

[18 December, 2001] RAJYA SABHA

tourism projects and infrastructural facilities. For the year 2001-2002, a total number of 551 projects have been prioritised for the country. Out of this 30 projects for Rs. 5.14 crores have been prioritised for the State of Tamil Nadu.

(c) Every year Central Department of Tourism provides financial assistance for development and improvement of tourist infrastructure of the State/UT on the basis of projects prioritised in consultation with the State/UT Government.

Leasing out of Hotel Ashoka, Bangalore to M/s Bharat Hotels

3029. SHRI K. C. KONDAIAH: Will the Minister of TOURISM AND CULTURE be pleased to state:

- (a) the number of employees working in Hotel Ashoka, Bangalore;
- (b) whether the above hotel is incurring losses;
- (c) if so, the accumulated loss so far;
- (d) whether Government have decided to hand over the hotel on lease basis to M/s Bharat Hotels for thirty years;
- (e) if so, the terms and conditions of lease;
- (f) the reasons for giving it on lease to M/s Bharat Hotels; and
- (g) the steps taken to protect the interests of employees?

THE MINISTER OF TOURISM AND CULTURE (SHRI JAGMOHAN): (a) The total number of employees in Hotel Ashok Bangalore and Airport Restaurant, Bangalore together as on 31.10.2001 were 388.

(b) and (c) The Hotel and Airport Ashok Restaurant together earned profit of Rs.1.30 crores during 2000-01 and there has been no accumulated loss.

(d) Yes, Sir.

(e) Salient features of the terms and conditions of the Lease are given in the Statement. (See below).

(f) The Disinvestment Commission in its 1st Report (February 1997) had categorized India Tourism Development Corporation

(ITDC) as a non-core sector company and *inter alia* recommended that hotels situated in prime locations like Delhi and Bangalore may be handed over to established hotel chains through a competitive bidding process to be run on a long term structured contract on Lease-cum-Management basis. Accepting the recommendations of the Disinvestment Commission, Hotel Ashok Bangalore has been given on Lease-cum-Management basis after following a transparent bidding procedure.

(g) Adequate provisions in the Lease-cum-Management Agreement have been made for protecting the interest of the employees.

Statement

Summary of the Provisions of Lease cum Management Agreement, Hotel Ashok, Bangalore

—Agreement between (1) Kumarakruppa Frontier Hotels Private Limited (Lessor/Licensor, new company in which the business undertaking and assets and liabilities of Ashok Hotel vests after the demerger); (2) Bidder (Lessee/Licensee)

- **Lease:** ITDC's ownership of the land and building in which Ashok Hotel is situated transferred to Kumarakruppa Frontier Hotels Private Limited through demerger. The premises to be further leased to the Bidder.
- **Licensor Assets:** Fixed assets, other than premises, of Ashok Hotel, to be handed over to the Bidder. These assets to revert to the Licensor on expiry of the Agreement.
- **Term:** The term of the sub-lease is 30 years, renewable by mutual consent for another period of 30 years. There is a sub lease granted for the Airport Restaurant, Bangalore valid till 2005.
- **Consideration:** The annual consideration to be the higher of a Minimum Guaranteed Annual Payment or an amount equivalent to 16.5% of Gross Turnover.
- **Upfront Payment:** The Bidder to pay the discounted value of 50% of the annual payments to be paid over 30 years. The

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discount rate is 12% p.a. The upfront amount to be non-refundable. The balance 50% of the consideration to be paid annually.

- **Employees:** The Bidder to use its best efforts to provide adequate job opportunities to the members of the Scheduled Castes/Scheduled Tribes, Physically Handicapped persons and other socially disadvantaged sections. In the event of any reduction in the strength of the employees, the physically handicapped persons are retrenched at the end.

The Bidder to offer employment to all the Employees on the terms and conditions that are not inferior to those applicable on the closing date including the voluntary retirement scheme as per the guidelines of the Department of Public Enterprises. The Bidder not to retrench any of it's the Employees for a period of one year from the Closing Date other than any dismissal or termination of Employees as per staff regulations or applicable law.

The Lessor/Licensor has fulfilled all obligations in respect of the Employees.

- **Outstanding Government Dues:** The bidder to directly pay by a banker's cheque all outstanding demands towards property taxes, compounding charges, and other municipal and Government dues.
- **Transfer of Business:** Current assets less current liabilities, employees, contracts, goodwill and contingent liabilities of Hotel Ashok to be transferred to the Bidder for a consideration equivalent to the net current assets as on March 31, 2001.
- **Post Closing Adjustment:** Any reduction in the net current assets amount from March 31, 2001 to the closing date to be paid to the bidder and vice versa.
- **Security Deposit:** An amount equal to two year's annual payment to be paid to the Lessor as security deposit fee of interest and to be refunded at the end of the term. The deposit amount to be increased proportionately with increase in the annual payment.

- The deposit to be appropriated on default by the bidder in payments or in observing any other terms of the Agreement.
- **Name of the Hotel:** The Bidder to continue to use of name 'Ashok' on a non-exclusive basis with the right to prefix, suffix, any other name or logo to the above name.
- **Restriction on use:** The Bidder not to mortgage, transfer or sub let the Lease premises without the written permission of the Lessor and not to create any easement on the Lease Premises and not to allow any person to acquire such right.

The premises can be used only for running the hotel and other allied activities as allowed by the Master Plan.

- **Insurance:** The Bidder to keep the leased premises fully insured against fire, riots, natural calamities etc. The beneficiary of the insurance to be Lessor.
- **Compliance with Law:** The Bidder to comply with all laws relating to the lease premises including municipal laws, environmental laws and issues affecting public morale.
- **Lessor's Rights:** Lessor to have right to enter the premises upon reasonable notice. All minerals and natural resources found reserved to Lessor.
- **Representations and Warranties:** The lessor has provided representations and warranties in respect of the valid title of the property, all assets and liabilities and appearing in the balance sheet of the unit, list of employees, litigation and outstanding tax demands.
- **Indemnities and Limitations:** The lessor has provided indemnities in respect of the performance of representations and warranties listed above. However, the indemnities are restricted to 12 months from the closing date and to a total of 50% of the upfront amount.