

**Issues and concerns to be addressed by  
Ministry of Civil Aviation  
For enhancement of the National Tourism Economy**



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**Green Revolution  
White Revolution..  
IT Revolution..**

**now it is time for a**

## **Tourism Revolution**

### **Current Status**

- **Employment Created – 50 Million jobs**
  - **GDP Contribution – 6%**
- **Foreign exchange earnings 12 billion USD**

### **2015 Potential**

- **Employment created 75 million**
  - **GDP Contribution 8%**
- **Foreign exchange earnings 25 billion USD**

**Ownership of the 2015 potential rests with the Ministry of Civil Aviation whose partnership with the Tourism industry is sincerely requested to realize this potential, which is of national importance and contributes significantly to inclusive growth**

## **Civil Aviation & Tourism:**

Air Transport is an essential element of tourism, providing the vital link between the tourist generating areas and destinations. Good accessibility, which is determined by the transport services provided, is a fundamental condition for the development of any tourist destination. Moreover the transport industry can be a major beneficiary of tourism because of the additional passenger demand that may be generated. Aviation is an increasingly important mode of transport for tourism markets. Whilst geography has meant that, in modern times, air travel has always been the dominant mode for long distance travel and much international tourism, moves towards deregulation, and in particular the emergence of the low cost carrier sector, have also increased aviation's significance for short and medium haul tourism trips including domestic sectors. Thus developments in aviation can have very major implications for many leisure and business tourism markets.

However the characteristics and needs of leisure travelers are generally so very different from business travelers. This necessitates a separate consideration of these markets if a detailed understanding of the relationship with aviation is to be gained. In spite of the obvious closeness between the aviation and tourism industries, there are very few specialist texts on this subject. The industry appreciates the daunting tasks of the complexities and potential conflicts associated with the development of coherent and effective aviation and tourism policies.

With the exponential growth of Aviation Industry in India to develop infrastructure and modernize Airports is the impending need of the hour. This coupled with passenger friendly policies, reduction in Airport Taxes, enhance the relationship link between aviation and tourism for economic development.

## **Macro Issues:**

- Aviation to be given Infrastructure Status as it is crucial to the development of the economy and Tourism
- Creation of integrated policy for Civil Aviation and Tourism for holistic and complete development.
- More open skies for both Indian and Foreign Airlines to fly to and from India – **the five-year cooling period be revisited.**
- Need to ensure that India has a strategic game plan to ensure competitive Hubs are developed in India to compete with Dubai, Singapore, Doha and Kuala Lumpur
- Allow Foreign Airlines to Invest in the Indian airline companies
- Funding Issues hampering operations and growth of most airlines
- High cost of Aviation Turbine Fuel – domestic prices to be brought in line with international prices to give Airlines in India a level playing field and make them competitive .
- On implementation of **GST** it must include the petroleum products such as **ATF** and must be uniform at 4% across the country.
- Multiple airports in Delhi/ Mumbai/ Bangalore/ Hyderabad/Kolkata – **100 km norm to be revisited.**
- High cost of operation due to inefficient Airport Infrastructure
- Poor integrated Infrastructure support in the form of hangars, hotels, cargo set-ups
- Healthy competition among Airlines to ensure a win –win situation for all
- Healthy and robust National Carrier very critical to our need.
- The **service tax is not aligned with the ICAO** (International Civil Aviation Organisation) policies on taxation with respect to sale & use of air transport. It contravenes Doc 8632 of the ICAO. ICAO's policies were formulated in recognition of the adverse impact that taxation would have on growth and development of aviation industry. India as a member state of ICAO is expected to adhere to the policies of the same.

- The tax not only contravenes ICAO policies but is also counterproductive. It disregards the larger economic impact of aviation – in terms of contribution to GDP, tourism growth, employment among others. Travel and tourism (as per WTTC) generated \$67.3 billion worth of economic activity in 2009 – a near 6% of India's GDP.
- IATA estimates that the imposition of service tax to international and domestic operations to all classes of travel (economy / business / first) will have a significant negative impact on the economic contribution associated with air travel;
- Based on published studies on demand elasticity of air travel, IATA estimates that this 10.3% (service tax + cess) increase in travel cost will result in 7-8% fewer passenger journeys by air. This equates to a fall of 3.1 million domestic passengers, 152,000 fewer international journeys within the Asian region; and 97,000 fewer to Europe in a year. IATA estimates that the airline industry alone will face a reduction in revenues of US\$306 million due to the fall in demand across these 3 route areas alone.
- The aviation industry is going through a fragile recovery phase. The global airline industry generated a net loss of \$9.4 billion in 2009. The Indian airline companies lost approximately \$1.5 billion in 2009. While the traffic trends are picking up, IATA forecasts that the industry will continue to be mired in losses in 2010 as well. (The IATA forecast for airline losses in 2010 amounts to \$2.8 billion).

### Micro Issues:

- Complexities of taxes and Airline ATF varies from State to State
- Security at Airports: Implementation of International Standards Security,
- Safety: Air traffic management aspects needs to be upgraded and more ATC controllers needed.
- Baggage Handling Systems: Need for automated and efficient systems in order to minimize baggage delays and security risks – we need through check in for secondary cities.
- Safety: A Paramount Concern of global tourism industry - Are the Indian Skies/ Airports Safe.
  - More air traffic controllers required
  - Modern Ground & Air management system.
  - A fully staffed and trained team at DGCA keeping in mind our growth.
  - Accidents at airports growing.
- Requirement of all weather airport – especially Agra/ Jaipur/ Varanasi/ Jodhpur/ Udaipur/ Khajuraho and of course Delhi.
- Tourism destination Airports are in bad condition across the country – Khajuraho/ Varanasi/ Goa.
- Airports needs to become destinations at all locations
  - Require shopping arcades/ retail space, Resting Rooms on payment basis.
  - Adequate lounges for all classes of passengers. Business class lounges a must to attract Luxury/ Up-market tourists.
  - A hotel must be attached to all airports, inside the airport and more than one hotels in metro city airports in the 3/4/5 star categories.

### Quick Wins:

- All Air travel has been brought under Service tax net irrespective of class of travel and destination. However, tax shall be effective from the date to be notified by the control. **Request to revoke this act as this will kill demand.**
- The User Development Fee (UDF) imposed increases the Ticket cost and is high. The Airlines are compelled to pass this on the consumer. **This needs to be revisited.**
- Securing of airport passes for tourist facilities are a cumbersome process - **need one window approval.**

- Rationalize allotments of airport pass based on progressive turnover/ passengers handled by a company – Limits need to be raised: Higher the turnover, more the passes.
- Foreign tourists have no priority or separate queue for entry/ check-in at the airport – specially groups : This is a must.
- Immigration counters to be increased & fully manned to facilitate smoother & faster clearance in view of increase traffic.
- Demarcate separate area for foreign tourists to board/ disembark at the main gateway airports.
- Inadequate parking facilities at the airport for tourist transportation. Dedicated parking zones for large buses/ tourist cars are required close to the terminals, so that clients can walk immediately from the coaches without crossing any traffic.
- Separate Entry zones for the passengers with friends & relatives and those traveling alone to avoid crowding.
- High quality cabs to be introduced so that passengers do not feel the need to order cabs from the city or ask for own vehicles for pick-up.
- Introduce the Mahrabba style of visitor facilitation to earn higher revenue and give luxury service to those who require it.
- Increase availability of Helicopters since it is getting popular and required for destinations where there is no airport i.e Ranthambore / Samode / Rishikesh / Bandavgarh / Kahna / Corbett etc.
- Many International charters and private aircrafts wish to land directly into Agra and there are restrictions on night landing, no separate civil airport in Agra etc. – Air Force is cumbersome to deal with
- More availability of private charters - small / mid size / large - for regular tourist groups and Incentives.
- Rationalize taxation – high taxation discourages travel and stifles growth of the Sector.

### **Conclusion:**

The success of any Tourism depends upon the benefits it gives to the various users. Aviation is a key facilitator of Tourism and is of paramount importance for implementation and constant improvement in Tourism Policy. There is an urgent need for structured institutional changes in order for work cohesively together with Tourism and realize the potential of Tourism jointly.

### **Acknowledgement:**

**WTTC, India Initiative** has prepared this document after seeking inputs from all the following Associations:

ADTOI, ATOAI, ASSOCHAM, Bombay Chamber of Commerce and Industry, CAPA India, CII, FICCI Tourism Committee, FAST, Federation of Indian Airlines (FIA), FHRAI, Eco Tourism Society of India, Experience India Society, HAI, IATO, Indian Heritage Hotels Association, IATA, ICPB, ITTA, PATA India, PHDCCI Tourism committee, TAFI, TAAI and the Members of WTTC, India Initiative.

WTTC, India Initiative is grateful to these Associations and acknowledges the cooperation and support extended by them for the enhancement of the Tourism Economy in India.