CHAPTER XVI : MINISTRY OF TOURISM

16.1 Undue benefit to a private publisher in printing of the magazine "Incredible India"

DOT failed to consider the potential for revenue generation to Government, while awarding the work of publication of the "Incredible India" magazine to a private publisher and subsequently renewing the agreement with the same publisher. This resulted in significant loss of revenue to the Government. In addition, there were significant deficiencies, affecting the transparency of the contracting process.

Since 1998, the Department of Tourism (DOT) had been publishing a quarterly publication titled "Explore India" through M/s Durga Das Publications (DDP) as its official newsletter. In July 2002, DOT decided to terminate the contract for "Explore India" and replace it with a quarterly newsletter. DOT, therefore, issued a press advertisement in October 2002 inviting tenders for publication of a quarterly newsletter, which would cover news relating to tourism in India for its offices in India and abroad, the tourism industry and the travelling public in general. The tender specified that the newsletter would be for a minimum of 40 pages, and 2000 copies of each issue would be published. Quotations were required to be submitted within 14 days of release of the advertisement.

Ten bids were received in response to the tender notice. The two vendors (DDP and M/s Cross Section Publications) were short-listed, who submitted their dummies[1] for the newsletters in January 2003 and were invited to make presentations in February 2003 to a duly constituted Committee. At the meeting in February 2003, the two parties were asked to clarify whether they would continue to give DOT complimentary copies, provided no advertising was given by DOT, and whether the number of copies could exceed the initially indicated 2000 copies. DDP agreed to print free copies, even if the number were increased to 10,000, without any advertising support from DOT, and also agreed to mail individual copies abroad at their own cost, while M/s Cross Section Publications expressed their inability to mail individual copies. Consequently, the Committee recommended award of the work to DDP for a one year contract, renewable for the second year after evaluation. Also, it was decided that the newsletter would be a bimonthly titled "Incredible India" in the same logotype as DOT's byline, with a minimum of 60 pages.

[1] Dummy: a mock-up of a proposed publication (as a book or magazine)

After approval of the Committee's recommendation, Department of Tourism entered into contract in May 2003 with M/s Durga Das Publishers (DDP) for printing the "Incredible India" magazine on a bi-monthly basis for a period of one year with a minimum of four pages devoted to hard news and major tourism related developments in the country as the India Tourism Newsletter. As per the order, DOT would get 10,000 complimentary copies and DDP at its own cost would mail 2000 copies to tour operators, travel agents, etc. as per DOT's mailing list. The agreement was subject to extension for a second year, after evaluation. In July 2004, DOT extended the contract by three years, on the same terms and conditions.

Audit examination of the contract documents in the Ministry disclosed that:

Contract of May 2003

(i) Ten bids were received in response to the tender notice, which were evaluated by a Committee at a meeting held on 9 December 2002; however, the draft minutes of the meeting of the Committee were not found on record.

(ii) Out of ten bidders, two vendors – DDP and M/s Cross Section Publications were short-listed. The basis of short-listing of two bidders out of 10 bids was not known, and no documented technical and financial evaluation for this purpose was available on record.

(iii) The scope and coverage of the order *viz*. printing of a bi-monthly magazine-cum-newsletter, with a minimum of 60 pages (with a four page newsletter), and with 12,000 complimentary copies, differed substantially from that indicated in the original advertisement, which was for a quarterly newsletter relating to tourism in India, for a minimum of 40 pages and 2,000 copies. The advertising revenue implications of a bi-monthly magazine vis-à-vis a newsletter were not considered.

(iv) The potential for revenue generation for DOT from the publication, as well as the revenue implication of the use of the "Incredible India" logo (which belonged to the Government of India), were not considered. The advertisement had asked potential bidders to quote all inclusive costs, and also indicate expected revenue proceeds from advertisements and open market sales. Although some of the bidders had indicated revenue generation through advertisements ranging from Rs. 1.16 lakh to Rs. 3.8 lakh per issue, while DDP had indicated a figure of only Rs. 0.05 lakh, there was no evidence of any financial evaluation. This is important, in view of DOT's subsequent request in October 2003, at the instance of DDP, to State Governments to consider advertising support for the publication.

(v) Records indicated that the magazine had already been printed by March 2003, before issue of the formal work order in May 2003.

Contract for extension- July 2004

(vi) In July 2004, a proposal for extending the contract by one more year from May 2004 to May 2005 was submitted, in view of the satisfactory performance of the Agency. However, DOT extended the contract by three years till May 2007, on the ground that the publisher should be given some timeframe to enable them to plan for the medium term, given the fact that DOT had no financial commitment in these ventures. Audit scrutiny revealed lack of adequate consideration of the financial interests of Government at the time of extension of the contract, as detailed below:

- The aspect of revenue generation for DOT was not considered even at the time of extension. No analysis of the actual revenues received through advertisement, as well as open market sales, and actual costs incurred over the first year of the contract was conducted, to assess the potential for revenue generation for DOT.
- There were 40 issues between April 2003 and May 2007. Taking a sample of eight issues during this period, and using the advertising rates for different pages, Audit estimated the total net revenue from advertisements and sales at Rs. 7.39 crore, as detailed in the **Annex**. However, no portion of this revenue accrued to the Government.
- Audit, however, noted that in the case of the inflight magazine of Indian Airlines Limited (which was referred to in the file notings), the publisher provided a monthly remuneration of Rs. 10.50 lakh, as per the Extension Agreement of March 2007.

In response to the audit observations, DOT stated (August 2007) that the branding exercise for "Incredible India" was initiated in 2002-03, and no brandline generates revenue in the initial period of its launch. The reply is not tenable as the Ministry, at the time of extending the contract for three years in July 2004, should have negotiated better terms by conducting proper assessment of the potential for revenue generation from advertisements in the Newsletter, on the basis of the revenue generated by DDP in the first year of the contract.

Incidentally, on expiry of the contract with DDP in May 2007, DOT invited fresh bids, and awarded the contract to another party for three years, with a minimum guaranteed revenue generation to DOT of Rs. 44 lakh for the period. DOT stated (August 2007) that the tender for revenue sharing was initiated on the advice of Integrated Finance of the Ministry, as well as audit.

Thus, failure to consider the potential for revenue generation from the publication of the "Incredible India" Magazine between 2003 and 2007 resulted in undue benefit to the publisher, and consequent loss to the Government. There was also lack of transparency in the contracting process.

The matter was referred to Ministry in June 2007; their reply was awaited as of December 2007.

16.2 Wasteful expenditure on hiring of excess space at World Travel Market

Due to improper assessment, Government of India Tourist Office in London hired space in excess of requirement at World Travel Market during the years 2003, 2004 and 2005 leading to significant underutilisation of space and wasteful expenditure of £ 255,069 (Rs. 2.06 crore).

World Travel Market (WTM) is the premier global event for the travel industry and is held every year in London. This event is held in the month of November every year at 'Excel' International Exhibition Centre, London.

Government of India Tourist Office (TO), London has been participating in WTM over the years and incurs expenditure on various items *viz*. hiring of space, stall fabrication, holding of press conference and India Evening, arranging catering, logistics and banners etc. Hiring of space alone accounts for around 50 to 70 *per cent* of total expenditure. Expenditure incurred on hiring of space *vis-à-vis* total expenditure incurred during WTM 2003, 2004, 2005 and 2006 are as indicated below:

(Amount in GBP)

Item	**WTM 2003**	**WTM 2004**	**WTM 2005**	**WTM 2006**
Total expenditure incurred	392,005.22	416,310.02	526,777.00	492,235.12
Expenditure incurred on hiring of space	242,787.93	287,253.46	303,969.00	238,524.25
Percentage of total expenditure	61.93	69.00	57.70	48.46

TO London hires space for event organisers and in turn allots space to various participating tourist organisations of State Governments and other private participants promoting tourism in India. A participating fee from each participant is collected based on the space requested/allotted to them.

Details of space acquired *vis-à-vis* space allotted and number of participants during WTM 2003 to 2006 are tabulated below:

Year	No. of participants	Space hired	Space allotted to participants	Balance space (Common space)	Excess space hired[2]	Hiring charges (per sq m)	Wasteful expenditure on hiring of excess space	
		(in sq m)				(in GBP)	(in GBP)	(in INR)[3]
2003	32	770	378	392	248	268	66,464	5,144,978
2004	54	893.75	400	493.75	349.75	268	93,733	7,951,370
2005	64	938	440	498	354	268	94,872	7,530,939
2006	98	756	612	144				
Total							**255,069**	**20,627,287**

The assessment of space to be hired during the event is done purely on *ad-hoc* basis as no criteria are laid down to determine the quantum of space to be hired. It is apparent from the table above that space hired during WTM 2003, 2004 and 2005 was more than the space hired during WTM 2006, whereas, the number of participants and total space allotted to the participants was more during WTM 2006. Utilisation of space during 2003 to 2005 ranged from 45 *per cent* to 49 *per cent* only, which was significantly lower than the year 2006 when it was 81 *per cent*, pointing to excess hiring of space during WTM 2003, 2004 and 2005 and consequent wasteful expenditure aggregating £ 255,069 (Rs. 2.06 crore) during these three years.

Ministry of Tourism stated in December 2007 that in addition to the space sold to the co-exhibitors, space in the India Pavilion is also required for common areas, aisles for easy accessibility, meeting rooms for officials of the Ministry to interact with international tour operators, media, opinion makers, as well as areas for presentations to be made by the Central and State Governments. The Ministry further stated that a VIP lounge is also required for interaction of the Minister/Secretary (Tourism), heading the delegation from India, with their counterparts from other countries, the international trade and media.

The reply of the Ministry lacks rationale as the requirement of common areas, meeting rooms, VIP lounge etc. would more or less be invariant, irrespective of the year of the event.

---

[2] Worked out adopting the area allotted for common space (144 sq m) in WTM 2006 as benchmark.

[3] Converted at average official exchange rate for the month of November and December of particular year.

The Ministry may consider fixing norms for hiring of space at WTM in order to ensure that the space so hired is utilised optimally.

16.3 Recovery at the instance of Audit

At the instance of Audit, the Ministry recovered an amount of Rs. 19.20 lakh disbursed as Central Financial Assistance for a project in Karnataka, which had not been executed.

Under the scheme for strengthening of tourism infrastructure – wayside amenities, the Ministry of Tourism approved a proposal from the Government of Karnataka for construction of a restaurant at Fort Chitradurga, and released a total amount of Rs. 19.20 lakh as Central Financial Assistance between March 2001 and June 2002. Since, the Archaeological Survey of India refused permission for the project as the Fort was a protected monument, the project could not be taken up. Ministry also did not pursue the matter with the State Government for recovery of unutilised grant.

On being pointed out in audit in May 2006, the Ministry confirmed (July 2007) that the project had been dropped, and the amount of Rs. 19.20 lakh was recovered by adjustment against another project in that State.

Annex

(Referred to in Paragraph No. 16.1)

A. Statement showing estimated revenue from advertisement per issue

	Issue of the Magazine	**Advertising Rates**					
		Front/ Back Gate Fold	**Back Cover**	**Inside Cover (Front or Back)**	**Full Page**	**Half Page**	**Quarterly Page**
1.	March-April 2003	-	1	2	25	7	10
2.	Nov-Dec 2003	-	1	2	19	2	4
3.	May-June 2004	1	1	2	9	6	4
4.	Jan.2005	1	1	2	17	3	5
5.	Feb. 2006	1	1	2	14	1	2
6.	Oct. 2006	-	1	2	12	4	2
7.	Nov.2006	-	1	2	40	11	5
8.	Apr. 2007	-	1	2	14	3	3
	Total (A)	3	8	16	150	37	35
	No. of Issue (B)	8	8	8	8	8	8
	Avg (A/B=C)	0.375	1	2	18.75	4.62	4.75
	Amount of Insertion* (D)	**@ Rs. 2,62,500 per insertion**	**@ Rs. 1,35,000 per insertion**	**@ Rs. 90,000 per insertion**	**@ Rs. 56,250 per insertion**	**@ Rs. 30,000 per insertion**	**@ Rs. 18,750 per insertion**
	Revenue per insertion (E)	Rs. 98,437.50 (i)	Rs. 1,35,000 (ii)	Rs. 1,80,000 (iii)	Rs. 10,54,687.50 (iv)	Rs. 1,38,600 (v)	Rs. 89,062.50 (vi)
	Total Revenue per Issue from Advertisement (i)+(ii)+ (iii)+(iv)+ (v)+(vi)					**Rs. 16,95,787.50**	
	Revenue for Advertisement (A) (40 x Rs. 16,95,787.50)					**Rs. 6,78,31,500**	

* The advertisement rates for the month of November 2006 have been adopted and a deduction of 25 *per cent* on this rate has been assumed, taking into account increase/decrease in rates.

B. Statement showing estimated revenue from advertisements during April 2003 to May 2007

Bi-Monthly issue	March-April 2003 to March –April 2004	11
Monthly issue	Jan.2005 to May 2007	29
	Total	**40**
Sales Revenue of Bi-Monthly Issue	11x 23,590 x 100	Rs. 2,59,49,000
Sales Revenue of Monthly Issue	29 x 23,590 x 50	Rs. 3,42,05,500
Total Revenue From Sales (B)		Rs. 6,01,54,500
Cost of Bi-Monthly Issue	53,000 x 11 x 100 x 40%	Rs. 2,33,20,000
Cost of Monthly Issue	53,000 x 29 x 50 x 40%	Rs. 3,07,40,000
Total Cost (C)		Rs. 5,40,60,000
Net Revenue from Sales (B-C=D)		Rs. 60,94,500
Total Net Revenue from Advertisement & Sales (A+D=E)		Rs. **7,39,26,000** **Say Rs. 7.39 crore**