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April – June, 2012

Editorial



The lead item of information in this e-Newsletter is about HAI's Education Programme developed in collaboration with "Lausanne Hospitality Consulting of Switzerland". Four Professional Development Programmes are being delivered between July and September this year for the General Managers and senior hotel industry professionals.

An important intervention made by HAI on behalf of its members pertains to the Memorandum submitted to the Central Government seeking an amendment to the Legal Metrology Act, 2009, of which Section 49(2) has been interpreted by some State Governments in a manner that is "prejudicial to the functioning of hotels". This e-Newsletter carries a detailed story on the subject.

While there has been a marginal increase of Rs 112 crore in the Union Budget for 2012-2013 over last year's Budgetary allocation for tourism sector, it has made Classified Hotels of 3-Star and above category eligible for Viability Gap Funding. Hotels located outside cities with a population of more than one million have been included in the harmonized list of Infrastructure sub-sectors.

While presenting this e-Newsletter to our members, we request them to provide their inputs and views for inclusion in the future issues. Your feedback and suggestions may be e-mailed at: bbhushan@hotelassociationofindia.com

Bharat Bhushan
Editor, HAI e-Newsletter
&
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“India has the potential market for tourism, and has set a target to achieve 12 per cent growth in tourism sector by 2016. If this is achieved, we will be able to create 25 million additional jobs.”

• Subodh Kant Sahai, Union Minister of Tourism, while inaugurating the India Pavilion at ITB Berlin.

PROFESSIONAL DEVELOPMENT PROGRAMMES : HAI - LHC VENTURE

In a significant move aimed at fulfilling its avowed objective of “helping raise the standards of hoteliering and to build an image for this industry”, both within and outside India, the Hotel Association of India in collaboration with ‘Lausanne Hospitality Consulting’ of Switzerland is organizing four Professional Development Programmes for General Managers/Head of Departments of hotels from July to September, 2012. The Programmes, aimed at enhancing the professional skills of hotel executives of HAI’s member hotels in particular, and of other hotels at large, will be organized as under:

- The first Programme on “*F&B Profit Maximization*” will be held from July 10 to 12, 2012, at The Park Hotel, New Delhi;
- The second on “*Rooms Revenue Management – Products & Pricing*” will be held from August 21 to 23, 2012, at WelcomHotel Sheraton, New Delhi;
- The third on “*Managing the Training Function*” will be held from September 04 to 06, 2012, at The Park Hotel, New Delhi;
- And the fourth on “*Hotel Opening: Soft & Grand*” will also be organized at the Park Hotel, New Delhi, from September 11 to 13, 2012.

At the conclusion of the Programmes, participants will be awarded Certificates jointly signed by HAI and the LHC.

In a communication dated March 29, 2012, to its member hotels, HAI has invited them to nominate their executives for the courses. While the number of participants per Programme has been restricted to 30, participation fee per Executive from member hotels has been fixed at Rs sixty thousand, and from non-member hotels the Fee would be Rs ninety thousand.

Although participants are required to make their own lodging arrangements, venue hotels have agreed to offer special rates for accommodation on request.

HAI has issued a detailed Brochure on the Programmes’ course content, the faculty and the benefits that the participants would be able to derive from them. Further details in this regard can be obtained from HAI website: www.hotelassociationofindia.com

BUDGET ALLOCATION FOR TOURISM SECTOR

The Union Budget for 2012-2013 has provided for an allocation of Rs 1282 crore for development of tourism in the country, marking an increase of 9.5 percent over the allocation of Rs 1170 crore in the last year’s Budget.

Another benefit extended to the hotel industry in the Budget is the inclusion of Classified Hotels of 3-Star and above category located outside cities with population of more than one million, in the harmonized list of Infrastructure sub-sectors. Such hotels have been made eligible for “Viability Gap Funding” under the “Social and Commercial Infrastructure” category.

Section 35 AD which allowed owners of hotels of 2-Star and above category the benefit of deduction of “pre-opening expenses” has been amended to extend this benefit even upon transfer of the operation thereof to another person.

The Union Budget has also increased Service Tax from 10 percent to 12 percent; abatement provided for hotel accommodation has been reduced from 50 percent to 40 percent, leading to an increase in effective Service Tax for hotel accommodation from the current 5 percent to 7 percent. However, this increase will be partly offset by Cenvat credit allowed on input services received by the hotels.

Another Budget proposal seeks to enhance the Excise Duty from 10 percent to 12 percent, with the objective of aligning it with the Direct Tax Code (DTC) likely to be operational from the next year.

FOREIGN TRADE POLICY 2012-13: HAI SUGGESTIONS

Foreign Trade Policy, as well as the proposals contained in the Union Budget 2012-13, are of vital importance for the growth of hospitality industry which has been assigned a key role in promoting faster, sustainable and more exclusive growth in the 12th Five Year Plan (2012-16). The tourism and hospitality industry is expected to grow annually at 11 percent to sustain the growth of national GDP at 9 percent, and to provide jobs for an additional 24.5 million people during the Plan period.

In a Memorandum to the Director General of Foreign Trade, HAI has underlined that since the hospitality industry in India has been adversely impacted by a series of crises during the last few years like the global economic meltdown, Mumbai terror attacks of 2008, and shortfall in the GDP growth, it is quite imperative that an enabling environment be created in the forthcoming Foreign Trade Policy so that the hospitality industry is able to achieve by 2016 the targets of increasing Foreign Tourist Arrivals (FTAs) from 5.9 million in 2010 to 11.24 million; Foreign Exchange Earnings (FEEs) from US \$ 14.16 billion to 30.3 billion, and Domestic Tourists Visits (DTVVs) from 740 million in 2010 to 1451.46 million. The availability of hotel rooms in approved categories is targeted to increase from 128,770 in 2010 to 319,500 hotel rooms by 2016. The construction of additional 181,730 hotel rooms would require an investment of over Rs 200,000 crore, equivalent to 40 billion US dollars.

In view of the above, HAI forwarded to DGFT the suggestions made by its members

for inclusion in the new Foreign Trade Policy. The suggestions, inter alia, include:

- Electric Transport Vehicles (Golf Carts etc) should be allowed to be imported as “Professional Equipment” by the Hotel Industry;
- Import of latest cars and other vehicles for promoting tourism should also be considered as “Professional Equipment”;
- There should be uniformity in the issuance of Licenses and Condition Sheet required for SFIS Licenses;
- Procedure should be simplified to avoid verification process of genuineness of DFCE authorization by Custom Authorities in the metros, viz., Mumbai, Chennai, Kolkata and Delhi;
- DGFT may evolve a criteria for one-time import for new stand-alone hotel projects without any condition of foreign exchange earnings;
- Definition of ‘Consumables’ as contained in the FTP is meant only for the manufacturing sector, and requires amendment considering the needs of the hotel industry which is a service industry;
- There should be Priority Issuance of EPCG authorization to the status holders without objections;
- There should be online issuance of Redemption Letter (Export Obligation Discharge Certificate) by Regional Licensing Authorities under the EPCG scheme, and
- Need for Cenvat credit for Customs duty/ excise duty paid in cash or through debit under Duty Credit Scrip issued under SFIS.

‘THE OBEROI GURGAON’ TO HOST 2012 WORLD TRAVEL AWARDS

The ‘Oberoi Gurgaon’ in the National Capital Region will host the Grand Finale Ceremony of the World Travel Awards (WTA) 2012 on December 12, 2012. Regarded as the “Oscars” of the global travel industry, this prestigious Awards-giving ceremony will be held for the first time in Asia and will attract most important decision-makers in global tourism and travel. It will provide an excellent opportunity for Indian tourism industry to interact with their leading international counterparts.

As the Ministry of Tourism was considering the possibility of holding a Global Travel Mart on December 12, 2012, it would have clashed with the holding of the World Travel Awards on the same date. This was brought to the notice of the Union Minister of Tourism by Mr R.K. Puri, Secretary General, Hotel Association of India, at the meeting of industry stakeholders held in the Ministry of Tourism on March 27, 2012. Mr Puri strongly emphasized that it would be desirable to avoid the overlapping of these two major international events on the same day. The Union Minister of Tourism graciously agreed to HAI's suggestion in principal.

HAI SUGGESTIONS FOR ECO-TOURISM GUIDELINES

In view of hotel industry's apprehensions about the adverse impact the "Draft Guidelines on Eco-Tourism" issued by the Ministry of Environment and Forests are likely to have on the promotion and development of tourism in India, Hotel Association of India has submitted to the Ministry of Tourism suggestions received from its members which could be incorporated in these Guidelines. The HAI suggestions have also taken into consideration the views of the Eco Tourism Society of India and the lessons drawn from the best practices followed by existing eco tourism projects in the country, as also the Guidelines followed by African countries and Australia in this field.

'BAN ON SMOKING IN PUBLIC PLACES' CASE: SC ALLOWS HAI IMPLEADMENT

The Hookah Parlours of Mumbai had filed a petition in the Supreme Court in November, 2011, against the ban on smoking in public places imposed by the Union Government. At the request of one of its Corporate Members, HAI also subsequently filed an Impleadment Application in the Supreme Court in December, 2011, through ITC advocates for being heard in the matter which came up for hearing in the Hon'ble Supreme Court on April 16, 2012. HAI counsels were led by the

Senior Advocate Mr Mukul Rohtagi, and the Hookah Parlours were represented by the Senior Counsel, Mr Gopal Subramaniam.

In its Order, the Supreme Court has allowed HAI plea to be impleaded in the matter.

IMPLEMENTATION OF "LEGAL METROLOGY ACT 2009": HAI MEMORANDUM

The Hotel Association of India, on a representation from one of its Corporate Members, the Taj Group of Hotels, has sent a comprehensive Memorandum to the Secretary, Department of Consumer Affairs, Government of India, seeking an amendment of certain provisions of the Legal Metrology Act, 2009, which are being interpreted by some State authorities in a manner prejudicial to the functioning of hotels. HAI has specifically drawn attention to an anomaly in the interpretation of Section 49(2) of the Legal Metrology Act, 2009, by the representatives of the Department of Metrology of the Karnataka State Government, as a consequence of which the Taj Group of Hotels in Karnataka are experiencing serious difficulties.

HAI in its Memorandum to the Union Department of Consumer Affairs has pointed out that the Legal Metrology Act, 2009, refers to offences pertaining to rendering of service by weights, measure or number by companies, and power of courts to deal with such offences, and has stipulated in its Section 49 (2) as under:

*"Any Company may by order in writing authorize any of its **Directors** to exercise all such powers and take all such steps as may be necessary or expedient to prevent the commission by the Company of any offence under this Act, and may give notice to the concerned Legal Metrology Officer that it has nominated such Director as the person responsible, along with the written consent of such Director for being so nominated".*

Elaborating on the issue, HAI has drawn the Government of India's attention to the "Explanation" to Section 49 (2), wherein it is stated that "where a Company has different establishments or different units in any establishment or branch, *"different persons"* may be nominated under this sub-section in relation to different establishments or units and *"the person nominated shall be responsible in respect of such establishments"*.

HAI has therefore stressed that the above "Explanation", *ipso facto*, implies that large national companies like the Indian Hotels Company Limited, which have a pan-India presence, can authorize *"different persons"* as responsible for their different hotel units located in various States across India.

Therefore in accordance with the aforesaid provision of Section 49 (2) and the "Explanation" thereof, the Taj Group of Hotels, which own and operate several hotel units in Karnataka, nominated the respective Manager or Food and Beverage Manager or Chef of the concerned hotel unit in Karnataka as the person responsible for such establishment.

However, the nominations of such authorized persons by the Taj Group of Hotels are not being agreed to by the Karnataka State Department of Metrology, who are insisting on the nomination of only the *"Directors"* of the Indian Hotels Company Ltd. and have therefore rejected the IHC's nominees.

In this context, the Hotel Association of India in its Memorandum has drawn the Government's attention to the various established legal facts in the matter that clearly emphasize that it is not mandatory for a hotel to appoint only Director as its nominee.

The HAI Memorandum, therefore, urges the Union Government that Section 49(2) of the Act, which is adversely affecting the functioning of hotel companies, may be suitably amended to ensure and facilitate its compliance in both letter and spirit.

TWO HOTEL CHAINS JOIN HAI AS "FELLOW MEMBERS"

Two more premier hotel chains of India - Sarovar Hotels Private Limited and Lemon Tree Hotels Private Limited - have joined Hotel Association of India as Fellow members. We welcome them to the fraternity of HAI.

Established in 1993, Sarovar Hotels Private Limited have 55 operational hotels across India, besides managing corporate hospitality services at the prestigious Indian Institute of Management, Ahmedabad, and restaurants of the popular English Pub Brand Geoffrey's. Sarovar Hotels plan to open 18 more hotels in the country in the near future.

Lemon Tree Hotels' chain, established in 2002, operates 18 hotels in the country. It plans to open eight more hotels in the near future.

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