

Tourism Sector

13.1 The Tenth Five-Year Plan recognises the vast employment generating potential of tourism and the role it can play in furthering the Plan's socio-economic objectives. The travel and tourism sector creates more jobs per million rupees of investment than any other sector of the economy. More importantly, this employment is generated rapidly at a relatively low cost across a wide spectrum of skills.

13.2 The Tenth Plan has assessed the employment in the travel and tourism sector (both domestic and international) to be 25 million, and set a target of creating 3.6 million jobs a year. However, since the jobs span a number of services, notably hotels, restaurants and transport, it is difficult to estimate the direct and indirect effects of tourism on employment and the income of local households. The Ministry of Tourism is making efforts to establish a Tourism Satellite Accounts (TSA) system to measure such impact.

13.3 India's share in international tourist arrivals was 0.34 per cent in 2002 and increased to 0.40 per cent during 2003. The trend has been maintained in 2004, when international tourist arrivals touched 3.37 million, an increase of 23.5 per cent over arrivals in 2003. The Tenth Plan aims to enhance India's share of international arrivals to at least 0.62 per cent by 2007 and the prospects of achieving this target appear to be good. Domestic tourism is estimated to be much higher than international tourism and has also been rising rapidly.

PROGRESS IN THE TENTH PLAN

13.4 Recognising the potential of tourism as an engine of economic growth, the allocation to this sector was increased from 0.27 per cent of total gross budgetary support in the Ninth Plan to 0.71 per cent in the Tenth Plan. The Central Plan outlay for the sector for the

Tenth Plan has been increased to Rs.2,900 crore from Rs.595 crore in the Ninth Plan. In addition, substantial investments are planned for road, rail and air transport, urban infrastructure and in the culture sector. A statement showing scheme-wise approved Plan outlay and expenditure for 2002-03 and 2003-04, the Budget Estimates and Revised Estimates for 2004-05 and Budget Estimates for 2005-06 is given in Annexure 13.1.

13.5 Plan expenditure on development of the tourism sector by states/Union Territories in the Ninth Plan was Rs.1108.72 crore against an outlay of Rs.1687.30 crore. In view of the importance of the sector, the Tenth Plan allocations for states/Union Territories were increased to Rs.4602.44 crore. Actual expenditure at current prices during 2002-03 was Rs.323.36 crore, which significantly increased to Rs.502.37 crore in 2003-04 and then to Rs.568.57 crore in the Budget Estimates for 2004-05. Details of Plan allocations and expenditure by state/Union Territories for the Ninth and Tenth Plans (at constant prices 2001-02) are given in Annexure 13.2.

STRATEGIC OBJECTIVES FOR TENTH PLAN

13.6 The Tenth Plan's vision for tourism development is to be achieved through the following five key strategic objectives:

- Positioning tourism as a national priority.
- Enhancing India's competitiveness as a tourism destination.
- Improving and expanding product development.
- Creating world class infrastructure.
- Drawing up effective marketing plans and programmes.

POSITIONING TOURISM AS A NATIONAL PRIORITY

13.7 In order to give greater impetus to the development and promotion of tourism, the Ministry of Tourism constituted a National Tourism Advisory Council (NTAC) in 2002. The State Tourism Ministers' Conference, in September 2002, discussed the need for putting tourism in the Concurrent List of the Constitution, rationalisation of taxes on hotels and tourist vehicles, completion of all projects pending from the earlier Plans and active coordination between different agencies at the Central and state levels. All but eight states – Tamil Nadu, Karnataka, Andhra Pradesh, Kerala, Maharashtra, Punjab, Haryana and Jammu and Kashmir – have agreed to the inclusion of tourism in the Concurrent List. The dissenting states have argued that major components of the tourism sector are presently in the State List and inclusion of the sector in the Concurrent List would reduce the autonomy of states.

ENHANCING INDIA'S COMPETITIVENESS AS A TOURIST DESTINATION

13.8 India's competitiveness as a tourist destination is affected by the high cost of air travel. The inadequate number of international flights allowed into the country in the bilateral civil aviation agreements puts a constraint on the availability of air seats for international tourists and leads to an increase in the air fares compared to fares for other destinations. For the last two years, an open skies policy has been declared on an ad hoc basis in the five winter months in order to make more seats available for the traditional rush season. However, this is not an adequate response since airlines are not able to plan addition to capacity on a long-term basis. In order to make India a major tourist destination, facilities and services at airports, which have been rated by tourists as between poor and average, are to be improved. Presently, Indian airports lag behind in international standards in many respects. Domestic air travel is also expensive compared to neighbouring countries. Central excise duty and high rate of state sales tax - average 25 per

cent - on aviation turbine fuel (ATF) constitute 30 percent of operating cost of domestic flights in India. There is need for notifying ATF as a "delared good" attracting only a uniform central sales tax of 4 per cent to reduce the cost of domestic air travel.

13.9 Hotel tariff in India is also very high because municipal bodies auction land for building hotels, which makes it difficult for hoteliers to construct budget hotels. Taxes, such as luxury tax at the state level, also increase the cost of hotel accommodation. High taxation, differential rates of taxes in various states on tourist vehicles, entry tax, and parking charges at each state/destination push up the cost of tourist transport – another key segment of the sector – and also subject the tourists to avoidable harassment because the vehicle needs to stop at each state border to pay the taxes. Tourist Trade Associations estimate that all these factors make India more expensive by 25 per cent to 30 per cent as compared with other tourist destinations in the region.

13.10 To provide for the safety and security of tourists, Andhra Pradesh, Goa, Kerala, Jammu and Kashmir, Rajasthan, Himachal Pradesh, Maharashtra, Uttar Pradesh and Delhi have deployed trained and motivated police force at tourist places. The Centre has taken up with state governments the issue of enactment of a Tourist Trade Act, to conserve and preserve tourist areas and for the approval of persons/agencies/institutions dealing with travel and tourism trade offering quality services. Revised guidelines for tourist guides, travel agents, tour operators and tourist transport operators have been issued to prevent harassment of tourists.

13.11 Hotel management and catering education programmes assume special importance in view of the modernisation and expansion of the country's hospitality industry. Currently, there are 24 Institutes of Hotel Management and six Food Craft Institutes which follow the curriculum of the National Council of Hotel Management and Catering Technology (NCHMCT). The Indian Institute of Travel and Tourism Management (IITTM)

at Gwalior caters to the requirement of professionals in the travel and tourism sector. The National Institute of Water Sports at Goa and the Indian Institute of Skiing and Mountaineering at Gulmarg are premier institutes meeting the needs for upgrading the skills of service providers in adventure and water sports. In order to break new ground in culinary arts, the Ministry of Tourism is setting up an Advanced Institute of Culinary Arts as a joint venture with private academic institutions.

13.12 A new scheme on Capacity Building for Service Providers, launched in the Tenth Plan, provides training, through one to five day modules, to persons who are working in the unorganised sectors, and others who come into contact with a large number of tourists, like those working in small hotels, roadside eating places, dhabas, ticketing agents, travel agencies, police personnel etc. The training covers cooking techniques, basic nutrition values, nutrition preservation, etiquette, basic tourism awareness, communication skills, behaviour skills, first aid and also energy conservation. The scheme has provided the basic framework for a countrywide training programme in human resource development for various groups of service providers in the tourism industry.

IMPROVING AND EXPANDING PRODUCT DEVELOPMENT

13.13 The major beneficiaries of tourism development are private sector agencies like tour operators, hotels, transport operators, restaurants etc. There is need for higher levels of participation by the private sector in all stages of tourism development. The Ministry of Tourism has issued guidelines for the privatisation of assets created with Central financial assistance like accommodation units, wayside amenities etc for better management and maintenance. The Ministry has also introduced a scheme for private participation in revenue generating projects with 25 per cent equity from the government. The scheme of the Ministry of Finance for viability gap funding for supporting public-private partnerships in infrastructure covers, inter alia,

support for convention centres. The feasibility of covering budget hotel accommodation under the scheme is being considered.

13.14 It is evident from the increased activity in the development of hotels and resorts along the wildlife circuits that the tourism sector is responding to the increasing demand for eco-tourism. India has a significant number of wildlife sanctuaries and national parks and they provide a great opportunity for expanding the tourism market. The Ministry of Tourism formulated a policy on eco-tourism in 1998 involving a selective approach, scientific planning, effective control and continuous monitoring. The cardinal principles of the policy are:

- Involve the local community in tourism activities.
- Identify and attempt to minimise the likely conflicts between use of resources for tourism and livelihood of local inhabitants.
- The form and scale of tourism development should be in harmony with the environment and socio-cultural characteristics of the local community
- It should be planned as a part of the overall area development strategy, guided by an integrated land-use plan and be associated with commensurate expansion of public services.

13.15 Operational guidelines for the implementation of the policy by the states and the tourism trade are also in place. The Central government has also set up a National Committee on Eco-Tourism and Mountains to work out details of managing the fragile ecosystem and to consider programmes for development of eco-tourism in the country. The Committee needs to give priority to the eco-systems, which are coming under pressure from growing population and nature-related factors like lower rainfall (See Box 13.1).

13.16 Health tourism is another area with a high potential for growth. Health tourism is non-seasonal and the average length of stay of a person is long, depending upon the medical procedure involved. The low cost of medical treatment,

Box 13.1

Effect of water scarcity on the Keoladeo National Park

The Keoladeo National Park at Bharatpur, spread over an area of 29 sq. km, is among the world's renowned wetlands and has been accorded the status of a Ramsar Wetland and World Heritage Site. Since it is covered by three major eco-systems – wetland, grassland and woodland – the park is home to a variety of animals and bird species as well as plants, around 370 species of birds and 375 species of flowering plants at last count. However, the survival of this wetland depends on assured water availability from July to November. A steady reduction in the availability of water due to various reasons like decreased rainfall and degradation of watershed, to name just two reasons, has resulted in the wetlands and grasslands being invaded by an obnoxious weed, leading to degradation of the habitat.

high level of expertise and varied systems of medicine of India are factors that can lead to an increasing share of health tourists in the total tourist arrivals. The southern states, especially Kerala, have developed health tourism as one of the products for promotion of tourism.

13.17 The Archaeological Survey of India (ASI) looks after the heritage sites that are major tourist attractions. For the integrated development of heritage sites, the Ministry of Tourism has taken up a large number of projects during the Tenth Plan period involving upgrading of facilities in the most popular sites in close co-ordination with the ASI. Action Plans are being formulated with the active involvement of state governments for developing popular heritage sites outside the purview of the ASI through public-private partnerships. Public sector and private sector

organisations are being encouraged to adopt some of the well-known heritage sites under the ASI for maintenance under the National Cultural Fund (See Box 13.2). ASI levies entry charges to each heritage site. In order to make lesser-known heritage sites also attractive in a region, a scheme should be introduced to facilitate tourists to visit the maximum number of heritage sites with concessional entry charges.

CREATION OF WORLD-CLASS INFRASTRUCTURE

13.18 In order to develop and facilitate tourism, it is as necessary to improve the general physical infrastructure and not just tourism-specific infrastructure. Of the 1,310 tourism projects which were carried forward into the Tenth Plan, only 740 projects remained to be completed at the end of 2003-04. In the

Box 13.2

Monuments adopted by private and public sector organisations

Sponsoring agency	National monument
Aga Khan Foundation & Oberoi Group of Hotels	Humayun Tomb, New Delhi
Apeejay Surendra Hotels	Jantar Mantar, New Delhi
Pune Municipal Corporation	Shaniwarwada, Pune
Indian Hotels Company Ltd. (Tata Group)	Taj Mahal, Agra
Indian Oil Corporation	Qutab Minar, (New Delhi) Hampi (Karnataka) Sun Temple, Konark (Orissa) Kanheri Caves (Maharashtra) Khajuraho monuments (Madhya Pradesh)

Tenth Plan the pre-existing tourism infrastructure schemes were merged into two major schemes – Integrated Development of Tourism Circuits and Product Infrastructure and Destination Development. The projects are now fully funded by the Government of India and the state governments have to provide mainly land and the external infrastructure. They also have to assume the responsibility for the maintenance of the assets created.

13.19 Under the scheme of Integrated Development of Tourist Circuits, six tourism circuits are to be identified on an annual basis (one in each zone) for development to international levels. Funds to a maximum of Rs 8 crore per circuit is made available to the state governments for implementation based on the project proposals. Since a circuit consists of a minimum of three destinations, the amount available is found to be inadequate and the Ministry of Tourism is considering enhancing the funding. The objective of the scheme is to provide all infrastructure facilities required by the tourists within the identified circuits. Activities include improvement of surroundings, landscaping, fencing, development of parks, illumination, water management, besides the provision of budget accommodation, wayside amenities, signages, reception centres, and refurbishment of monuments. The scheme envisages convergence of resources and expertise through coordinated action with other departments, the states and the private sector. During the first two years of the Plan, 24 circuits have been selected and more circuits are being identified region-wise in consultation with the state governments.

13.20 The focus of the Product/Infrastructure and Destination Development Scheme is to improve existing products and developing new products to international levels in identified destinations. Funds to a maximum of Rs 5 crore per destination is made available to state governments for implementation based on the project proposals. The Ministry of Tourism is considering enhancing the funding, since the present allocation of funds has been found to be inadequate to meet the development needs. Activities carried out are similar to those in the Integrated Development of Tourism

Circuits scheme. New emerging areas like rural tourism, heritage tourism, eco-tourism, health tourism and wildlife tourism get priority under this scheme. Development work was taken up at 12 destinations during 2002-03, and at 41 in 2003-04.

13.21 A new scheme of Tourism Infrastructure Development Fund is under consideration to improve the infrastructure at various destinations. The north-eastern region has been given an allocation of 10 per cent of the Annual Plan outlay and the activities in this region are covered under both these schemes. A Jammu and Kashmir package to revive tourism activities in the state was introduced in 2003-04. A small outlay has been provided for computerisation to improve the use of information technology in the tourism administration at the state level.

13.22 Support in the form of grant is provided to large revenue generating projects through the Tourism Finance Corporation, State Industrial Development Corporation, Industrial Development Bank of India and the State Financial Corporations under the scheme of Assistance to Large Revenue Generating Projects. Projects sanctioned in the Tenth Plan so far include introduction of the Karnataka luxury train, establishment of a Convention Centre at Surajkund (Haryana), erection of a passenger ropeway at Kodaikanal (Tamil Nadu) and development of Marina at Bolghatty Island, Kochi (Kerala).

13.23 Some improvement of the road infrastructure has been accomplished through the Golden Quadrilateral and North-South and East-West projects covering the National Highways. However, the connectivity of tourist destinations and circuits and cultural/heritage sites has not yet been given priority. Many of the tourist destinations are away from National Highways and lack road connectivity of the desired standard. Out of the 26 World Heritage Sites in the country, 20 sites deserve improved road connectivity to attract tourist traffic. All these sites should be connected with nearest National Highway by declaring the connecting state or district roads as national highways. Shabby urban infrastructure in tourist

destinations such as Agra, Bodh Gaya and Varanasi also deters the growth of tourism. An integrated plan, including special tourist trains, needs to be prepared for improving the connectivity and urban infrastructure in Buddhist sites, which have potential to attract large international tourist traffic from East and South East Asia.

13.24 Hotel accommodation remains a vital area of concern. Though accommodation infrastructure has grown from 8,000 rooms to 85,481 rooms in the last 30 years, according to the World Tourism and Travel Council estimates, India needs 1,60,000 rooms to accommodate the projected tourist arrival of 5.89 million by 2010 and 3,00,000 rooms by 2020 to meet the projected tourist arrivals of 8.90 million. China, Thailand and Malaysia have a higher number of rooms (See Box 13.3). The number of hotels set up under the budget category increased from 890 hotels with 35,888 rooms in 1999 to 1,285 hotels with 50,306 rooms in 2003. The additional demand for budget rooms for the next five years is placed at 50,000. The high cost of land and multiple requirements of permissions/clearances make establishing hotels a costly and cumbersome proposition. A number of fiscal incentives and concessions have been granted in order to encourage the expansion of available accommodation in general, and of budget hotels in particular.

13.25 The critical constraint for building hotels is the availability of land. The Ministry of Tourism has proposed to the state governments to identify hotel sites and make them available to entrepreneurs on suitable terms, perhaps on long-term lease. It has also approached the Ministry of Railways to identify and provide sites for setting up budget hotels. Expansion of hotel rooms on the scale required involves massive investment. For example, construction of 160,000 rooms by 2010, at an average cost of Rs.30 lakh per room would involve an investment of Rs.48,000 crore over the next five years. States wishing to attract such investment, with all its other favourable impacts, should be willing to make special efforts to allocate land.

Box 13.3 Country-wise comparison of number of hotel rooms in 2002	
China	8,97,206
Thailand	*3,20,565
Malaysia	*1,30,757
India	85,481
Singapore	35,989

Source: World Tourism Organisation

* For 2001

13.26 The Ministry of Tourism had also initiated a scheme of Paying Guest Accommodation in pursuance of the National Action Plan for Tourism in 1992. The idea behind the scheme was to supplement the availability of accommodation and provide both domestic and international tourists affordable and hygienic places to stay. The scheme was transferred to the state governments in 1995. The scheme has not taken off except in a few states and the Ministry is considering its revival to meet the shortage in budget accommodation.

REVIVAL OF TOURISM IN JAMMU AND KASHMIR

13.27 After more than a decade of decline in tourism in Jammu and Kashmir, a revival trend was observed in 2003. The Central government introduced a package to assist the tourist-related service providers in the state. Hotels, guesthouses, shikara owners, and pony-wallahs are eligible for soft loans through banks at an interest rate of 4 per cent. The Ministry of Tourism subsidises the banks the difference between prime lending rate and this concessional rate of interest. The construction of the Indian Institute of Skiing and Mountaineering at Gulmarg has been revived and is expected to be completed by 2005 as a Central sector scheme. Construction of the Institute of Hotel Management has also been revived and is likely to be completed by 2005. As a follow up of the Prime Minister's announcement of a reconstruction plan for the state in November 2004, funds have been earmarked in the Annual Plan for 2005-06 of the Ministry of Tourism for tourism projects.

THE WAY FORWARD

- Set up budget hotels in order to maintain India's competitiveness as a tourist destination. To speed up the creation of additional rooms it is necessary to:
 - increase the supply of land by making available sites on Central government land (e.g. cantonment and railway land) and state-owned land for construction of hotels;
 - relax the municipal and zone restrictions;
 - facilitate identification of hotel sites and their allocation by state governments to deserving entrepreneurs with facilities for speedy single window clearances through various governmental bodies;
 - recognise and approve residential lodges and inns in cities such as Delhi, Agra and Jaipur;
 - approve and register paying guest arrangements; and
 - consider basing the luxury tax on the actual room rent charged rather than on rack rates.
- Develop the major airports at New Delhi and Mumbai into world-class airports. Upgrade other international airports as well, in order to meet the requirement for growth of international and domestic traffic at the rate of 12 per cent per annum.
- Increase the number of international flights, which are currently affected by the restrictive bilateral regime. The present ad-hoc arrangement, in which an open-skies policy is introduced during the rush tourist period every year, militates against long-term planning by airlines and the cost of travel remains high.
- Bring down sales tax on ATF, currently ranging from 4 per cent to 36 per cent in various states, to a uniform level of 4 per cent by notifying ATF as a 'declared good' attracting only Central sales tax. ATF constitutes 30 per cent of the operating cost for domestic flights and one-third of its cost is on account of taxes.
- Take up work relating to road connectivity of 20 world heritage sites and other places of tourist importance identified by the Ministry of Tourism. This involves the improvement of State Highways and District Roads and should be undertaken during the Tenth Plan period after notifying the State Highways and District Roads as National Highways.
- Put in place a policy for national level tourist vehicle registration with provision for free movement, without taxes at entry and exit points for hassle-free movement and lower cost for the tourists.
- Introduce a scheme under which tourists can pay concessional entry charges if they visit a number of heritage sites during their trip. Open up hitherto undeveloped archaeological sites for development and maintenance through public-private partnerships
- Modernise and update the curricula of institutes offering courses in Hotel Management/Catering Technology/Tourism. This must be done in addition to initiating large-scale Master Trainers and Training of Trainers Programmes and exposing existing trainers to the changes in the hospitality industry through refresher courses.
- Prepare an integrated plan for improving the connectivity and urban infrastructure in Buddhist sites, which have potential to attract large international tourist traffic from East and South East Asia. The plan, to be prepared by the Ministry of Tourism in collaboration with the concerned state governments, should include proposals for special trains like the Palace on Wheels and the Deccan Odyssey through public private partnership arrangements.

Annexure 13.1

**Scheme-wise approved Plan outlay and expenditure of the Ministry of Tourism for
2002-03, 2003-04, 2004-05 and Budget Estimates for 2005-06**

(Rs in crore)

S. No.	Name of the Scheme	Annual Plan (2002-03) BE	Actual expenditure 2002-03	Annual Plan (2003-04) BE	Actual Expenditure (2003-04) RE	Annual Plan (2004-05) BE	Annual Plan (2004-05) RE	Annual Plan (2005-06) BE
I	CENTRAL SECTOR SCHEMES (CS)							
1.1	Externally Aided Projects	7.50	7.50	5.00	5.00	10.00	10.00	14.00
1.2	Assistance to IHMs/FCIs/ETC.	5.00	5.50	17.50	17.50	25.00	25.00	30.00
1.3	Capacity Building for Service Providers	1.50	1.64	2.00	2.00	3.00	3.00	15.00
1.4	Overseas Promotion & Publicity	34.00	36.36	56.00	56.00	90.00	90.00	140.00
1.5	Domestic Promotion and Publicity including Hospitality	6.00	8.29	12.00	12.00	14.00	14.00	70.00
1.6	Incentive to Accommodation Infrastructure	2.00	2.00	10.00	10.00	10.00	10.00	10.00
1.7	Building for IISM at Gulmarg, Kashmir	-	-	-	0.50	6.00	6.00	6.00
	Ongoing 9 th Plan schemes	36.50	10.40	-	-	-	-	-
1.8	Total - CS Schemes (1.1 - 1.7)	92.50	97.38	102.50	103.00	158.00	158.00	338.00
II	CENTRALLY SPONSORED SCHEMES (CSS)							
2.1	Computerization and Information Technology	6.00	6.00	9.00	9.00	17.00	17.00	20.00**
2.2	Market Research including 20 years' Perspective Plan	3.50	4.00	3.00	3.00	3.00	3.00	***
2.3	Integrated Development of Tourist Circuits	41.50	46.92	60.00	77.50	85.00	85.00	***-
2.4	Product/Infrastructure and Destination Development	43.00	48.95	100.00	100.00	140.00	140.00	359.00
2.5	Assistance for Large Revenue Generating Projects	6.00	6.00	18.00	18.00	18.00	18.00	30.00**
	Ongoing 9 th Plan schemes	35.00	42.79	-	-	-	-	-
2.6	Revival of Tourism in J&K	-	-	-	7.00	9.00	9.00	@
2.7	Tourism Infrastructure Development Fund	-	-	-	-	20.00*	20.00*	10.00*
2.8	Total - CSS Scheme (2.1 - 2.7)	135.00	154.66	190.00	214.50	292.00	292.00	369.00
2.9	Total CS & CSS Schemes (1.8 + 2.8)	227.50	252.04	292.50	317.50	450.00	450.00	707.00
III	10% lump sum provision for North East Region & Sikkim							
	- Capital	17.50	-	22.50	22.50	35.00	35.00	-
	- Revenue	5.00	-	10.00	10.00	15.00	15.00	-
3.1	Total - N- E Region & Sikkim	22.50	-	32.50	32.50	50.00	50.00	79.00
3.2	GRAND TOTAL (2.9 + 3.1)	250.00	252.04	325.00	350.00	500.00	500.00	786.00

*New Scheme announced in 2003-04. ** Scheme included as CS. *** Merged with Product/Infrastructure and Destination Development Scheme. @ Provision for J&K package earmarked in the allocation for Product/Infrastructure and Destination Development Scheme.*

Annexure 13.2

Comparison of Plan outlays and expenditure under tourism during the
Ninth and Tenth Plan periods for Central and state Plan

(Rs. crore at 2001-02 prices)

Sector	Ninth Plan (1997-2002)		Tenth Plan Outlay (2002-07)	2002-03 (Actual expen- diture)	2003-04 (Actual expen- diture)	2004-05 (RE)	2005-06 (BE)	Total of four years in Tenth Plan	% age Col (9) to Col.(4)
	Plan Outlay	Reali- sation							
1	2	3	4	5	6	7	8	9	10
CENTRAL PLAN									
Ministry of Tourism									
Tourism	595.00	589.22	2900	241.08	322.16	440.91	660.12	1669.27	57.6
STATE / UT PLAN									
States and UTs									
Tourism	1687.30	1108.72	4602.44	311.83	469.59	501.38	-	*1282.80	27.9

* For first three years.