

## AVIATION

Current government policy is very fluid and therefore not encouraging to the foreign investor. However, industry is becoming more vocal in their concerns and starting to pull together to formulate policy proposals for consideration by the government.

### Business Environment

## AUTOMOTIVE INDUSTRY

The Indian automotive sector continues to be dominated by foreign auto-makers. Companies interested in becoming active in this sector should expect to do so through joint ventures, technology transfer and investment. The entire industry has been delicensed, and import restrictions have been significantly eased. Collaborations/joint ventures for manufacturing vehicles and components/parts in India for local use and sale to Canada or third markets offer an excellent chance of success. Potential for direct exports from Canada to India appears to be somewhat limited.

## PORTS

The business environment in the ports sector is currently very positive. A record 227.13 million tonnes of cargo was handled by 11 major ports of the country during 1996-97, surpassing 1995-96 figures of 215 million tonnes. There has been a 5.5-percent increase in the total cargo traffic handled by major ports. Both federal and state governments are highlighting port development as a priority.

While this sector is undergoing significant changes, companies can expect varying degrees of ongoing delays, and a need for policy clarification. This is expected as a result of federal, state and private agencies simultaneously formulating port-privatization and investment policies, which will undoubtedly result in some cases of overlapping or contradictory guidelines.

Companies interested in opportunities would do well to work with a local agent or representative to allow them to more easily navigate the bureaucratic and local business networks.

## RAILWAYS

Indian Railways (IR) is Asia's largest and the world's second-largest railway system under single management. In 1996-97, IR moved 409.5 million tonnes of freight, up from 390.7 in 1995-96.

The Cabinet Committee on Economic Affairs approved 14 new projects in April 1997. This brings the total number of railway projects up to 140, worth US\$51 million. A similar investment will be required to complete all the doubling, new line and gauge-conversion projects currently being formulated. These needs will be met by international tenders, and companies hoping to be involved will need to do so in conjunction with a local agent or representative.

## URBAN TRANSIT

Overall, the business environment is welcoming and private-sector/foreign participation will be a key feature in the development of this sector. Continued market opening and liberalization bodes well for Canadian firms hoping to participate in this marketplace. Joint ventures are a preferred means for involvement in this sector. As in the past, continued bureaucratic delays in the Bangalore and Delhi MRTS projects are expected. This will not be indicative of the need or eventual implementation of the projects; rather, they will likely reflect the growing pains of new and inexperienced agencies implementing the projects.

## ROADS

This year saw the adoption of the *National Highway Law (Amendment) Act, 1997*, empowering the government or designated authorities to acquire land for building, maintaining, managing or operating national highways. This amendment should facilitate faster project development in the roads sector.

The Ministry of Surface Transport has reported indicative tolls ranging from 0.80 rupees/km. to 3 rupees/km. for use of the improved four-lane national highways. However, feedback indicated that these rates are too low to attract private investment. Development projects are being undertaken in separate phases of feasibility studies,

