GOVERNMENT OF INDIA
SURFACE TRANSPORT
LOK SABHA

UNSTARRED QUESTION NO:1162
ANSWERED ON:31.07.2000
FOREIGN INVESTMENT IN TRANSPORT SECTOR
A. VENKATESH NAIK;RAMSHETH THAKUR

Will the Minister of SURFACE TRANSPORT be pleased to state:

(a) whether the foreign investment in the transport sector has considerably declined during the last three years;

(b) if so, the details thereof;

(c) if not, the reasons therefor;

(d) the efforts being made by the Government to allure foreign investors in this sector; and

(e) the total amount of foreign investment made during 1999-2000 as against the year 1998?

Answer

MINISTER OF STATE IN THE MINISTRY OF SURFACE TRANSPORT (SHRI HUKUMDEO NARAYAN YADAV)

(a) to (e) A Statement is enclosed.

Statement referred to in part (a) to (e) of the Lok Sabha Unstarred Question No. 1162 regarding Foreign Investment in Transport Sector for reply on 31st July, 2000 asked by Shri A.Venkatesh Naik and Shri Ramsheth Thakur.

(a) to (e): The Foreign Direct Investment (FDI) in thecountry, including that for Transport Sector, is approved and monitored by the Department of Industrial Policy& Promotion, Ministry of Commerce & Industry. As per the data available with the Department of Industrial Policy & Promotion, the following FDI approvals and inflows in the transport sector has taken place for the last three years:

(Rs. in crores)

	1997	1998	1999	2000 (upto May)
FDI Approvals	3790.07	1562.88	6220.70	108.28
Inflows	1513.83	1476.92	1130.20	715.12

2. A copy of the latest initiatives to attract FDI may be seen at Annexture.

Annexure

Major initiatives (updated upto July, 2000)

In pursuance of Government`s Commitment to further facilitate Indian industry to engage unhindered in various activities, Government has permitted except for a negative list, access to the automatic route for Foreign Direct Investment.The automatic route means simply that foreign investors need to inform the Reserve Bank of India within 30 days of bringing in their investment, and again within 30 days of issuing any shares. The negative list includes the following:-

(i) All proposals that require an industrial license because the activity is licensable under the Industries (Development and Regulation) Act, 1951, cases where foreign investment is more than 24% in the equity capital of units manufacturing items reserved for small scale industries and all activity that requires an industrial license in terms of the locational policy notified by Government under the Industrial Policy of 1991.

(ii) All proposals in which the foreign collaborator has a previous venture/tie up in India.

(iii) All proposals relating to acquisition of shares in an existing Indian company in favour of a foreign/Non Resident Indian (NRI)/Overseas Corporate Body (OCB) investor.

(iv) All proposals falling outside notified sectoral policy/caps or under sectors in which FDI is not permitted and/or whenever any investor chooses to make an application to the Foreign Investment Promotion Board and not to avail of the automatic route.

With a view to deregulate and decontrol industrial production all but six industries have been delicensed. These six industries, which require compulsory licensing on environmental, strategic and safety considerations are:

(i) Distillation and brewing of alcoholic drinks.

(ii) Cigars and cigarettes of tobacco and manufactured tobacco substitutes.

(iii) Electronic Aerospace and defence equipment: all types.

(iv) Industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches.

(v) Hazardous chemicals.

(vi) Drugs and Pharmaceuticals (according to modified Drug Policy issued in September, 1994)

Minimum capitalisation norms in respect of non-fund based Non-Banking Financial Companies activities have been relaxed to US $ 0.5 million for activities which are not fund based and only advisory or consultancy based in nature, such as
(i) investment advisory service
(ii) financial consultancy
(iii) credit reference agencies
(iv) credit rating agencies
(v) forex broking and
(vi) money changing business.
Non-Banking Financial Companies may hold foreign equity upto 100% if these are holdingcompanies. However, their subsidiaries which are operating companies, may hold only upto 75% foreign equity. To facilitate the setting up and operation of such subsidiaries, Government has further allowed holding companies with a minimum capital of US $ 50 million, to set-up 100% downstream subsidiaries to undertake specific Non-Banking Financial activities with minimum capital of US $ 5 million.Such a subsidiary, however, would be required to dis-invest its equity to the minimum extent of 25% through a public offering only, within a period of 3 years. The time frame for consideration of FDI proposals has been reduced from 6 weeks to 30 days for communicating Government decision. The requirement for foreign owned Indian holding companies to obtain prior and specific approval of Foreign Investment Promotion Board / Government for down stream investment in priority activities has been dispensed with subject to specific conditions. Foreign financial/technical collaborators with past/existing joint ventures are required to seek Foreign Investment Promotion Board/Government approval in case they wish to set up new joint ventures or whollyowned subsidiaries in the same or allied activities. Access to the automatic route has been barred in such cases to facilitate consideration of each proposal on merits. It is in the policy of the Government to prohibit fresh foreign investment for the same activities that have been permitted earlier. Instead the intention is to discuss each such case with all the issues being handled beforehand, so as to settle potential discord beforehand before the investment is actually made. The Foreign Investment Implementation Authority (FIIA) has been set up to provide a single point interface between foreign investors and the Government machinery both at the Central and State level.The short term objective of this authority is to remove procedural delays in the setting up of the project. The longer term objective is to create an atmosphere congenial to foreign direct investment. Government has further reviewed the existing sectoral policy and sectoral equity cap for FDI/NRI/OCB Investment, and allowed
(i)upto 100% FDI for e-commerce activities, subject to certain conditions;
(ii) removed the condition of dividend balancing which was applicable to 22 specified consumer good industries;
(iii) removed the upper limit of FDI of Rs.1500 crore in respect of project relating to electric generation, transmission and distribution (other than atomic reactor power plant) under the automatic route and
(iv) increased the level of FDI in Oil refining sector under automatic route from existing 49% to 100%.