

**PUBLIC ACCOUNTS COMMITTEE
(2001-2002)**

TWENTY-SIXTH REPORT

(THIRTEENTH LOK SABHA)

DEVELOPMENT OF TOURISM INFRASTRUCTURE

MINISTRY OF TOURISM

*Presented to Lok Sabha on: 11.12.2001
Laid in Rajya Sabha on: 11.12.2001*

**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2001/ Agrahayana, 1923 (Saka)

CONTENTS

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2001-2002)

INTRODUCTION

REPORT

-
-
-
-
-
-
-

**COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2001 - 2002)**

Shri Narayan Datt Tiwari

- **Chairman**

2. The Report of the C&AG for the year ended 31 March, 1999 (No. 2 of 2000), Union Government (Civil-Transaction-Audit observations) was laid on the Table of the House on 17 May, 2000.

3. The Committee took the evidence of the representatives of the Ministry of Tourism on the subject at their sitting held on 04 December, 2000. The Committee considered and finalised this Report at their sitting held on 06 December, 2001. (*) Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix* to the Report.

5. The Committee would like to express their thanks to the Public Accounts Committee (2000-2001) for recording oral evidence of the representatives of the Ministry of Tourism on Paragraph 18 and obtaining information for this Report.

6. The Committee would like to express their thanks to the officers of the Ministry of Tourism for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee

NEW DELHI;
06 December, 2001

15 Agrahayana 1923 (Saka)

REPORT

Introductory

The Ministry of Tourism has been implementing a scheme “Development of Tourism Infrastructure” with a view to promoting domestic tourism and to attract overseas tourists to India. The scheme aimed at ensuring comfortable and moderate accommodation to tourists at reasonable rates by way of constructing ‘Yatri Niwas’ ‘Tourist Bungalows’, ‘Cottages’, ‘Complexes’, ‘Lodges’, ‘Reception Centres’, ‘Way-side Amenities’, ‘Tented Accommodation’, etc. Under this scheme, central assistance was provided to state governments on a cost-sharing basis. The state governments generally met the cost of land identified for the project which should have electricity, water supply and approach road and its development while Ministry met the cost of construction including internal electrification, water supply and sanitary fittings, etc.

2. *Audit Paragraph*

2.1 This Report is based on paragraph 18 of the Report of C&AG of India for the year 31st March 1999, No. 2 of 2000 Union Government (Civil- Transaction Audit Observations) which is reproduced as Appendix to the Report. The Audit reported that the Ministry released Rs. 15.82 crore for 158 projects during 1992-97. 119 of the 158 projects sanctioned at a cost of Rs. 25.02 crore had not been completed as of June 1999, mainly due to lax implementation and monitoring. There was time overrun between 4 to 51 months in completion of 39 projects. Even of 39 completed projects, only 28 were commissioned. According to Audit, many of the commissioned projects were not being used for promotion of tourism due to one or the other reasons. The Committee’s examination of some of the more important aspects are dealt with in the succeeding paragraphs.

2.2 The Committee have been informed that under the Central Financial Assistance Scheme some of the tourism infrastructure such as SEL shows, Budget Accommodation, Yatri Niwas, Wayside Amenities etc. for development of tourism infrastructure in the country were started during the 6th & 7th Five Year Plans.

2.3 Asked to indicate the criteria adopted by the Ministry for selection of state for implementation of this scheme and the procedure followed for implementation of this scheme, the Ministry stated that the Department of Tourism provides Central financial assistance for the development of tourism infrastructure to the State Governments and UT Administrations based on the following criteria:-

- (i) Level of tourist infrastructure in the State.
- (ii) Tourist traffic in the state as well as the destination

- (iii) Progress made by the State Government for ongoing projects
- (iv) Level of promotion in publicity in terms of international tourists
- (v) Participation in national and international tourist fairs
- (vi) Generation of income and employment through tourism

2.4 In response to a question, the Ministry stated that the projects are prioritised each year in consultation with the State Governments and UT Administration for financial assistance during the year. According to the guidelines formulated by Department of Tourism, the State Governments are requested to implement these projects within a stipulated period of 30 months. Most of the states are able to complete the projects within the stipulated period but some states are facing various problems on account of non-availability of land, clearance like environment, Coastal zone, release of funds and implementing agencies, etc.

2.5 The Committee desired to know the details of schemes introduced during the last five years for development of tourism in the country and whether any review was conducted to assess their impact on tourism, the Ministry in their written reply stated that during the last 5 years the following new schemes were started by the Department of Tourism in view of the requirements of the increasing tourists both domestic and foreign:

(i) Integrated Development of Tourist Centres/Pilgrim Centres

During 1998-99, the Ministry of Tourism announced a scheme for Integrated development of tourist centre and places of pilgrimages. According to the scheme central Department of Tourism offered maximum amount of Rs. 50 lakhs for each State with matching contribution during that year. The basic idea was to develop surroundings of a tourist centre and pilgrim centre.

(ii) Information Technology and Computerization

The Department of Tourism, Government of India has a formulated scheme to provide financial assistance to the State Governments and UT Administrations to purchase computers and equipments relating to Information Technology. The maximum financial assistance is offered to 50:50 basis.

(iii) Touch Screen Kiosk

To enable the tourist to get ready access to information, the Department of Tourism has installed 60 Touch Screen Kiosks at various tourist related places in the country such as Airports, Railway Stations,

Hotels, Airlines booking offices etc. These kiosks contain all the information which a tourist needs. The maximum financial assistance is offered to 50:50 basis.

(iv) Development of 'HARK' Tourist Guidance System

An electronic Random Access solid state tourist guidance system named 'HARK' has been developed by the Department in association with NIIT for the first time in the country. This technology utilises transmitters which are provided at the exhibits and receivers which comprises of a headphone with built in receiver which is given to the tourist. The tourist who moves around the tourist site starts receiving information whenever he comes near on exhibit. The maximum financial assistance is offered to 50:50 basis.

(v) CD-ROM

A large number of CD ROMs have been made for providing a large amount of information to the tourists in a very concise form. The maximum financial assistance is offered to 50: 50 basis.

(vi) Formulation of 20-years perspective Plan

The Planning Commission recommended formulation of 20 years Perspective Plan for all the States and Union Territories for sustainable tourism development. A provision of Rs. 5.00 crores was earmarked during the year 2000-2001. The maximum financial assistance for the purpose is Rs. 10.00 lakhs.

3. Tourist survey

3.1 To the pointed queries of the committee, as regards the periodical surveys undertaken to assess the profits of international and domestic tourists expenditure patterns, tourism preference and satisfaction levels, availability and adequacy of infrastructural facilities at tourist centres, the Ministry stated that an international passengers survey was commissioned by the Department of tourism during November 1996 – October 1997 to assess the volume of inbound and outbound international tourist traffic and to develop profile related to the demographic, economic and social characteristics of international tourists including expenditure pattern, tourism preferences and satisfaction level and availability and adequacy of infrastructure facilities at tourist centres.

3.2 The Ministry further mentioned that the survey revealed that approximately 6 per cent of the tourists travelled on package tour at an average per capita package cost of Rs. 51,586. It was also observed that a higher percentage of tourists from UK and Germany took a package tour. Apart from this cost, the package tourists spent an average of Rs.78,803 inclusive of expenses on accommodation (Rs.5,774) Food and drinks (Rs. 10,561), transport (Rs.4,441), recreation (Rs. 10,032), shopping (Rs.45,894) and other items (Rs.2,101) during their visit.

3.3 The non-package tourist spent on an average Rs. 48,676 in India. The high spenders were Central Americans and South Americans with average expenditure of Rs. 1,20,147 and Rs. 1,35,226 respectively. The non-package tourist spent on an average of Rs. 7,316 on accommodation, Rs. 5339 on food and drinks, Rs. 3,947 on transport, Rs. 2,483 on recreation, Rs. 27,869 on shopping and Rs. 1,722 on other items.

3.4 High category on shopping expenditure included textiles (20%), jewellery, gems & Precious stones (22%), handicrafts (19%) and other items (14%).

3.5 More than 300 places were visited by the foreign tourists during their visit. The top 10 destinations popular among the foreign tourists in India identified were Delhi, Mumbai, Agra, Chennai, Calcutta, Jaipur, Varanasi, Bangalore, Panjim and Udaipur in that order.

3.6 Over two-thirds of all the tourists who visited India were satisfied with their visit and about 24% were most satisfied. Less than 1% of the tourists were disappointed. About 88% of the tourist would like to visit India again. However, at least a quarter of tourist from North America and Central America will never like to visit India again.

3.7 About 42% indicated that they did not face any difficulties. Those who faced difficulties indicated the major difficulties in obtaining visa and on other items like accommodation, local transport, shopping and food. Major categories of encountering difficulty were local transport (16%) and food (10%).

3.8 In reply to the post evidence questionnaire obtained by the Committee, the Ministry stated that the rating experience of holiday tourists was assessed and the proportion of the tourists who had rated the experience as "Poor", was determined. The rating 'poor' had been given to tourists attractions (1%), climate (2%), cost of living (2%), safety & security (9%), public hygiene (21%), culture & history(2%), friendliness of people (2%), ease of communication (2%), shopping facilities (2%), international Travel facilities (2%), local travel facilities – air (3%), rail (5%) and road (9%), facilities at airports (3%), food hotels (2%) and others (1%).

3.9 Asked to furnish the details of the strategy evolved, if any, to attract more foreign tourists commensurate with India's diversity, heritage and spectacular places and landscapes, the Ministry has stated that the Department of Tourism has taken the following steps to attract more foreign tourists:

- (i) Grant of brochure support to travel agents/tour operators to produce tour brochures on India.
- (ii) Joint advertisement with travel agents, tour operators and airlines to promote India.
- (iii) Holding of joint India promotions with travel agents, tour operators, airlines to motivate the prospective tourists/groups.
- (iv) Joint promotions with the Indian Missions.

- (v) Joint promotions with ITPO, CII, ICCR, Tea Board
- (vi) To invite travel agents, tour operators and media personnel for fam tours under Hospitality programme so that they may have first knowledge of India and its tourist attractions.
- (vii) Joint overseas marketing with the Indian travel trade/State Tourism Departments by participation in Road Shows, Seminars, Presentations.

3.10 In this regard, the Secretary of the Ministry while testifying before the Committee deposed:

“We believe that we have not really gone to the full potential of our tourism, so far as foreign tourists’ arrival is concerned, particularly in infrastructure development. Our entire thrust has been to create awareness about the tourism potentials and improve the public-private partnership so that more resources can be available and we can assist the State Governments in improving the infrastructure we also have to co-ordinate with the key Ministries like Civil Aviation and also with the Department of Culture, which controls most of the monuments in our country, as well as with the road and railway system. We are trying to provide wayside amenities. These are some of the major schemes that we have been trying to undertake.”

3.11 The Committee desired to know the position of foreign tourist arrivals during the last five years, data on international and domestic tourist arrivals, occupancy statistics of approved hotels for the last five years. The Ministry in their written reply has stated that the foreign tourist arrivals in India registered a positive growth ranging from 3.8% to 7.7% during the last five years except during the year 1998 when there was a marginal decline of 0.5%. The details of foreign tourist arrivals during 1996 to 2000 are as follows:-

Year	Foreign Arrivals	Tourist	Percentage Change
1996	22,87,860		7.7
1997	23,74,094		3.8
1998	23,58,629		-0.7
1999	24,81,928		5.2
2000	26,41,157		6.4

3.12 As regards the data on international and domestic tourist arrivals, the Ministry has stated that on the basis of information furnished by the State Government/UT Administrations, number of visits of domestic and international tourists for the years 1995 to 1999 are as follows:-

Year	International tourists visits (in million)	Domestic tourists visits (in million)
1995	4.6	136.6
1996	5.0	140.1
1997	5.5	159.9
1998	5.5	168.2
1999	5.8	176.1

3.13 Regarding occupancy statistics of approved Hotels, the Ministry has furnished the estimated average occupancy in approved Hotels for the years 1995 to 1999 is as follows:

Year	International tourists visits (in million)
1995	73.7

1996	71.1
1997	62.9
1998	59.4
1999	50.4

3.14 Asked to state the action taken by the Ministry for growth in tourist arrivals, foreign exchange earnings and employment generation through tourism, the Ministry stated that in order to increase the growth in tourist arrivals, foreign exchange earnings and employment generation through tourism in the country, the Government has identified tourism as a priority sector for investment. The Department of Tourism has launched aggressive promotional publicity by way of carrying out Advertising Campaigns in print & electronic media, participation in the various exhibitions and fairs, organising seminars, workshops for travel trade and consumers and motivate overseas tour operators and travel agents to promote India by extending brochure/advertisement support. Our overseas offices also organise fam trips to India through the Hospitality programme for trade and media. The Department of Tourism also extends financial assistance to the State Government/UT Administrations to develop tourism infrastructure in the form of budget-class accommodation, yatri-niwases, tourist-homes and also provide financial assistance to the State Governments/UT Administrations to develop tourism infrastructure in the form of budget-class accommodation, yatri-niwases, tourist-homes and also provide financial assistance for promotion of tourism for Fairs & Festivals. These measures generate large number of employment opportunities directly and indirectly.

3.15 The Ministry further mentioned that the Government also provides various incentives at concessional duty to approved hotels and hotel projects including income tax exemptions, interest subsidy for 1 and 3 star and heritage hotels.

4. Utilisation of Tourist facilities

4.1 The Committee wanted to know whether any assessment at the Central level about the capacity utilisation of the facilities for which they are meant has been made. The Ministry in their written reply stated that the Department of Tourism collects information regarding occupancy level from the approved category of hotels in the country. However, no assessment on the capacity utilisation in regard to transport facilities and the tourism facilities being run by the State Governments/UT Administrations has been made.

5. Steps for Tourism promotion

5.1 Asked about the steps taken to promote growth of tourism with adequate assistance at decentralised level i.e. at the district level the Panchayat level; the Secretary (Tourism) during evidence stated:

“Sir, I will mention about decentralisation. It is a very important point that you have mentioned. The new Draft Tourism Policy as well as all our directions have been centering around decentralisation of the tourism product because we have realised that if we have to reach out to the domestic tourists and also the very important concept of rural tourism, which is being popular all over the world, we have asked every

State to have Tourism Advisory Committee at the District level, at the Division level and at the State level and also to involve the panchayats in drawing up plans for a particular area. All the district development plans must have a component of tourism development also. This is what we are pursuing with the States and we will insist on this being done. Some States have done it. Rajasthan and Kerala have already taken up these suggestions and I am told that they have had very good results.”

5.2 The witness further added:

“As regards health, medicine, bio diversity etc., this is a very important point because the World Tourism Organisation also have told us that more and more tourists are now looking for new experiences and special experiences rather than coming to the beaches, which they can access to any where in the world. India’s intrinsic interest in health, ayurveda, yoga and meditation has again been highlighted. All our overseas offices have been particularly instructed to be in touch with the State Governments and to promote these areas. We are also giving assistance to the State Governments for promoting these areas both through publicity as well as through regulation. In many places, we have seen a tendency for unregulated growth of unqualified people. So, that also we are taking care of and we are advising a sort of registration system for authorised agencies.”

6. Sanction of Projects and Release of Central Funds/Grants

6.1 According to Audit, the Ministry sanctioned 158 projects for Rs. 31.68 crore and released Rs. 15.82 crore to eight states, indicated in the table below, that they were ineligible to receive the assistance as they did not meet the precondition laid down with respect to availability of land. The State Governments were required to submit the project proposals in the prescribed form along with a certificate to the effect that the developed piece of land was readily available and the same was in possession of the Tourism Department of the state government and the land/title of the land will be transferred in favour of Government of India free of charge/cost. Sanction of these 158 projects was thus, in disregard of the guidelines and indicated laxity in scrutiny of proposals. Further, according to Audit, the Ministry had evolved no mechanism to verify the mandatory information indicated in the state governments’ proposals on justification of the projects i.e. whether similar facility already existed, the then volume of tourist traffic and expected in future.

(Rs. in crore)

S.No.	State	No. of Projects	Sanctioned amount	Central release
1	Maharashtra	29	6.51	3.29
2	West Bengal	28	6.95	2.92
3	Uttar Pradesh	22	3.67	2.09
4	Andhra Pradesh	15	2.71	1.76
5	Punjab	28	4.81	2.26
6	Gujarat	7	0.90	0.39
7	Jammu & Kashmir	27	5.70	3.08
8	Madhya Pradesh	2	0.43	0.03
	Total	158	31.68	15.82

6.2 The Ministry in their Action taken note furnished to Parliament, in terms of PAC's recommendations [9th Report (Eleventh Lok Sabha)] requiring the Ministries/Departments to furnish remedial action taken note on every audit para within 4 months of the tabling of the Report of C&AG in Parliament *Report No.2 of 2000, Union Government – Civil – Transaction Audit observations), irrespective of its selection by the PAC, has stated that the Department of Tourism (DoT) receives proposals for grant of financial assistance for tourism infrastructure projects from the State Governments in the prescribed format alongwith other documents which include a certificate etc. from the State Tourism Secretary or Director of Tourism clearly indicating that the land for the project is available with the Tourism Department of the State Government and the same will be transferred/leased out to the DOT, Govt. of India free of cost at the time of the completion of the project. The Ministry further stated:

“The other documents which State Government has to submit include detailed site maps and architectural plans for the project. In the prescribed form the state government has to indicate tourist arrivals, domestic as well as foreign tourists visiting the area & other tourist facilities located in the area. The 'C' form is also signed by State Tourism Secretaries/Directors. The project proposals thus received from the State Governments are thoroughly examined and only then the first installment is sanctioned by the Department of Tourism. Subsequent instalments are released after receipt of utilisation certificate from the State Government. In order to examine the proposals more extensively, the Department of Tourism evolved a Check List in August 1997 to ensure that the documents that are submitted by the state Government are in proper order. Hence, there is no laxity on the part of Department of Tourism, Government of India in scrutiny of the proposals since the information given in the 'C' form is attested by Secretary(T)/Director(T) of the State Government. There does not seem to be any justification for further verification of that information. The Department of Tourism, Government of India has no alternative other than to rely on the information provided by the State Governments in such matters.

7. **Default in adhering to the guidelines**

7.1 Audit, however, has observed that Ministry did not follow its own guidelines for release of various instalments for the projects. Against the provision for release of 30 per cent of the approved cost as first installment, the Ministry released 0.04 to 88.53 per cent as first instalment. The norm for the second instalment was also not followed in many cases.

7.2 The committee's scrutiny shows that in four states, central assistance of Rs. 5.05 crore was passed on to the executing agency after a gap of three to 46 months (Maharashtra; from three to 46 months, West Bengal; from three to 23 months; Uttar Pradesh three to 41 months and Andhra Pradesh three to 24 months) from the dates of releases made by Ministry of Tourism, Ministry did not ensure that the assistance paid to states is passed on immediately to the executing agency.

7.3 The Ministry in their Action Taken Note has stated that in order to ensure proper release of funds, the Department of Tourism revised its project guidelines in 1998, according to which the funds are released in three instalments i.e. first instalment 30% of project cost, IInd instalment 50% and IIIrd instalment 20% in respect of infrastructure projects. However, in certain cases due to non-availability of funds towards the end of financial year,

only a token amount for the first instalment is released and the balance amount is released in the next financial year.

8. **Budget Allocation for Tourism**

8.1 Regarding the budgetary Support received by the Ministry, the Secretary (Tourism) deposed:

“The requirement is around Rs. 45,000 crore. That amount of money is not available. We have been getting Rs. 110 crore every year for the last four or five years. Unfortunately, even if we take into account all the State Governments’ total investment, it does not come to more than Rs. 300 crore. In fact, it would be still worse if we exclude some of the States, like Kerala, Uttar Pradesh and Rajasthan which spend heavily on tourism. They are spending about Rs. 40 to Rs. 45 crore. But most of the States, like Tamil Nadu, spend Rs. 2 to Rs. 3 crore only. In the Ministry, we do ensure that about Rs. 30 crore that we get every year for development of infrastructure which we give to the States under the schemes which are under review is properly spent. We have reviewed it constantly. To say very briefly, the procedure is as follows: What we do at the beginning of the year as soon as the Budget is passed is to have discussions with every State on their proposals of infrastructure development which they want. We go through the funds that are sanctioned to that particular State and also the schemes completed and not completed”

8.2 Asked about the criteria for allocating the amount to various states, the Secretary during evidence stated:

“We really do not have any fixed criterion. We discuss and we keep apart ten per cent for the NE and the balance we give on the basis of requirement keeping in view the overall national tourism development. You will find that we have had no difficulty with any State saying that they have been deprived or they have not been getting assistance. We have been able to do it in a consensual manner.”

8.3 With regard to mechanism devised for ensuring timely releases of state share of funds and issue of guidelines for effective implementation of the Programme “Development of Tourism Infrastructure”, the Ministry in a note furnished to the Committee has stated that this is reviewed at the time of prioritization of projects for central financial assistance, during the State Tourism Secretaries meet in the Capital and at the Regional Tourism Summits and also during visits of Senior officers of the department of Tourism, Government of India to the various State/Union Territories.

8.4 Asked to furnish specific reasons for sanctioning the projects of eight states that were ineligible to receive the assistance and whether the conditions of the contracts were taken into account before sanctioning of the projects and also to state as to why the amount of Rs. 15.82 crore were released to those states that failed to meet the precondition regarding availability of land, the Ministry in their reply stated that in some cases problems came up at the time where land is actually to be handed over/made available for the project especially if the land is in forest areas, ASI site etc. The Ministry, however, clarified that instructions have been issued to all State Governments/UT Administrations to ensure availability of land while submitting detailed project proposals.

8.5 The Ministry in their written reply has further stated that the proposals were received in Form ‘C’ and were scrutinized according to the guidelines existing at that time. Wherever information provided by the State Governments were not adequate, further clarifications/documents were obtained before sanctioning the projects. The guidelines for grant of Central Financial Assistance for tourism infrastructure projects have however been

revised to avoid ambiguities in processing of project proposals. Instalments are not released if the documentation is not complete and due procedure is not followed. Only after necessary clarifications etc. the second subsequent instalment is released. All proposals submitted by the State Governments are scrutinized thoroughly.

9. Ownership of assets

9.1 It was stipulated in the sanction that the assets created out of central grant would remain the property of the Central Government and the same would be leased out to the state governments on a nominal charge of Rupee one per annum/per property. In respect of 39 projects completed at Rs. 6.66 crore, Ministry did not have any record of these properties.

9.2 In reply to Audit Observation, the Ministry in their Action Taken Note has stated that the tourism projects created with Central financial assistance remain the property of the Department of Tourism, Government of India. However, these are managed by State Governments, on behalf of the Department of Tourism and profit and losses are also absorbed by the State Tourism Departments. The details of such projects is maintained in the Asset Register of the Department of Tourism. In respect of specific projects mentioned, action is being taken to sign lease agreements with the concerned State Governments.

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