- investing in feasibility studies;
- participating in special-purpose companies in which the government/National Highway Authority of India (NHAI) is an equity partner up to 30 percent;
- highway construction on BOT (build-operate-transfer) basis; and
- investing in bonds to be raised by the government/NHAI.

In addition, legislation to expedite expropriation of land has been passed, removing one of the greatest obstacles of previous years.

The Ministry of Surface Transport has identified three major projects worth US$310 million to be put to global tender. These BOT projects are Jaipur-Kishanagarh in Rajasthan, Hosur-Krishnagir in Karnataka and Tindivanam-Chengalpattu in Tamil Nadu. All three are four-laning projects for a total of 240 km. of road and will be on a 30-year operational licence basis.

AVIATION

A significant slowdown in the aviation sector was evident as 1996-97 drew to a close. In April 1997, the government announced a new policy barring direct or indirect foreign investment in domestic airlines. Most likely with an eye to supporting Indian Airlines, this policy has once again halted the long-suffering Tata-Singapore Airlines joint venture, and has resulted in one private domestic airline — Jet Airways — shedding its 40-percent foreign equity by the end of the year. Industry estimates that the Indian aviation sector will require US$1 billion in investment by 2010, and are now wondering where this will come from.

Airport infrastructure activity has also been sporadic over the past year. The most notable example has been the international airport project near Bangalore. Because of political wrangling, the project, which had been awarded to Tata-Raytheon on a BOO (build-own-operate) basis, is now being retendered as a BOT project. After a recent review, the government announced that it will allow state and foreign investment in airport development, but it will not allow 100-percent foreign holdings. Further, all projects will have to be on a BOT basis.

While this sector is not experiencing a surge in activity, business continues. Several Canadian companies are solidifying their market presence in India in areas such as helicopters, avionics/electronics and simulators.

Constraints

AUTOMOTIVE INDUSTRY

The still-growing demand for vehicles calls for matched growth on the supply side of the auto industry, which is being met by the entrance of new domestic and foreign players. Competition, therefore, is intense.

Continued demand for high-quality OEM (original equipment manufacturers) remains a key consideration. Also, while India has an advantage in terms of lower labour costs over the developed countries, it has several disadvantages too in terms of higher material costs and lower productivity levels.

PORTS

Although the adoption of *The Port Laws (Amendment) Ordinance*, 1997, heralds a new era of private-sector involvement in the port sector on a federal level, the vast majority of ports fall under state jurisdiction. Delays resulting from the formulation of new policy can still be expected.

RAILWAYS

Business environment remains virtually unchanged.

URBAN TRANSIT AND ROADS

As these sectors are just opening to private participation, we expect inevitable delays as the bureaucracy learns how to work with the private sector. As in other areas, there will be a learning curve for both sides in project development, tendering, transparency and implementation.

Road development shows the greatest potential with the recent policy changes in private investment and land expropriation. Firms must be prepared for BOOT (build-own-operate-transfer) projects or variations thereof.