



**CONVERGENCE ISSUES
FOR THE
TOURISM SECTOR**

World Travel & Tourism Council, India Initiative

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World Travel & Tourism Council, India Initiative
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Tourism Sector An Overview:

- The Tourism Sector received a tremendous fillip this year – A presentation on the Economic Imperative of Tourism was made to the Hon'ble Prime Minister by Shri Subodh Kant Sahai, Hon'ble Minister for Tourism in June 2011 on the sector and its immense potential
- The Hon'ble Prime Minister has acknowledged the Sector's contribution and an inter-ministerial committee headed by the Principal Secretary to the Prime Minister has been formed to look into the Sectoral Issues
- The Hon'ble Prime Minister has also requested the Planning Commission to give priority status to the Sector given its huge employment potential
- Tourism currently provides employment to over 53 million people in India and is the single largest employment generator in the country. The Sector is set to create additional 24.9 million jobs during the 12th Five Year Plan (2012-2017)
- The Ministry of Tourism, Government of India has set a target to increase India's share of Foreign Tourist Arrivals (FTAs) to 1% of International Arrivals by end of 12th Five Year Plan from the current 0.60% (from the current 5.58 million to 11.24 million FTA's in 2017)
- The Ministry of Tourism, for the development of tourism, has sought an amount of Rs 21,500 Crores as allocation for the sector in the 12th Five Year Plan, by – this is nearly 4 times the allocation for the 11th Five Year Plan
- Also facilities for domestic tourism is to be augmented to handle the increased the number of domestic tourist visits from 740 million in 2010 to 1451.46 million in 2017
- Most importantly accommodation units in the Classified Category of 1.81 Lakhs is to be added from the present available 1.28 Lakh rooms by 2017
- A huge investment of approximately Rs 60,000 Crores is required to add these accommodation units
- ' Also Air passage capacity, Airport Infrastructure, Road Connectivity needs to be augmented
- There is a huge shortage of person power - Skill requirements and skill gaps existing in Airlines, Travel and Tour Operators, Hotels and Restaurants, Multiplier Effect Employment segments and will increase if the aforesaid capacities are built upon

CONVERGENCE REQUIRED IN THE TOURISM SECTOR OF INDIA

Travel and Tourism in India is facilitated by the convergence and joint efforts of the various Ministries, Departments of Government of India and State Governments. Each of them has a special role in its contribution to the Tourism Sector. In many functions they work in conjunction with Ministry of Tourism.

The issues that are outlined in this document hamper the growth of the Sector in India and could be considered for immediate attention and implementation by the concerned Ministries for the enhancement of the National Tourism Economy. Tourism is not an elitist activity but indeed the largest employment generator and therefore needs to be accorded the priority it deserves.

Ministry of Finance:

- **Inclusion of Hotels in the Infrastructure Lending List of RBI** will give - A higher debt equity ratio of up to 4:1 (instead of 1.5: 1 at present) A term repayment tenure of up to 15 years instead of 10 years at present which is totally inadequate for the capital intensive Hotel Sector; Lower interest rate on term loans compared to the present high interest rate regime; Availing of “take-out financing” extended to the infrastructure sector; Issue of infrastructure finance bonds by All-India Financial Institutions (AIFIs) as permitted in the Finance Act of 2011-12; Availing of ECB’s of up to US \$ 500 million;
- **Rationalization of Taxes** on the whole, providing a better fiscal operating environment for the Sector to thrive. Taxes levied on Tourism Industry should be unified, rationalized and made globally competitive;
- **GST** once implemented should not be more than 8% for the Indian tourism sector;
- **Sec 35 AD of Income Tax Act, 1961** be extended to Real Estate companies and other developers who award Management Contracts to other specialized Hotel Operators who have expertise in the running of Hotels to manage the properties;
- **Luxury tax on hotel rooms** should be limited to 4% to make India’s accommodation globally competitive. Levy of luxury tax on hotel accommodation is a State subject. The State Governments/UTs levy taxes ranging from 4% to 20%.
- **The foreign exchange** earned by hotels and inbound tour operators may be considered as ‘deemed’ exports and full service tax exemption be provided to them at par with other exporters;
- Similarly Road Taxes for Tourist Vehicles should be one time and uniform across India. Introduction of a separate Tourists Vehicles (T.V.) series as registration number for Government of India approved Tourist Transport Operators;
- Rationalization of tax structure on air fares/airport charges and ATF charges and reduction of multiplicity of taxes on Aviation Sector. ATF Charges vary from 4% to as high as 20% from State to State, taxes on fuel and other airport charges constitute of 50% of the Airline’s operating Cost thus making air travel costlier;)

Ministry of Home Affairs:

- The Countries which are Prime Source Markets for India like Russian (CIS) countries, China, Australia, UK, US, Schengen (European) Countries, Thailand, Malaysia and Brunei must be brought under the ambit of this “Long Term Tourist Visa” Scheme.
- Extension of Visa on Arrival to Airports of Goa and Trivandrum and Cochin along with the necessary resources in place.
- New sizes required for Visa Photos. The Visa applicants who had applied earlier are now facing a major

problem.

- Re-entry to India after visiting neighboring countries: - As per circular 379 of Ministry of Home Affairs (Foreign Division), Govt. of India, re-entry to India within 60 days for bonafide tourists is allowed after visiting the neighboring countries provided they have submitted the detailed itinerary and confirmed return tickets and have double entry/multiple entry visas. But in reality, this is not happening. Indian Embassies/High Commissions abroad and FRROs are not very much clear of these rules of granting re-entry to bonafide tourists visiting India along with Nepal, Bhutan or other neighboring countries within 60 days. This information needs to be circulated to all the Indian Embassies/High Commissions, FRROs and Immigration Offices so that tourists are not harassed.
- 60 days gap for re-entry clause to be withdrawn: - There are some instances that bonafide tourists want to revisit India within 60 days of their last visit. The matter to be re-looked and government should withdraw the condition of 60 days gap between the last exit from India as the Commonwealth Games are over now. This discourages business groups and also the groups who wish to re-enter India within 60 days, from their own country or after visiting South East or Far East countries like Thailand, Vietnam, Malaysia, Dubai as their final departure is from India.
- Conference Visa- Tourists/People coming for conferences from overseas have to get clearance from 4 different ministries that include Home, Affairs, External and Nodal Ministry and then the Delhi Government and without which conference Visa can not be obtained. This process is very cumbersome and we cannot promote MICE tourism.

Ministry of External Affairs:

VISA regulations & Service Delivery

- The Ministry of External Affairs has to lay down strict guidelines for turnaround time with their Foreign Posts/ Missions. If this is laid down as a Rule - two working days - most problems will be resolved.
- The process for application of Visa's should move to online but the Ministry of External Affairs needs to inform the trade well in advance, have proper technology and ensure the experience of the customer is smooth. In Germany this was introduced with no prior information and the speed was so slow that most people gave up.
- The age profile of Visitors to India are mostly Senior citizens (aged between 65-75) and they find the Internet operation tedious and cumbersome and commits mistakes while furnishing online information. Simplify the Process.
- Foreign language speaking countries finds it difficult to comprehend the contents of the application form as English is not their national language especially in France and Germany. Multiple Language Options is a must.
- Delay in issuance of Visa: - There is delay in issuing Visas as the Missions abroad and agencies appointed by the Embassies take their own time. Outsourcing the VISA Process is an extremely good move, however some Service Providers offer a very poor quality of Service. Some times the time lag is 15-25 days;
- Group Visas: - Indian Missions are not willing to accept passports for Visa in one go and clients are asked to submit passports in small nos. Clients are required to make separate cheque for every lot submitted;

Ministry of Civil Aviation:

- Improving Air Connectivity at Key Tourist Destinations;
- Rationalization of ATF Charges and User Development Fees;

- Introduction of Seaplane Operations in Kerala, Goa;
- Air Taxi Operation with small aircrafts (20 Seaters) be permitted to a consortium of Hoteliers, Tour Operators to lesser connected tourist destinations. This could be funded under the Large Revenue Generating Scheme (LRG) of the Ministry of Tourism under a Public Private Partnership Mode;
- Many International charters and private aircrafts wish to land directly into Agra, Jaipur and there are restrictions on night landing, no separate civil airport in Agra;
- 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;
- Requirement of all weather airport – especially at Agra/Varanasi/Jodhpur/ Udaipur/ Khajuraho;
- Airstrips at Thekkady and Bekal Fort are the two major tourist destinations in Kerala.

Ministry of Environment & Forest:

- Tourism industry has demanded the reduction of distance of the No Development Zones in selected coastal stretches for promoting tourism. The Ministry amended the CRZ Notification, 1991 on 18 August 1994, on recommendation by the B.B. Vohra Committee was constituted on 1 January 1992 mainly to examine CRZ vis-à-vis coastal tourism. The No Development Zone (NDZ) area all along the Tidal water bodies was reduced from 100 to 50 mts. The amendment also permitted construction in NDZ. However this was challenged in the Supreme Court of India in 1993 and the above amendment was quashed and status quo was maintained. Rationalization of CRZ Rules, implementation of MS Swaminathan Committee Report can add 2 Million Tourist on Beaches;
- Ministry of Environment & Forests needs to issue their Ecotourism policy. This will help articulate a lot of matters relating to the conduct of wildlife tourism, community participation and sustainable operations. Establish National and State Ecotourism Directorates to manage and streamline processes for permissions/registrations/certification/monitoring etc;
- Assessment of carrying capacity of Eco Sensitive Zone for sustainable tourism;

Ministry of Urban Development:

- Floor Area Ratio (FAR) restriction of 225 and the unaffordable charges for additional FAR levied by DDA vide notifications dated 12th August 2008 & 27th February 2009 act as deterrents to hotel capacity expansion in the National Capital Territory of Delhi.
- Need Enhancement of FAR for hotels in the NCT of Delhi, which was done from 150 to 225, vide Notification No. K-12011/5/2007-DDIB dated 12th August 2008 be further enhanced to 300 as was originally requested and recommended by the Ministry of Tourism, Government of India;
- The charges for additional FAR may not be recovered on the basis of Zonal Average Auction Rate (ZAAR) as now stipulated by the DDA but should be recovered @25% of the circle rates issued by the Stamp Office of the Government of the NCT of Delhi as is followed by the Government of Maharashtra for the last 40 years; and
- The charges for the additional FAR may be recovered at 25% of the circle rates published by the Government of NCT of Delhi instead of 50% of ZAAR from 31st August 2010 onwards i.e. the date up to which the DDA notification dated 27th February 2009 allows the concessional rate of 25% and after which date the ratio goes up to 50% of ZAAR;

- 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;

Ministry of Defence:

- Utilization and opening up of Defence Airport/Strips, unused airstrips for Tourist Access. Opening up of Airports at Agra and expansion of Dabolim Airport at Goa;
- Adventure tours operate in wilderness areas where communication/ medical facilities are not accessible. In this scenario, allowing the use of satellite phones and global positioning system (GPS) are mandatory ensuring that safety standards in India are as par with international standards;
- Open up Golf Courses under the purview of Ministry of Defence near tourism destinations to encourage Golf Tourism;
- Facilitate availability and retraining of retired Ex-Servicemen for Tourist Facilitation and Security Organization (TFSO) in States/UTs;

Ministry of Culture:

- 23 Cultural and 5 Natural World Heritage Sites ascribed to India by UNESCO, 32 other sites across various states have been proposed to be included under Heritage Status. At most Sites basic infrastructure such as transport linkages, garbage and solid waste management, tourist facilities such as toilets, day centers, site information and manuals guide, recreational facilities are lacking and missing. To ensure that these Sites get adequate attention and visitations from Tourists, world-class infrastructure standards needs to be put into place and maintained;
- Selective branding in PPP mode to be considered in monument area in lieu of sharing of upkeep costs;
- Selectively allow use of monument sites as venues for events to enhance experience;

Ministry of Human Resources:

- Short Courses, Vocational Courses and Skill development programmes. The vocational education in +2 can be expanded in a big way for schools under CBSE, ICSE and State Boards;
- Facilitation of PPP models for Tourism related Courses and institutions in conjunction with National Skill Development Corporation;

Ministry of Railways:

- Up-gradation of Railway Stations, Rail Tracks near important destinations, improving Rail Connectivity;
- Rationalization of haulage charges levied by Ministry of Railways on Luxury Trains;
- Usage of available Land Banks for setting up accommodation units;
- In the medium term there should be a Tourist trains on important overnight circuits. The Tourist trains, which are affordable with excellent facilities – air-conditioned, 50% first class cabins and 50% economy cabins, state of art dining cars etc;

Ministry of Rural Development:

- Convergence with Anti-poverty & Self Employment Programmes;

- Rural Heritages Projects that are in the vicinity of the 168 MoT Rural Tourism Sites and which need restoration. This could be worked upon jointly with the help of the Ministry of Rural Development, Ministry of Culture and Ministry of Tourism;

Ministry of Road, Transport & Highways:

- Improvement of connectivity to key destinations through National Highways and ensuring Last Mile Connectivity through Central Road Funds;
- Taxation on every service e.g., toll, State permits is cumbersome and complicated and expensive to collect. Request for a one time fee to be incorporated while buying tourist vehicles, the fee collected may be distributed to States etc on a decided mode;

Ministry of Shipping:

- Taxation – 32% duty on bunkers , 10% Service Tax etc. again increases the cost significantly. Different kind of taxes like excise etc. needs to be waived off. This policy addresses the issues of taxation - need a quick implementation of this Policy;
- Indian territorial waters extend up to twelve nautical miles from the Indian land mass. The law is extended to designated areas in Continental Shelf and Exclusive Economic Zone of India w.e.f. 01/03/2002 vide notification no. 1/2002-Service Tax dated 1st March, 2002. Hence w.e.f. 01/03/2002 services provided beyond the territorial waters of India but in the designated areas within 200 nautical miles from the baseline would also be liable for service tax. Prior to 1st March, 2002, services provided beyond the territorial waters of India (i.e. beyond 12 nautical miles from Indian land mass) were not liable to Service Tax (Circular no. 36/4/2001 dated 8th October, 2001);
- Kochi International Marina located on Bolgatty Island in Kochi developed by the Kerala Tourism Development Corporation last year. This is the first full-fledged marina of international standards in India and built to encourage Yacht & Cruise Tourism. The Ministry of Shipping and the various Port Trusts could identify sites for other Marinas across the country. The Kochi Marina provides berthing facility for 37 yachts and also offers services like fuel, water, electricity and sewage pump-outs for boats. The Marina is close to the international maritime route at the south west coast of the Indian Peninsula, with favorable weather conditions and minimum tidal variations throughout the year;
- Locations could be identified in other Port Trusts and ports in the country so that land can be allotted through Public Private Partnership for lease of 60 years as mixed-use facilities. Other Port Trust which also have land could follow the model followed by Delhi International Airports Limited (DIAL);
- Immense opportunities in River Cruise Tourism – facilitate development;

Ministry of Information and Broadcasting:

- There are serious concerns in over sensitizing even local issues, which, hampers the tourism promotion. In the past the terrorist attacks, the swine flu and stray cases of harassment of foreign tourists etc, were not handled properly, had quite an adverse impact over the image of India abroad. Ministry of Tourism and Ministry of Information and Broadcasting should take the necessary steps in ensuring and sensitizing the media so that unnecessarily panic is not created;

Conclusion:

The above Ministries of Government of India, the State Governments, local bodies are a key facilitators of Tourism and are of paramount importance for implementation and constant improvement in Tourism Policy. Convergence and sustained coordination among these different arms of Government of India and State machinery would help achieve the targets set for the 12th Five Year Plan as well as a holistic development of the Sector in India.