



# WHITE PAPER ON **tourism**

POSITION PAPER ON  
NEPAL HOTEL INDUSTRY 2017





WHITE PAPER ON  
**tourism**





C.D.O. REGD # S.D. 10/023

**HOTEL ASSOCIATION NEPAL**



### **Introduction**

On the occasion of Half Yearly Annual General Meeting 2017, Hotel Association Nepal is pleased to present "White paper on Tourism". HAN on its Golden Jubilee Year is pleased to present this publication to summarize the development of hotel industry in the last fifty years in general and major prospects and challenges of the industry in particular.

Hotel industry in Nepal is at crossroad as more and more hotels are coming to existence at a rapid rate but at the same time tourist arrival has been largely constrained due to very limited infrastructure development. Country's only international airport in Kathmandu simply cannot handle additional flights and so is the case of road networks and other basic prerequisites such as traffic condition, healthy environment. Expansion and new development in airports, roads are planned and many are underway but needs considerable time for the completion. Thus the challenge is how to cope with the situation. The White Paper analyses the problems and suggests probable solutions.

With the promulgation of the New Constitution and the successful organizations of local elections, Nepal has already embarked on the road to federalism. The White Paper also discusses issues for balanced development of tourism in the federal system and HAN, on the basis of its long experience and expertise has listed recommendations to be implemented by the Government and stake holders.

President and Office Bearers of the Hotel Association Nepal extend sincere thanks to Past Presidents, members, tourism fraternity, Government institutions and officials for their rich contributions extended in the preparation of the White Paper. HAN thanks Mr. Kashi Raj Bhandari for the preparation of the White Paper.

*B. Shah*

Binayak Shah  
Secretary General  
Coordinator of the White Paper publication



# Back-ground

**T**his White Paper is issued by Hotel Association Nepal (HAN) for the larger benefit of the hotel industry and entire tourism sector of Nepal. HAN strongly believes in the partnership approach in tourism and cherishes the private public partnership approach where the government plays a role of catalyst and facilitates the private sector in investment, operation of the industry and delivering quality services to the visitors.

Established in 1966 with just eight members, HAN is the first travel trade association of Nepal and has positioned itself as the leader of the entire tourism industry since the very beginning. It is the umbrella organization of more than 1100 hotels and resorts, which are the largest investors, taxpayers and employers in the tourism sector of Nepal. Together with restaurants, hotel sector alone contributes almost 2% to the national GDP.

With the new constitution, Nepal has successfully completed a long political transition and now it is looking forward to a more conducive environment for investment, business and economic development. The country is restructured into seven new states, 75 districts and 744 local bodies; Gaonpalika, municipalities, sub-metropolitan and metropolitan cities which will be governed by federal, provincial and local governments. The overarching goal of the state restructuring is poverty alleviation through overall national development, more equitable social inclusion and regional balance.

The United Nations also acknowledges tourism as a reliable vehicle for poverty alleviation in the developing countries and suggests that with better plans, policies and partnership between the public and private sectors, these countries could break the vicious cycle of poverty by charting a trajectory of economic development. HAN substantiates this view and has a tenacious conviction that tourism has a huge potential in Nepal to achieve the goal enshrined in the new constitution of Nepal.

HAN has completed 50 years of its establishment and observed the Golden Jubilee celebrations. Part of the celebrations was a conference where HAN has kindled a public discourse on the prospects and challenges of tourism in the federal system. Several experts and entrepreneurs having long experiences and profound knowledge on legal, investment, marketing and branding issues of tourism interacted with the hotel entrepreneurs and media. The conference concluded with a resolution that economic prosperity is the precondition for sustainable political stability and successful implementation of new constitution and tourism is one of the most viable and promising means to accomplish the end.

# Nepal at a Glance

**D**raped along the mighty and mystical Himalayan range, Nepal is profusely endowed with bio-diversity and geographical variations. It has almost one-third stretch of the Himalayan range and houses eight of 14 highest peaks in the planet, including the Mt. Everest. Besides, there is an amazing assortment of other equally overpowering peaks and pinnacles, 90 of them over 7000m in altitude. Mountains and hills occupy two-thirds of Nepal's territory and the altitudinal variation ranges from 60m above sea level to 8848m, the pinnacle of Mt. Everest, within a mere distance of 150m.

The country is divided into three ecological belts: the plain lowland (Terai), the midland (hills, doons and valleys) and the mountains. These ecological zones have five climatic zones ranging from the subtropical zone below 1,200m in altitude; the temperate zone from 1,200m to 2,400m with cool temperature in the hilly belt; the cold zone from 2,400m to 3,600m; the subarctic zone from 3,600m to 4,400m and the arctic zone above 4,400m in altitude.

**4%**  
OF MAMMALS  
ON EARTH

**9%**  
OF THE WORLD'S  
BIRDS  
**850**  
SPECIES

**319**  
SPECIES  
TYPES OF  
WILD ORCHIDS

**11** OF 15 FAMILIES  
OF BUTTERFLIES

**124** CROCODILES  
(GHARIAL)

**600** TYPES OF  
INDIGENOUS PLANTS

**7,000**  
SPECIES OF FLOWERING  
PLANTS, 5% ARE ENDEMIC.



**198**  
TIGERS

**150**  
ASIATIC  
ELEPHANTS

**432**  
WILD  
BUFFALOES

**645**  
RHINOCEROS

**500**  
SNOW  
LEOPARDS

**350**  
BLACK BUCKS

**2,406**  
DEERS

Nepal is well known for wildlife conservation and the protected areas in Nepal cover almost one quarter of the country's various geographical regions from the sub-tropical jungles to the alpine mountain region. There are 12 national parks, one wildlife reserve, one hunting reserve and four conservation areas. Considering the outstanding universal values of Chitwan and Sagarmatha National Parks, UNESCO has enlisted these sites as the natural World Heritage Sites. These protected areas cover a wide variety of vegetation with tropical and subtropical rain forests in the Terai to deciduous monsoon forests in the hills, alpine grasslands and tundra vegetation in the mountain region. The unique geography of Nepal fosters a variety of ecosystems, therefore, a country, which occupies only 0.1% landmass of the earth.

Nepal also has one of the richest cultural landscapes found anywhere in the world. With a population of 28 million, there are more than 123 ethnic groups and 120 spoken languages. Despite having predominantly Hindu population (around 80%), the society cherishes social harmony among people of different ethnicities and faiths. Equal reverence to the Living Goddess, Kumari and Lord Sakyamuni Buddha (commonly known as Buddha) by both Hindus and Buddhists is the perfect testament of interfaith tolerance and social harmony. With these rich natural and cultural heritages, Nepal serves up the world a whole gamut of holiday options; from relishing the charms of ancient city in a leisurely walk to the ultimate challenge of climbing the tallest peak in the planet.

# Current World Tourism Scenario

According to the United Nations World Tourism Organization (UNWTO), international tourist arrivals (overnight visitors) reached 1,235 million in 2016, up from 1,186 million in 2015. The social media, the youngest progeny of digital revolution, brings the visitors and destinations unprecedentedly closer breaking down many traditional barriers. It is estimated that there are 2.6 billion users of the social media worldwide, an evidence of colossal digital demand. Propelled by this new phenomenon and the very resilient nature, tourism demand continued to be stronger in most source markets and destinations, despite several geopolitical uncertainties and challenges in some parts of the world.

Whereas Asia and the Pacific received a total to 309 million arrivals, 620 million tourist arrivals have been recorded in Europe,. South Asia also

posted strong results driven by the continuing growth in India, Sri Lanka and the Maldives. The UNWTO has designated 2017 as the International Year of Sustainable Tourism for Development and its panel of experts expects even better result in 2017.

Leisure holidays, recreation and similar travels accounted for just over half of all international tourist arrivals in 2015. Some 14% of international tourists reported travelling for business and professional purposes, and another 27% travelled for other reasons such as visiting friends and relatives (VFR), religious reasons and pilgrimages, health treatment, etc. The pattern remains similar in 2016.

Travel and tourism contributed to almost USD 7.6 trillion to the global economy, 10.2% of world's GDP in 2016. It employed 292 millions people or created one in every 10 jobs. Receipts from international visitor spending on accommodation, food and drinks, entertainment, shopping and other services and goods reached an estimated US\$ 1260 billion in 2015, an increase of 127% in real terms. International tourism receipts is also expected to grow in line with the growth in the tourist arrivals in 2016.

# Current Tourism Scenario in Nepal

Nepal is located between China and India, the most populous and growing economies in the world. Commensurate to the growing size of the middle class with more and more disposable income, outbound markets of both the countries are also increasing creating tourism opportunities in nearby tourist destinations like Nepal.

Despite having a long experience in tourism, the country is yet to realize its full potential. Nepal

is still considered a leader, particularly in nature and adventure-based tourism activities. However, a plethora of other viable tourism resources still remain under-utilized. Religious and spiritual tourism is one such segment where Nepal has competitive advantage over other destinations.

According to Ministry of Culture, Tourism and Civil Aviation, Nepal saw a resilient tourism year in 2016. The number had dwindled as a consequence of massive earthquake in 2015, with a decline of 32% in comparison to the previous year. However, the tourist arrivals hit a robust growth of 39.7 % and more than 753,002 international tourists visited Nepal in 2016. India ranks number one and China number two in terms of number of visitor's arrivals.



Nepal received 518.5 millions US dollars in 2016 and average income per visitor stood at 53 US dollars. The total income is 11 % more than that of previous year but the average income went down by 23%. A total of 3354 mountaineering teams undertook mountain expeditions and 1225 succeeded in climbing various mountains. These teams generated 287.5 millions of USD in Royalties to the Government of Nepal.

According to the World Travel and Tourism Competitiveness Report 2017, published by World Economic Forum, Nepal is ranked at 103rd position, out of 136 countries. The following table presents travel and tourism competitiveness of Nepal vis-à-vis other SAARC countries.

Although the rankings and subsequent inferences drawn from rather subjective analysis may not mirror all the ground realities, it certainly provides adequate justification to reflect on the areas where Nepal is lagging behind and initiate necessary reforms and improvements. This report indicates that Nepal should be more ready to Information and Communication Technology, give more focus on environmental sustainability, air, ground and tourism services infrastructures. In

terms of natural resources Nepal is ahead of all South Asian counterparts but India. The report highlights that India is the rising star in terms of tourism competitiveness in Asia.

Among the sub-component of these indicators, Nepal scored better in the followings:

#### RANKING OF SOME OF THE INDICATORS PERTAINING TO NEPAL

Sub-components	Rank
HIV Prevalence	1
Purchasing Power Parity	7
Visa requirements	8
Forest Cover Change	10

Source: *Travel and Tourism Competitiveness Report, 2017*

According to the publication, Nepal needs to reform the Aviation Policy, revise the existing provision regarding hiring foreign labors and improve procedures of granting construction permits. Similarly, for safe and unconstrained movement of visitors the government should give more focus on the quality of air and ground infrastructure.

#### TRAVEL AND TOURISM COMPETITIVENESS OF NEPAL AND SAARC COUNTRIES

Countries Indicators	Nepal	Bhutan	Bangladesh	India	Pakistan	Sri Lanka
Overall Ranking out of	103	78	125	40	124	64
Business Environment	108	48	104	89	119	50
Safety and security	100	25	123	114	133	59
Health and Hygiene	85	96	107	104	101	71
Human Resources and Labour Market	99	89	121	87	134	78
ICT readiness	124	87	116	112	126	110
Prioritization of Travel and Tourism	51	36	127	104	122	26
International Openness	87	80	104	55	114	67
Price Competitiveness	19	6	89	10	29	20
Environmental Sustainability	126	26	126	134	133	93
Air Transport Infrastructure	105	67	113	32	99	68
Ground and Port Infrastructure	135	104	74	29	80	45
Tourist Service Infrastructure	124	109	133	110	125	94
Natural Resources	27	51	107	24	120	31
Cultural Resources and Business Travel	117	121	74	9	59	72

Source: *Travel and Tourism Competitiveness Report, 2017*



**H**otel Associating Nepal (HAN) is the umbrella organization of more than 1100 hotels, resorts and guesthouses across Nepal. Established in 1966 with eight member hotels, HAN is the first travel trade association of Nepal. It has positioned itself as the leader of tourism industry with largest amount of investment in the tourism sector. Currently it also has 12 regional chapters including Pokhara, Chitwan and carries the official voice of hotel industry of Nepal advocating for its lawful interests and promoting unity and co-operation among its members.

For over 50 years, HAN has helped the members grow their business and nurture the entire tourism industry by advising the government and related agencies in formulation of appropriate tourism policy and strategies, devising innovative marketing programs, creating networks and promoting the concerns of largest investors of the tourism sector, the hoteliers. Hotel industry has injected the highest amount of private capital investment, approx. NRS 250 billion to the tourism sector of Nepal.

HAN has also forged a broad network of national and international contacts so that the member hotels acquire valuable knowledge and insights into the latest industry developments as well as manage the industry's challenges successfully.

The international network of HAN further ensures consistency in service standards of the hotels and helps acquire the knowledge of new technology and management techniques. Today, HAN has bilateral relations with hotel associations of Singapore, India, China, Sri Lanka, Pakistan, Bhutan, Thailand, and Malaysia.

HAN is the only representative of tourism sector in the National Planning Council and, therefore, influences positively the government's decisions pertaining to tourism in order to create appropriate policies and regulatory framework. HAN also maintains strong partnership with Nepal Tourism Board and works together in destination promotion activities in order to enhance Nepal's image as a safe and preferred tourism destination.



# Hotel Industry in Nepal

According to Central Bureau of Statistics, Hotel and Restaurant industry contributes 1.9% to the national GDP in 2016. However, many publications, including government's official documents, misquote this as the contribution pertaining to the overall tourism sector.

Since tourism is not classified as an industry in the national accounts, Tourism Satellite Account is required to accurately measure the overall contribution of tourism sector to the national GDP. Tourism Satellite Account (TSA) portrays the accurate size and contribution of tourism sector in the national economy, taking into account contributions of the tourism related sectors and all the direct, indirect and induced economic effects of tourism. In the absence of TSA, the economic indicators of tourism are subject to speculation and disparate interpretations.

The devastating earthquake of April 25, 2015 rendered huge damage to the hotel industry of Nepal. The estimated damage amounted to NRS 18.9 billion. Similarly, the overall tourism sector incurred NRS. 62.4 billion in lost incomes.

However, the earthquake of 2015 and its aftermath could not deter the investors and according to one estimate around a dozen hotels are injecting huge investment into Nepali economy. Most of these hotels are part of famous international chains, which have decided to invest in Nepal judging the opportunities in the tourism sector.

# Current Status of Hotels in Nepal

According to the Department of Tourism, the existing number of tourist category hotels and capacity thereof are as follows:

## DETAILS OF REGISTERED HOTELS

Category of Hotels	Number
5 star hotels	10
4 star hotels	3
3 star hotels	34
2 star hotels	44
1 star hotels	30
<b>Total number of star hotels</b>	<b>121</b>
<b>Total number of tourist standard hotels</b>	<b>985</b>
<b>Total number of rooms</b>	
Star hotels	10071
Tourist standard hotels	28171
<b>Total</b>	<b>38241</b>

Source: Nepal Tourism Statistics 2016

The registered hotels in Nepal produce approximately 13.96 million bed nights annually. The average occupancy rate of the hotels is estimated around 70%.

However, based on feedback from the member hoteliers, the high occupancy rate is far from reality. Because the official statistics entirely omit the following facts:

- Studies commissioned by Nepal Tourism Board, ILO and SAMARTH/NMDP reveal that a substantial number of unregistered hotels in various places of Nepal offer accommodation to the visitors. Number

of such outfits is relatively higher in the trekking areas.

- Proliferation of homestay facilities in rural as well as urban areas also reduces the accuracy of average occupancy rate of the registered hotels.
- Studies commissioned by Nepal Tourism Board and the Indian Embassy in Kathmandu report that more than one million overnight Indian visitors travel to Nepal overland annually. These travellers are never accounted in the official statistics of Nepal.

According to one estimate, around a dozen new hotels are injecting more than 30 billion NRs into Nepali economy. The tentative list of the hotels and other details are as below:

## TENTATIVE DETAILS OF UPCOMING 5 AND 4 STAR HOTELS (AMOUNT IN NRs.)

Name of Hotels	Estimated Investment	Star Category	No. of Rooms
Sheraton Kathmandu	8 billion	5 Star	218
Aloft Kathmandu (Starwood Chain)	5 billion	5 Star	175
Fairfield by Marriott Kathmandu	4 billion	4 Star	115
Hilton Duple Tree Kathmandu	4 billion		138
Tiger Palace in Butwal-Bhairahawa	3.7 billion	5 Star	200
Bodhi Redson, Bhairahawa	346 million	3 Star	108
Nans	700 million		100
View Annapurna	1 billion		110
Dugar Group	1 billion		120
Pawan Palace	1.35 billion	5 Star	148
Hotel Lee Sherpa	2 billion		120
<b>Total</b>	<b>31.1 billion</b>		<b>1552</b>

## REGISTERED CAPACITY OF ACCOMMODATION IN NEPAL

Annual Supply of Bed-nights	Total Tourist Arrivals	Average Length of Stay	Total Annual Demand	Average Occupancy
13,958,330	753,002	13	9,789,026	70%

Besides these new hotels, which will add around 566,000 room nights annually, there are many other hotels are being established, which will substantially increase the accommodation capacity of Nepal. While the advent of internationally reputed chain hotels is expected to enhance the image of Nepal, some hoteliers are concerned that surfeit of supply may further intensify already competitive hotel market. If the number of tourists or demand for rooms does not rise proportionately, there will be a fierce competition over price among the old players and new entrants. Nonetheless, the new hotels outside Kathmandu and Pokhara will certainly help manage the carrying capacity in tourism and support government's diversification efforts.

It is estimated that around 4,000 new star category rooms will be added by 2020 which means another 1.5 million room nights will be available annually.

Another concern of the hotel industry of Nepal is the mushroom growth of homestays. Operation of homestays has been legalized in order to compensate the shortage of accommodation capacity for the estimated 1 million visitors arrivals during Nepal Tourism Year 2011 campaign and to diversify the benefits of tourism to rural and remote areas. Department of Tourism has issued Homestay Procedures 2010 to regulate the operation of the homestays. The homestays are exempted from taxes and several other formalities but are required to submit report of the operation. However, it is not easy to get data and information of the visitors serviced by both registered and unregistered homestays.

New Industrial Enterprises Act 2073 classifies homestay as part of the tourism industry, requiring it to fulfill all the formalities as other tourism enterprises. Although, the regulations are yet to be approved by the government, the new act is expected to regulate the unwarranted growth of homestays and undue competition between the hotel and homestays in Nepal.

#### REGISTERED HOMESTAYS IN NEPAL (AS OF THE END OF 2016)

Particulars	Number
Total Homestay Units	271
Total Homestay Rooms	507
Total Homestay Beds	878



# Tourism and Aviation

Aviation plays a crucial role for success of tourism sector as almost 80% of the visitors to Nepal use air passage to enter to Nepal. The only one international airport in Nepal, TIA, is being upgraded; Gautam Buddha international Airports in Lumbini is under construction and construction of Regional International airport in Pokhara is also expected begin shortly.

Kathmandu is connected to major international hubs in Asia by 27 international airlines; two of them are Nepali international air carriers. New Delhi, Mumbai, Dhaka Singapore, Bangkok, Kuala Lumpur, Hong Kong, Guangzhou, Chengdu, Kunming, Doha, Dubai, Abudhabi, Yangoon etc. are the major cities directly connected to Kathmandu by air passage.

Nepal Airlines, the national flag carrier of Nepal is all geared to serve the international passengers to and from Nepal by expanding its current fleet of aircrafts. The robust growth in 2016 with 40% growth in the number of visitors' arrival to Nepal has boosted the confidence of aviation and tourism sector. Many international travel media has widely covered Nepal and its tourism attractions in their respective media, which certainly brings about more positive outcomes for Nepal in the future.

## CURRENT AVIATION STATUS OF NEPAL

Number of Airports in Nepal	
International Airport	1
Domestic Airport	49
Total number of Airports	50
In Operation	33
Not in operation	17
Number of Airlines and Aircrafts in Nepal	
Nepali International Carriers	2
Other International Carriers	25
Countries with ASA	38
Available two way seat capacity	8,000,000
Flights per week	300
Fixed Wing Domestic Carriers	9
Number of aircrafts	35
Helicopter companies	7
Helicopters	19
Aviation sport companies	19
Flight and Passenger Movements in 2015	
International flight movement	26,563
Domestic Passenger Movement	65,865
International Passenger Movement	3,217,162
Domestic Passenger Movement	1,364,048

# Nepal in the Global Media

## BEST VALUE DESTINATION



Nepal finds “Best Value Destination’ to travel in 2017 in the Lonely Planet’s annual ‘Best in Travel’ list. “...Visitor numbers are slowly recovering and the time is ripe to get back to Nepal’s mighty mountains; wherever you go, you’ll receive a warm welcome, as your visit brings much-needed income to communities getting back on their feet,” Lonely Planet writes.

Nepal has also made it to Lonely Planet’s list of Top 10 countries that ‘you cannot afford to miss’. Nepal is ranked 5th in the list. “Even natural disasters can’t keep Nepal down for long. The 2015 earthquakes caused devastation, but what is most striking from a traveler’s perspective is not how much was lost but how much remains. Landmark temples crumbled, but others came through with just the odd tile out of place, and whole swathes of the country escaped serious damage, including most of the popular trekking trails,” Lonely Planet writes, adding: “Nepal has all the skills required to repair monuments and infrastructure, but what it does need is income. By visiting Nepal now and supporting local culture and people, you could help a nation rebuild and bounce back even stronger.”



Nepal lies in the 23<sup>rd</sup> position in TripAdvisor’s ‘Top 25 Destination in the world’ list. “Nepal’s capital is surrounded by a valley full of historic sites, ancient temples, shrines, and fascinating villages. Mingle with locals and animals amid Durbar Square’s monuments, or join mountain trekkers in the bustling Thamel District. Explore shops for exquisite work by local artisans—carpets and paper prints are specialties,” the popular travel review portal writes.

## ECOTOURISM DESTINATION IN ASIA

Nepal is in the 6<sup>th</sup> position in Trips to Discover’s ‘Best Ecotourism Destinations in Asia’. “Right within the Himalayas, the Sagarmatha National Park is located in eastern Nepal and is also home to the southern part of Mt Everest. The travel blog writes, “Trekking love to explore this area’s steep and rugged terrain, and the Kalapatthar Peak is one of the most popular attraction in the trekking trail. Make sure to stop at the gompas and monasteries along the trail to learn about Nepal’s history and culture,” the travel blog writes. “Like many Asian ecotourism destinations, Sagarmatha is an excellent place for bird-watching, with more than 100 species of birds as well as endangered mammals like the snow leopard and Himalayan black bear,” it adds.

## THE NEW CONTEXT

The government of Nepal expects to accelerate economic and social development of Nepal by restructuring the country and decentralizing the system of governance. As far as tourism sector is concerned, this will create new opportunities for investors and entrepreneurs and help more equitable distribution of benefits through diversification of the tourism activities.

The new constitution of Nepal has envisioned seven states in Nepal with number tags of 1 to 7 with three tiers of governance system, namely, federal, provincial and local. All 75 districts are further divided into 744 local bodies; Gaonpalika, municipalities, sub-metropolitan and metropolitan cities. Major tourism attractions in these new states are presented below.

### STATE-WISE TOURISM ATTRACTIONS

S.N.	State	District	Major Tourism Products/sites
1	State No. 1	Taplejung, Panchthar, Ilam, Sankhuwashava, Terathum, Dhankuta, Bhojpur, Khotang, Solukhumbu, Okhaldhunga, Udaypur, Jhapa, Morang, Sunsari-14 Districts	Kanchanjungha Conservation Area Makalu Barun Conservation Area Ilam Basantapur, Tinjure Milke and Jaljale Rafting on Arun and Tamor River, Rudrakshya Farm in Bhojpur Haleshi Mahadev in Khotang Mt. Everest and other mountain peaks, Everest National Park Baraha Kshetra King Birat's palace Bhededar etc.
2	State No. 2	Saptari, Siraha, Dhanusha, Mahottari, Sarlaha, Rautahat, Bara, Parsa-8 Districts	Shalahesh Janakpur and surroundings Gadhimai Parsa Wildlife Reserve etc.
3	State No. 3	Dolakha, Ramechhap, Sindhuli, Kavre, Sindhupalchowk, Rasuwa, Nuwakot, Dhading, Chitwan, Makawanpur, Bhaktapur, Lalitpur, Kathmandu- 13 Districts	Kalinchowk, Dolakha Bhimsen, Jiri, Lamabagar, Gaurishankar Conservation Area Sindhuligadhi Langtang National Park, Nuwakot Durbar River Rafting on Trisuli and Bhotekoshi River Chitwan National Park Kathmandu Valley Banepa, Dhulikhel, Nagarkot etc.
4	State No. 4	Gorkha, Lamjung, Tanahun, Kaski, Manang, Mustang, Parbat, Syangja, Myagdi, Baglung, Nawalparasi* (East of Bardaghat Susta)-11 Districts	Gorkha Bazaar, Gorakhnath, Gorakhkali, Manakamana Temple and Cable Car Manaslu Peak, Manaslu and Tsum Valley Trekking areas, Lomanthang and Damodar Kunda, Muktinath, Tilicho Lake, Sirubari, Ghalegaun Dhorpatan Hunting Reserve, Annapurna Conservation Area, Annapurna and Dhaulagiri mountain peaks and trekking routes, Baglung Kalika Temple Rafting on Kaligandaki river Pokhara Valley Balmiki Ashram etc.
5	State No. 5	Nawalparasi* (West of Bardaghat Susta), Rupandehi, Kapilvastu, Palpa, Argakhanchi, Gulmi, Rukum* ( Eastern Part), Rolpa, Pyuthan, Dang, Banke, Bardia -12 Districts	Lumbini and religiously and archeologically important sites related to Lord Buddha and Buddhism Tansen and Ranighat Ruru Kshetra Guirilla Trail and Dhorpatan Hunting Reserve Swargadwari Bardia and Banke National Parks River Rafting on Karnali River Sisne Himal



S.N.	State	District	Major Tourism Products/sites
6	State No. 6	Rukum ( Western Part)*, Salyan, Dolpa, Jumla, Mugu, Humla, Kalikot, Jajarkot, Dailekh, Surkhet-10 districts	Lake Phoksundo, Shey Phoksundo National Park, Yarsa Tourism Rara lake and National Park River Rafting on Karnali and Bheri River Simikot, Yari and Hilsa, Limi Valley Kankre Bihar, Deuti Bajjei, Dullu
7	State No. 7	Bajura, Bajhang, Doti, Achham, Darchula, Baitadi, Dadeldhura, Kailali, Kanchanpur-9 districts	Khaptad National Park Ramaroshan Badimalika Api and Nampa Himal Suklaphanta Wildlife Reserve

Elections for local governments in all the states but no 2 have been successfully completed and hopefully the elections of provincial governments will also take place within time set in the constitution. Once local and provincial governments are formed, they are

expected to hone in on the development issues. Each state possesses abundance of raw materials for tourism, but to reap the benefits, they need to harness them properly placing a high priority on tourism development, investment and promotion.

### Province No. 7

Api Nampa Conservation Area, Api Saipal Himal  
Khaptad National Park  
Sukla Phanta Wildlife Reserve  
Ramaroshan, Mallika Arjun, Ugratarra

### Province No. 6

Dolpa, Humla (route to Kailash and Manasarovar)  
Shey Phoksundo National Park  
Rara National Park  
Rara and Phoksundo Lakes

### Province No. 4

Annapurnas, Fishtail, Dhaulagiri Peaks  
ACAP, Manaslu CA and Peak  
Pokhara Valley  
Gorkha  
Mustang

### Province No. 3

Kathmandu Valley, Nagarkot, Dhulikhel etc.  
Gaurishanker CA  
Langtang NP  
Chitwan National Park

### Province No. 1

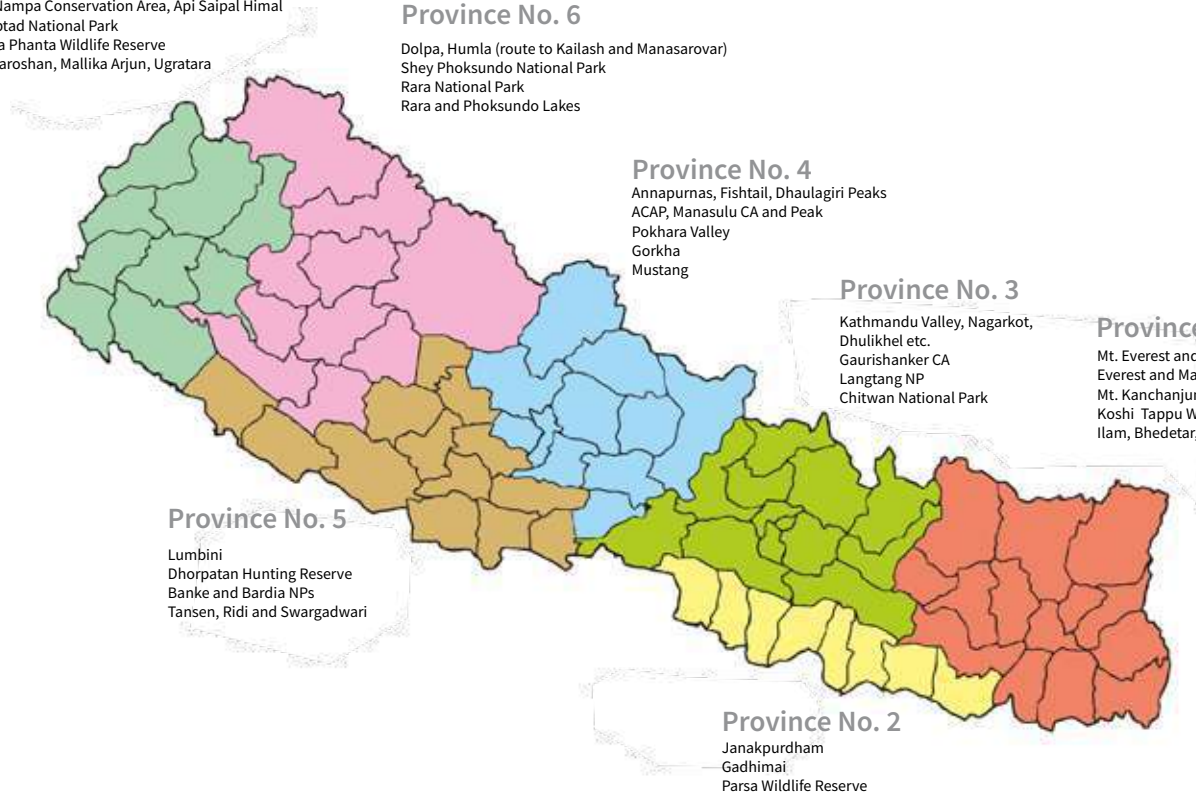
Mt. Everest and other 8 thousandsers  
Everest and Makalu National Parks  
Mt. Kanchanjungha and Conservation Area  
Koshi Tappu Wildlife Reserve  
Ilam, Bhedetar, Barah Khestra etc.

### Province No. 5

Lumbini  
Dhorpatan Hunting Reserve  
Banke and Bardia NPs  
Tansen, Ridi and Swargadwari

### Province No. 2

Janakpurdham  
Gadhimai  
Parsa Wildlife Reserve



## KEY ISSUES AND WAYS FORWARD

As many of the political matters have been resolved now, Nepal should focus on identifying and nurturing those areas where it has comparative and competitive advantages for economic development. Each state has abundance of tourism endowments, which can be promoted as attractive tourism sites and activities.

HAN identifies the key issues that concern hotel industry and tourism sector in the new context and possible ways to mitigate them as below:

### ISSUE 1

#### DIALOGUE WITH LOCAL GOVERNMENT BODIES

The new constitution of Nepal has demarcated the political domains of federal, provincial and local governments. Authority, responsibilities, resources and benefits pertaining to tourism sector are to be shared by all these government. The details of such shares are yet to be worked out to avoid confusion among the states and governments.

#### Way forward

Hotel Association Nepal is prepared to take the lead and initiate discussions with the newly elected office bearers of the local government bodies in order to appraise them on the potentials of tourism. They need to be convinced that tourism sector possess all the potential resources for economic prosperity of the country and can contribute towards successful implementation of the constitution and promote sustainable economy of federal Nepal. Hoteliers are ready to work together with the governments in creating new tourism destinations and facilities for the visitors.

### ISSUE 2

#### FOCUS MORE ON DEVELOPMENT THAN POLITICS

#### Way forward

HAN urges all three governments (provincial governments are yet to be formed) should focus more on economic agenda rather than pursuing the political advantages. If the states place more emphasis on the political issues again, the whole idea of state restructuring and decentralization of governance system is defeated. More political issues only make Nepal people poorer as in the border states of

our close neighbor. Why people of the poorer northern states come to Nepal for work, at the mean time many Nepali people find jobs in the prospering Indian states? The answer is clear; these northern states keep on reinventing more urgent political issues that adumbrate the agenda of economic development. We do not want our new governments to only absorb the precious resources without adding any value. But the new state and local governments in Nepal are expected to be competing with each other in reducing poverty and upgrading the living standards of Nepali people rather than provoking political issues and delivering platitudes of quixotic quests.

### ISSUE 3

#### HOTELS CREATE TOURISM DESTINATION

#### Way forward

Pokhara, Chitwan, Nagarkot are burning examples that private investments by hotels alone could create tourism destinations and attract visitors. However, besides the tourism facilities, the private investors had to invest huge investment for accessibility and public utilities in these destinations. In the new context we are looking forward to work together with the provincial and local governments to create more new destinations, if they support business friendly environment and develop required infrastructure. In the past, the hoteliers had bitter experience of investing a large sum on infrastructure and utilities to create new destination but faced a multitude of problems from the local people and local government bodies. The message should be loud and clear that visitors go to those places where there are good tourism facilities, business friendly government and welcoming local people.

**ISSUE 4****TOURISM IS A GOLDEN EGG LAYING GOOSE****Way forward**

The leaders and office bearers in the provincial and local governments should understand and make the people understand that investment in hotel is a golden egg laying goose. Therefore, we all need to work together to nurture the goose with proper nourishments i.e. conducive business environment, politics free workplaces, infrastructure and public utilities.

**ISSUE 5****MORE INVESTMENT ON TOURISM INFRASTRUCTURE ATTRACTIONS****Way forward**

Hotels and resorts invest in those areas where there is adequate infrastructure; where there are good airports, good attractions and local culture and heritages. Tourists want to visit those cities which are clean and are full of well-preserved monuments, they want to trek to those areas where there are good trekking trails and comfortable lodging. They want to go for rafting and kayaking in the clean rivers, to explore wildlife in well-protected sanctuaries and enjoy paragliding where there is a pristine natural ambiance and fresh air. Therefore, the newly elected local bodies have more responsibilities on their shoulders and work hard to make their cities and villages attractive to tourists.

**ISSUE 6****OVERCAPACITY****Way forward**

Investment is good but excess capacity only generates Low Price and Low Quality Services. Recently, hotel industry has received huge amount of domestic as well as foreign investment. While opening of new hotels brings new opportunities in terms of employment, business, incomes and taxes, the new hotels also inflict threats to the existing hotels by increasing the capacity and making the price competition more intense.

During the first few years of the new millennium, a number of hotels went bankrupt. Apparently, there was a very low demand (only 275,468 visitors in 2002) and there was excessive supply of hotel rooms. Now, as more and more new hotels are joining the industry, we should be very careful that these new hotels create more demand for the additional supply of rooms, rather than competing over the price and replacing the good old hotels. If the old hotels go out of business the bank will have problems and eventually it badly hurts the entire economy. Therefore, the government should stop the overheated investment on hotels by assessing the demand and supply of accommodation capacity and setting some standard criteria for hotel expansion. We suggest to enforce the quality and standardization benchmarks in close association with private sector travel trade.

**ISSUE 7****FROM LABOR RELATIONS TO INDUSTRIAL RELATIONS****Way forward**

This is a high time that the governments and all the political forces change their outlook towards labor relations. Investors always shy away from those countries where there is belligerent trade unions supported by the political parties. The current policy of "labour relations" should be transformed into "industrial relations" where the trade unions themselves become part of the solutions rather than part of the problems. At present the hotels spend almost 40% of their income on staff against the international average of 10-15%. For instance, one reputed hotel in Kathmandu earns annual turnover of NRs. 1 billions, 40% of it goes to the staff expenses and the hotel is left with annual profit of less than 7%. This is less than what may be earned by simply depositing the money in a bank.

**ISSUE 8****FROM DISHAMUKTAKSHETRA TO POLITICS MUKTAWORKPLACE****Way forward**

While it is extremely challenging to survive the crises that chronically recur in tourism sector of Nepal, it is equally taxing to mitigate the trade union related issues in good times. Unrealistic demands of the trade unions forced many hotels to shut down in the past; therefore, we urge the government to ensure the security of the investors. Similarly, we also request the political parties to restrain their sister organizations from raising unnecessary disturbances in the hotel industry. For our prosperity we all need to have strong work ethics in the workplace.

We have done and seen enough politics in the past, and now is the right time to free all the workplace from the politics and intractable trade unions and get down to real work. HAN urges all to make a resolution in creating a truly “Politics Mukta Workplace.”

**ISSUE 9****BUSINESS FRIENDLY TAX REGIME****Way forward**

The new leaderships in each state may be tempted to develop new regulatory and tax collection frameworks for more revenue generation. The tax regime is already bearing heavily on tourism business; more taxes only bring them down their knees. Therefore, HAN feels that the newly elected office bearers are well briefed on the genuine concerns of tourism entrepreneurs in connection with new legislations related to tourism taxes, fees and other charges.

**ISSUE 10****TOURISM AS A NATIONAL PRIORITY SECTOR****Way forward**

Under the leadership of Hotel Association Nepal all the travel trade associations should make aware the central government and new office bearers that although policy documents have duly recognized tourism as sector of national

priority, very little has been done in practice. For example, rebates on consumption of agriculture produces and products belonging to cottage and small industries, treatment of tourism as deemed exports etc. are yet to be granted to the enterprises of tourism sector. Similarly, the system of multiple jurisdictions and taxes should be abolished and one-window system for registration, renewal and tax collections should be implemented to facilitate the tourism sector in the new context.

**ISSUE 11****TOURISM BRANDING OF NEW STATES****Way forward**

Presently “Naturally Nepal, once is not enough” is the national tourism brand of Nepal. Apart from the umbrella tourism brand, each state now requires its own tourism image, unique selling propositions, product discriminations, distinct tourism brand and new attractions. For example, Janakpur and Mithila Artcan represent State no. 2 as the unique selling propositions. Lumini, the birthplace of Lord Sakyamuni Buddha appropriately represents State no. 5 and Wild West can be promoted as the unique brand of State 7.

**ISSUE 12****NATIONAL INFRASTRUCTURE****Way forward**

Travel and Tourism Competitiveness Index 2017 published by World Economic Forum has found the ground and air transportation efficiency of Nepal at the lowest among 140 countries. Success of tourism is essentially dependent on the availability and quality of transportation infrastructure. Therefore, Hotel Association Nepal requests the Government of Nepal to complete the construction of international airports in Lumbini and Pokhara as soon as possible. Similarly, the process to commence construction of the proposed second international airport in Nijgadh needs to be accelerated. Furthermore, the abysmal conditions of highways that connect major destinations within Nepal need immediate attention, interventions and improvements.

**ISSUE 13****RECONSTRUCTION***Way forward*

The devastating earthquake of April 25, 2015 rendered severe damages to the tourism sector of Nepal. Hotel industry sustained the maximum loss due to the earthquake, more than 86% of the total losses of the tourism sector. In addition to the private properties, innumerable monuments, shrines and archaeological sites had been destructed. Reconstruction of the private and public properties and revival of the tourism business should be the number one priority of national, provincial and local governments.

**ISSUE 14****INTERNATIONAL PROMOTION, FOCUS ON INDIA AND CHINA***Way forward*

Post earthquake, the image of Nepal as a safe tourism destination and perception of visitors and international tour operators have changed. Year 2016 saw an increase in the visitors' arrival but with the present trend the targets of Tourism Vision 2020 and National Tourism Strategic Plan (2016-2025) seem unattainable.

Although some global travel media have portrayed Nepal positively, many others reported that most of the tourist attractions in Nepal had been irreparably damaged and now there is not much to see. There are very few effective tourism promotional programs from Nepal Tourism Board to counter the negative news coverage. Most of the promotional programs limited to rituals without producing any tangible outcomes.

Huge outbound tourism market is developing in India and China. Nepal tourism can bring significant number of tourist from next door neighbours with right approaches. Because of increasing number of tourists from India and China, there is no so-called off season in Nepal now. Even in monsoon rainy season Indian and Chinese tourists travel to Nepal to enjoy varieties of activities of their likings. Visa fee waiver to Chinese nationals needs to be publicised and message that Nepal is safe and friendly for Indians needs to be publicised specially after post economic blockade situation in Nepal.

**ISSUE 15****HOMESTAYS***Way forward*

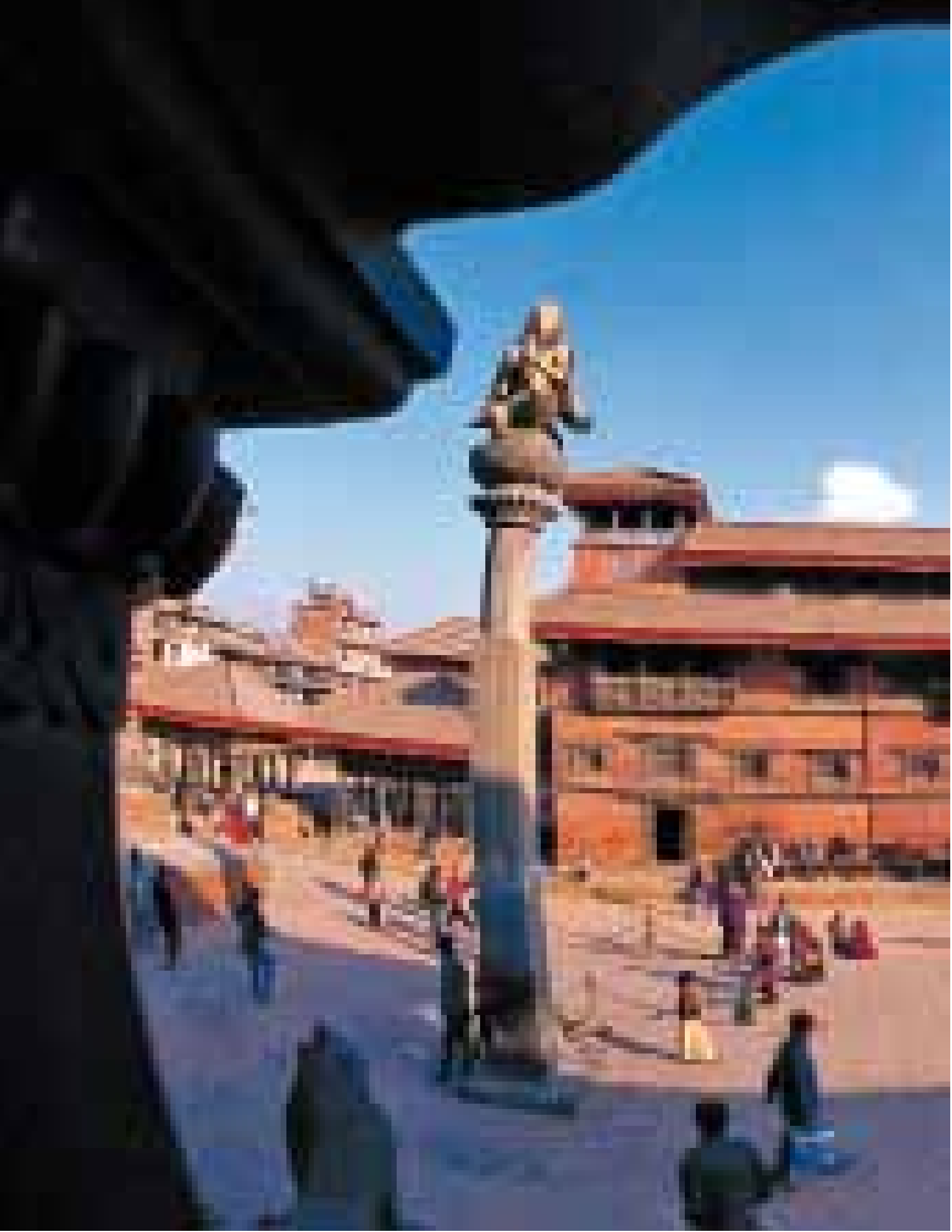
The proliferation of homestays in the urban areas have actually defeated the very spirit of the government's policy to diversify and promote trickle down effects of tourism to rural and remote areas of Nepal. It is observed that the infrastructure, facilities and services of some of the urban homestays resemble luxurious hotels but are exempted from taxes and other regulations. Therefore, Hotel Association Nepal appeals the government to bring a policy to promote hotels and discourage homestays in urban areas.

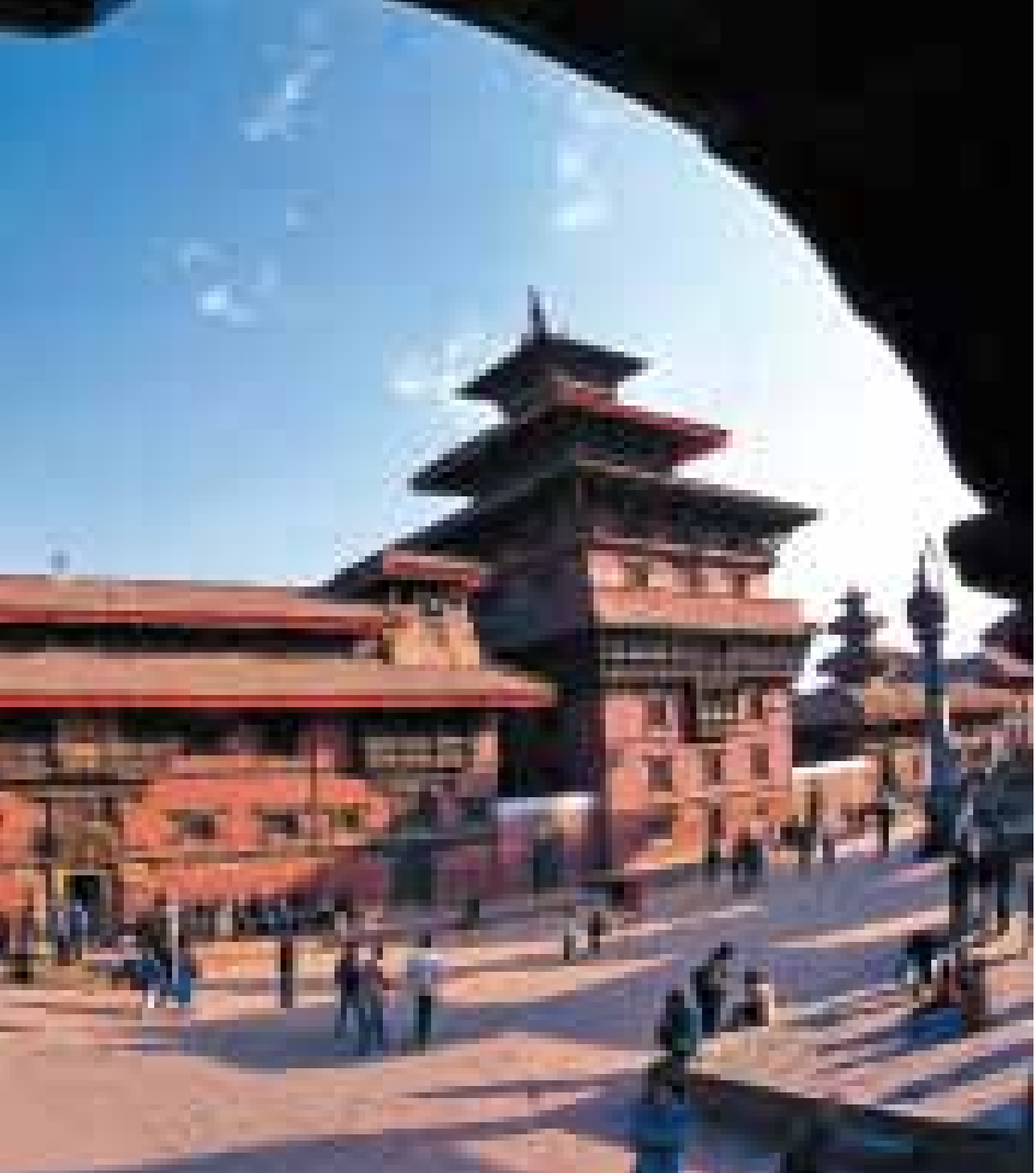
**ISSUE 16****MICE TOURISM***Way forward*

Nepal has a tremendous potential for Meetings, Incentives, Conventions and Exhibition (MICE) tourism. HAN urges the Government of Nepal to provide some tax incentives to the MICE operators and to explore the possibility to build a convention center on public-private partnership model.

**ISSUE 17****ECONOMIC IMPACT OF TOURISM***Way forward*

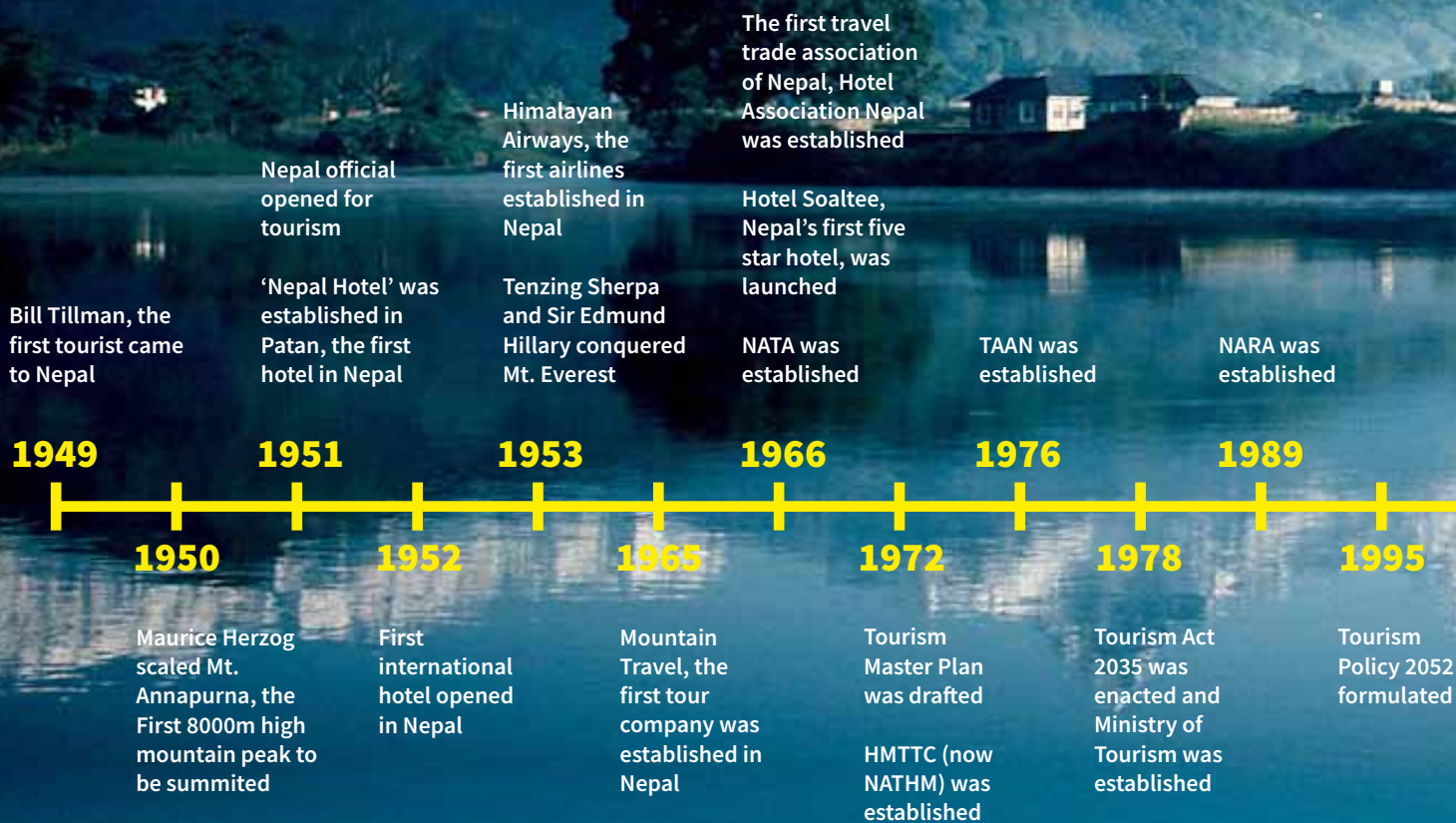
Ministry of Culture, Tourism and Civil Aviation and National Planning Commission need to initiate the system of Tourism Satellite Account (TSA) in order to accurately measure the economic impact of tourism. According to the data released by Central Bureau of Statistics, the hotel and restaurant sector contributes almost 2% to Nepal GDP. Apparently, the contribution from entire tourism sector should be much more than that. In the absence of TSA, tourism is perceived as a low-yield sector and does not get the priority, attentions and incentives, which it truly deserves.





*Hotel Association Nepal sincerely reiterates its commitment towards building a successful federal Nepal by developing and promoting hotel industry and tourism sector. It urges all three tiers of government; federal, provincial and local to partner with the entire tourism fraternity for better future of tourism sector and prosperous economy.*

# Milestones in Tourism in Nepal







Nepal Tourism Board 2053 enacted paving the way for public private partnerships in the tourism sector of Nepal

Nepal Tourism Board established

Regional Tourism Campaign was launched

Visit Pokhara Year was observed

Nepal Tourism Year 2011 launched

World Congress of International Hotel and Restaurant Association (Ihra) held in Kathmandu

Massive earthquake hit Nepal on 25<sup>th</sup> of April

**1997**

**1999**

**2004**

**2007**

**2011**

**2015**

**1998**

**2002**

**2006**

**2010**

**2012**

**2016**

Visit Nepal Year 1998 observed

Destination Nepal Campaign was launched

Peace Accord among the political force signed

HAN and the trade unions signed agreed for implementation and distribution of Service Charges

Homestay Operation Procedures 2010 was passed by MoCTCA

Visit Lumbini Year 2012 was launched

New Constitution of Nepal passed by the Constitution Assembly

HAN Golden Jubilee





# 50 YEARS OF HAN

1966-2016



Hotel Association Nepal (HAN)

*Home of Hospitality*

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