

Editor's comment from *Travel Markets* No. 18 – April 2004

All change in India following the national election?

India's tourism industry is looking at the new government of the Congress-led United Progressive Alliance – a coalition of 20 parties – with a degree of nervousness. While the outgoing BJP-led National Democratic Alliance (NDA) did creditable spade work in upgrading tourism on the national agenda in just five years, previous Congress regimes, over four decades, had tended to sideline the sector as a result of the socialist fervour of the times, which regarded tourism as elitist.

In their election manifesto, the BJP had effectively laid out a roadmap for making the country a front-ranking world tourism destination, including bold initiatives – such as open skies – and a timeframe for achieving them. The Congress party, meanwhile, made only a vague promise, using few words, alluding to "...special infrastructure facilities for substantially increasing international and domestic tourism". And in the ministry formation exercise of the victorious alliance, both tourism and civil aviation have been downgraded to the level of minister of state, losing their representation in cabinet.

The new Prime Minister, Manmohan Singh, comes with a reputation as a dedicated and successful reformer. However, the Alliance – or, more importantly, the Communists on whom the Alliance depends for outside support – appear to have strong reservations on economic reforms, which they insist must now have a human face. There is real concern in the tourism industry that the Alliance's declared opposition to 'disinvestments' may derail the privatisation of national carriers and the modernisation of airports, among other critical segments. Some big state assets, including telecommunications, have already been taken off the privatisation list.

The good news so far is that, despite opposition to the proposed sales from the Communist Party of India, the country's new civil aviation minister has confirmed that the privatisation of New Delhi and Mumbai (Bombay) airports will not be delayed as a result of the change of government. The only modifications to the old NDA plan are that, while the previous government set a 4 June 2004 deadline for potential investors to submit bids for a 74% stake in each of India's two biggest airports, a cap of 49% has now been put on foreign direct investment, and the deadline has been pushed back to 20 July.

BJP-led Alliance was the first to recognise tourism's economic importance

As for other plans to raise tourism's profile and facilitate its growth, the industry is keeping its fingers crossed. Fortunately, the new ministers in charge of tourism and civil aviation are both experienced parliamentarians and have had a long and active association with the subjects entrusted to their care. For the record, in their first public statements both promised to generally carry on with the reforms.

Industry observers do, however, feel that larger issues such as open skies, the privatisation of Air India and Indian Airlines – or simply ensuring greater professionalism in their management – may slip down the list of priorities. The two carriers have been waiting for over a decade for fleet replenishment and expansion, for example – an investment valued at US\$4 billion.

With India's share of the world tourism market stagnating at less than 0.4%, and international arrivals still below 3 million, the new ministers – indeed the whole of the new government – will need to give tourism the same if not greater thrust, if only to redeem their own pledge of "making all of India shine through reforms benefiting the common man".

The BJP/NDA manifesto highlighted tourism's potential contribution to national economic growth and employment creation, with details of an 'action plan' to raise foreign exchange earnings and increase international arrivals to 10 million by 2009 and 20 million by 2015. The plan included removing visa hassles (eg by introducing visas on arrival), streamlining immigration formalities, reducing taxes and increasing incentives for foreign investment. The new Congress-led United Progressive Alliance may find this a tough agenda to follow.