

**Issues and concerns to be addressed by  
Ministry of Urban Development and Planning  
For enhancement of the National Tourism Economy**



**World Travel & Tourism Council, India Initiative  
A-228, Sushant Lok, Phase I, Gurgaon  
Haryana - 122 002  
Tel: +91 124 426 1874, Fax: +91 124 426 1875  
Website: [www.wttcii.org](http://www.wttcii.org)**

**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 Urban Development and Planning whose partnership with the Tourism industry is sincerely requested to realize this potential, which is of national importance and contributes significantly to inclusive growth**

## **Urban Development and Tourism:**

The economic sector of tourism has shown increasing significance during the last years. Significant of the upcoming projects is a focus on the upper and luxury class of the tourism sector. This will have consequences to urban development as well. Many subjects, for example the structure of residential areas, retail concepts or design and usage of open spaces are orientated by the desires of the urban consumers and results in restrictions to public life. In coastal areas this problem will be focused at the coastline because of the inherent public interest in waterfronts. Strategies, methods must be in place for problems of transforming existing urban structures, under the main goal, to create a tourism destination.

If traditional and historical sites could be utilized for tourism purposes, refurbishment and preservation is required. On the other hand not very much is needed to implement tourism. Often a renewal and upgrading of the local environment and infrastructure is required. Improved infrastructure, quality social and health services and entertainment facilities have to be put in place for tourism. But therefore it will create a positive spill off effect for the local community.

Ministry of Urban Development and Planning has to deal with a variety of aspects of tourism if a region should be developed as a tourism destination. Contrary requirements of tourism and domestic population have to be combined, special capacities of infrastructure and housing policies are issues which have to be mentioned. Urban planning is the combining element of physical structure, social aspects and technical requirements.

## **Macro Issues:**

- Give importance to Rural Tourism and its capacity to generate of jobs in Rural areas Rural Tourism will provide more jobs of over 150 days duration as compared to NAREGA and can lend a helping hand to Government for rural projects including health, hygienic and civic/social upliftment.
- There is a need to take up a pilot project for destination management for specific destinations incorporating best practices, international benchmarks. This pilot study could be used as a model and replicated/modulated as per need assessment of other destinations.
- The Department of Urban Development in the various States could be asked to identify suitable plots of land in conjunction with the Department of Tourism and this could lead to quick disposal of suitable Hotel sites which is the real constraints for the setting-up of new Hotels
- In order to add to the guestroom accommodation in the country which is estimated to be short by 100,000 guestrooms by the Ministry of Tourism, a PPP model can be adopted by the States / land owning agencies in a manner that suitable plots of land are put up for auction and the highest bidder is awarded the plot but instead of making a lumpsum payment for the entire bid amount the developer can pay a percentage of the bid amount depending on the category of hotel as under:
  - 4% of the bid amount for 5-star & 5-star deluxe hotels
  - 3% of the bid amount for 1, 2, 3 & 4-star hotels

By following this method the high burden of the cost of land is not part of the project cost and the annual lease rent is an operating expense of the Hotel and thus would help to reduce the overall project cost and the gestation period which is normally long as hotels are very capital intensive.

- The grant of additional Floor Area Ration (FAR) to Hotels over and above the normal permissible FAR is now permitted only in some States / Cities such as Maharashtra (Mumbai, Pune), Karnataka (Bangalore). Tamil Nadu (Chennai) and recently in 2009 in the National Capital Territory (N.C.T) of Delhi. Also, the total amount of FAR varies from 5.00 in Mumbai to 3.5 in Bangalore and 2.25 in N.C.T of Delhi. A quick way to ensure

additional capacity of Hotel rooms is to liberalize the FAR given to hotels for e.g. N.C.T of Delhi was requested by the Federation of Hotel and Restaurant Association of India (FHRAI) to increase the FAR from the then permissible 1.50 to 3.0 but finally an FAR of 50% over the permissible FAR was granted i.e. 2.25. As other cities like Mumbai have granted additional FAR from the normal permissible FAR of 1.33 to 5 which is a 276% increase; **in a similar manner the N.C.T of Delhi could increase it to 3.00 which is an increase of 100% from the earlier permissible FAR of 1.50 and the present permissible FAR would help several Hotel projects in Delhi to add more guestrooms at a relatively low incremental cost per room and ease the acute shortage of 30,000 guestrooms estimated in the city.** Also, the premium for the grant of additional FAR of 50% of the Zonal Average Auction Rate (ZAAR) is very high and is an onerous burden to the expansion of additional capacity. In the case of Mumbai the premium of additional FAR is levied to 25% of the rate specified in the Department of Revenue's Ready Reckoner Rate for that area whereas in the N.C.T of Delhi it is levied on the ZAAR. It is, therefore, requested that in the interest of Tourism the premium is levied only at 25% of the ZAAR instead of 50% of the ZAAR and applicable for grant of additional FAR after August 31, 2010 i.e. the opening of the Commonwealth Games.

- **Single window clearance for approval of building plans by the plan sanctioning authority** - At present the list of licences / approvals required for a Greenfield hotel project amounts to a staggering figure of more than 40 to be granted by several sanctioning authorities. It is requested that a Single Window Clearance Scheme to be introduced so that once the building plans are submitted to the plan sanctioning authority, whether Municipal Corporation or any other body it circulates the plans within its various arms like the Fire Office, Electrical Dept. plumbing and storm water drainage Dept. etc., The local pollution control board, lift inspection office, police for approval of traffic, approval under the Shop and Establishment Act, etc. These plans can be sent to the various other sanctioning bodies with a time limit of 1 month and they get automatically approved, if there is no reply / objections from the said Dept. Similarly, once the Hotel building is ready for operations they are given a number of approval required for commissioning the Hotel such as the NOC certificate for the building, fire, sewage, electricity, water connection, etc. once the above permission are obtained a temporary occupancy permit can be granted at the pre-opening stage and the permanent occupancy permit after the hotel has opened before which various other approvals from other statutory authorities can be obtained. The aforesaid procedure is being adopted in Delhi for the fast track Commonwealth Games projects by the various sanctioning authorities and this model could be emulated by building plan, the various sanctioning authorities by the State Governments so as to cut down the lengthy approval process by multiple agencies.
- Infrastructure challenge has to be met with an acceptable PPP model approved by the Cabinet and the State Governments. And that should become the master model for land, for wayside facilities, etc.
- More PPP models in Tier II, III and IV cities, to ensure "access, affordability and availability in such areas. These cities often are hubs of tourism activity and lack basic infrastructure and amenities.
- Legal bottlenecks such as obtaining permissions and clearances hamper PPP Models. Land Acquisition Act must be revisited
- Tourism is a multisectoral activity and there is need for institutional reforms and a mechanism within Government to achieve objectives of development. Strategic Planning for this sector must involve a shared vision among all stakeholders at all levels and encourage participative action
- Millennium Development Goals of UNDP have urged for ensuring environmental sustainability and reduction of the percentage of the population under extreme poverty.

#### **Micro Issues:**

- Strike a balance between environmental protection and human economic development and between the present and future needs.

- Urban development must attain social equity and environmental protection in urbanization while minimizing the costs of urbanization.
- Achieve harmony between the development of the urban areas and protection of the environment with an eye to equity in employment, shelter, basic services, social infrastructure and transportation in the urban areas.
- Urban Development and tourism must work hand in hand on the following four pillars:
  - environmental sustainability;
  - social equity;
  - economic growth with redistribution;
  - the political empowerment of the disempowered.
- Urban Local Bodies [ULBs] which are statutorily responsible for provision and maintenance of basic infrastructure and services in cities and towns are under fiscal stress – increasingly dependent on the higher levels of government for their operation and maintenance requirements.

### **Quick Wins:**

- Sustainable livelihoods by securing housing rights; and freedom from violence and intimidation on the basis of social identity, and ensuring
- Adequate provision of and access to Tourists: public health facilities, safe and sufficient drinking water.
- Provide services and infrastructure -A clean, safe and healthy living environment; and social security programmes.
- Civic amenities in Tourist Destinations - street lighting, parking lots, bus-stop, and public conveniences;
- FAR of Motels be increased from 15 to 175 for augmenting the availability of Hotel accommodation in Delhi in connection with forthcoming Commonwealth Games.
- Choose one destination, create a Master Plan for Destination Development incorporating the best practices and use it as a Case Study for implementation.
- Conservation of areas of cultural heritage and natural environment.
- Optimize land use and land utilization
- Extension of benefits of Section 80 HDD benefits, which provides tax relief to hotel companies for building new hotels in the following locations which are greenfields for investment: Agra, Bodhgaya, Chettinad, Hampi, Jaipur, Jodhpur, Khajuraho, Trichy, Varanasi and the State of Kerala. Request for tax holiday for 10 years to encourage development.
- Participatory approach for supply of land and infrastructure development.
- Heritage sites if converted into hotels be granted relief from all tax, i.e house tax, commercial tax, commercial rate of electricity, water for a period of 10 years to boost heritage conservation and preservation.

### **Conclusion:**

Countries of strong economic markets have derived benefit from this development. Using optimized global logistics, transport systems and communication networks, they are able to exploit resources, which were untouched up to now. But there is as well a chance for nations on the road of development to find an appropriate position in this system. Selling or manufacturing mineral and natural resources, are the common issues to enter the international markets. But developing a tourism destination can be an alternative or an additional option to generate local economy. Ministry of Urban Development and Planning must focus on focus on architecture, people, city life, transport and other aspects of urban development and lend support to the sector through its various policies and initiatives for Tourism in India to be a crucial contributor to the Economy of the country.

**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, 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.