

FHRAI seeks relief for hospitality sector from DGFT's secondary conditions

The Federation of Hotel & Restaurant Associations of India (FHRAI) has initiated legal action to seek appropriate remedies for hotel members affected by adverse provisions from the Delhi High Court for the hospitality sector from the Directorate General of Foreign Trades (DGFT). These conditions have posed challenges for the industry, particularly in light of adverse economic circumstances exacerbated by events such as the global recession, terrorist attacks, and the COVID-19 pandemic.

FHRAI has advocated for relief for the hospitality sector through persistent representations to the Ministry of Tourism and DGFT since 2017. Despite sustained efforts, the sector still needs to receive the necessary relaxations, prompting FHRAI to seek legal intervention. DGFT, in the year 2007-08 in the new EXIM policy, introduced an additional condition which not only meant that over and above the primary condition, the industry need to comply with a secondary condition of maintaining 3 years average past performance continuously over & above the Specific EO and the Average has to be maintained for the entire block of 8/6 years till the redemption of license. Unfortunately post the introduction of the secondary condition, the hospitality industry suffered a huge decline and thereby reduction in the FOREX due to which the industry has not been in a position to fulfil the secondary condition of maintaining the 3 years average past performance.

The hospitality industry had brought this issue of decline in foreign contribution to the notice of DGFT way back in February 2017 itself and that coincided with completion of 1st block of the 8 years when the license expired post the introduction of the secondary condition in the year 2007-08. Since then, the industry has been continuously requesting to the Government to grant the following reliefs as per the available provisions in the Handbook of Procedures 2015-20.

Under the Export Promotion Capital Goods (EPCG) Scheme, establishments importing capital goods must meet stringent foreign exchange earning criteria.

However, the introduction of additional conditions by DGFT in 2007-08 has further burdened the hospitality industry. Despite sustained efforts by FHRAI, including numerous representations and meetings with concerned authorities, relief has not been forthcoming.

Mr. Pradeep Shetty, President of FHRAI, emphasised the urgent need for relief, stating "After careful consideration and in response to numerous appeals from our members, FHRAI has decided to file a writ petition in the Delhi High Court. The hospitality sector must receive fair treatment under the Foreign Trade Policy, especially considering the adverse impact of recent economic challenges. We aim to ensure that our members are shielded from undue prosecution and that the hotel sector is accorded the same privileges as other export-oriented industries. We trust that the legal action will pave the way for equitable relief and a level playing field for our stakeholders."

Several challenges were faced by the hospitality sector. In 2021, FHRAI conducted a sample survey involving 35 hotels, revealing a notable decline of more than 5% in their export earnings, underscoring the sector's struggle to meet foreign exchange targets. Moreover, in 2023, DGFT introduced an amnesty scheme aimed at resolving default in Export Obligations by Advance and EPCG Authorisation holders. However, the effectiveness of this scheme for the hospitality sector hinges on the relaxation or re-fixation of annual averages from past years. Notably, the amnesty scheme is scheduled to conclude by 31st March 2024, further accentuating the urgency for equitable relief measures.

FHRAI emphasises that the hospitality sector has been disproportionately impacted by economic downturns, resulting in a decline in foreign earnings. This decline has been well-documented, with FHRAI submitting comprehensive reports and conducting surveys illustrating the challenges faced by hoteliers. The Federation highlights that other export sectors have received relaxation under para 5.19 of the Handbook of Procedures 2015-2020, where total exports have declined by more than 5%. However, the hospitality sector has been unfairly excluded from such provisions.