public/private ownership, including the 'equitization' of state enterprises by sale of shares, the sale or transfer of some entire SOEs to private interests, the liquidation of non-performing SOEs and the restructuring of remaining government enterprises to enhance their autonomy and accountability (2001, p. 159).

Joint-venture hotels are able to offer bonuses such as discounts at their other hotels, by virtue of their global connections, their years of experience and economies of scale. They are also better equipped to deal with international bookings and tracking-down non-paying guests. Because state-owned hotels are restricted to ventures inside of Vietnam, they cannot compete with the newcomers in these aspects (Respondent, Hotel A, personal communication, May 24, 2004). Thus, state-owned hotels must capitalise on their own natural advantages. The low prices offered by state-owned hotels offset their lower standards of facilities and service and constitute an advantage against the competition (Respondent, Hotel D, personal communication, May 30, 2004). This price difference is in part due to lower operating budgets because of lower provision of facilities and service, as well as the hiring of local staff rather than foreigners. Foreign training manuals and videos are used in at least one state-owned hotel, to indoctrinate staff in international service standards (Respondent, Hotel E, personal communication, May 11, 2004). In recognition of the importance of environmental issues when marketing to Western guests, the Rex Hotel spent two years preparing for the environmental certificate ISO14001, which it received in 2004 (Respondent, Rex Hotel, personal communication, May 13, 2004). The Continental Hotel became the second hotel in Vietnam to receive the ISO 14001 environmental certificate in that same year ("Continental Hotel," n.d.) and the Majestic Hotel has also started working towards this certification.

Older state-owned hotels are undergoing renovations and improvements to keep up with the international market. The 4-star Rex Hotel in Ho Chi Minh City is completing a new 70-room 5-star hotel, with a 1000-person conference hall, parking and pool (Respondent, Rex Hotel, personal communication, May 13, 2004). The municipal People's Committee, which has provided a 3,000 square meter site is investing up to VND 300 billion (US$ 19.4 million) for construction of the new building (Son, 2003). Inner-city state-run hotels may be frustrated in their ambitions to upgrade due to site constraints. The Continental Hotel in the centre of Ho Chi Minh City has no space to provide new facilities such as parking or a swimming pool, and the hotel's large street-side windows are kept closed to keep out noise and pollution, but guests still complain. Some outdated state-owned hotels in Hanoi are slated to be demolished to make way for new four-to-five-star accommodation (Respondent, Hotel C, personal communication, June 24, 2004).

Conclusion

The opening of Vietnam's tourism accommodation market to foreign direct investment and domestic private entrepreneurs has brought about competition, consolidation and differentiation in the accommodation sector that was absent under the previous state monopoly. A more intensively-trained workforce and an orientation towards customer-responsiveness are required to serve this more differentiated and discerning market, and Vietnam's accommodation providers are increasingly concerned with meeting international standards.

Vietnam's current political transition has influenced the accommodation sector in a number of ways. The open door policy is to a large extent the primary cause of Vietnam's increasing attractiveness as a leisure and business destination in recent years, and also the resulting rapid growth in numbers of tourists in Vietnam. Parallel to this quantitatively-measurable growth, qualitatively different types of tourists have begun to enter the country during this time. The small groups of political and industrial tourists from COMECON countries during the pre-*doi moi* years have been replaced by a much wider variety of visitors, in terms of their origins, travelling budgets and expectations.

The Vietnamese government's eagerness to enter into the global community of nations so long denied it is evinced by Vietnam's recent admission to ASEAN, and WTO aspirations. The accommodation sector is directly affected by investment law reforms and other legislation passed in order to meet the requirements of entry into these organisations. The involvement of organisations like WTO and the UNDP in Vietnam introduces a global perspective to tourism planning, inspiring the drafting of the country's first Tourism Law (2006).

Many aspects of the development of tourism businesses in Vietnam in the *doi moi* period can be seen as results of the interactions between state-owned, domestic private and foreign joint venture operators in the industry since the latter two became active in Vietnam in the late 1980s. The government relinquished its monopoly on tourism enterprises in order to encourage the growth of a free market within which state-owned firms competed alongside private sector businesses. Foreign joint ventures have brought international standards to Vietnamese tourism and thereby brought new impetus for improvement to domestic and state businesses. Through their small scale, flexibility and resourcefulness, private entrepreneurs are able to find and fill niches not served by the larger state and FDI firms, and also play a role in incubating forms of tourism businesses that may be later taken up by government or foreign operators. All three types of firms are affected by factors such as government regulation, the quality of available human resources and infrastructure. State, foreign and domestic private tourism enterprises all play roles in influencing and directing changes in these and other factors in Vietnamese society that influence their operating environment.

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