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# American Thwarted in Quest to Build a Ski Resort in India

By **VIKAS BAJAJ**

MANALI, India — To John Sims, the Himalayas, with some of the finest mountain slopes in the world, seemed like the perfect place to build India's first Western-style ski resort.

But he got his first clue about the uphill challenge he faced when the local gods — or at least the holy men who claimed to speak for them — came out against his project here.

In the seven years since, Mr. Sims, an American hotel developer with years of experience working in India, has encountered seemingly endless setbacks.

Some opponents claimed falsely that the 115-acre project would take over the entire valley. Others complained that the developers had underpaid landowners for their property. The state of Himachal Pradesh, which had once championed the \$500 million proposal, moved to scrap it after a different political party took over. Now, a court has allowed it to go forward but has given the developers just six months to secure environmental permits from a government that has repeatedly stalled the project.

“My fundamental complaint is only this: Why did you invite us?” Mr. Sims said. “Why did you take our deposit? Why did you encourage us to spend money and then make a 180-degree turn?”

It is not easy for any company to do business in India, with its mercurial and ponderous decision-making, creaky court system and woeful infrastructure. Witness the immense blackouts of late July, in which the electric grids serving half of the country's population collapsed under the strain of the hot summer and too few power plants. [The World Bank ranks India 166th](#) out of 183 economies in the ease of starting a business.

But the story of [the Himalayan Ski Village](#) shows the particular difficulties faced by foreign companies.

Indians have a deep-seated distrust of overseas businesses, rooted in more than two centuries of exploitation by the British. For many years after gaining independence in 1947, India restricted trade and foreign investment, nationalized industries like banking and gave licenses to favored

domestic conglomerates. In the 1970s, socialist leaders pushed companies like Coca-Cola and I.B.M. out of the country.

After the government began loosening restrictions two decades ago, foreign firms piled into India, and many had great success. The Japanese company Suzuki, for instance, controls nearly half of the domestic car market. But India remains an unpredictable, even hostile, place for many foreign companies.

Parliament passed a retroactive capital gains tax this year on offshore transactions involving Indian assets, overriding a Supreme Court ruling favoring foreign firms. And last year, policy makers deferred a decision to allow foreign mass retailers like Walmart into the country after opposition politicians and shopkeepers protested, even though Indian companies are allowed to build similar stores.

Foreign direct investment was strong last year. But in the first six months of this year, it fell to \$16.5 billion, down 18 percent compared to the same period in 2011, according to the Reserve Bank of India.

Some multinational companies have lost patience. [Etisalat](#), a telecom company based in the United Arab Emirates; [Eni](#), the Italian energy giant; and [Fraport](#), a German airport developer, are either withdrawing from India or are said to be considering such a move because of delays and erratic policy changes.

“For foreign investors, a stable and predictable policy environment, along with dependable legal and political institutions, are key considerations in addition to market size and growth potential,” said Eswar S. Prasad, [an economist at Cornell University](#) and the Brookings Institution who has advised the Indian government. “Policy reversals and domestic power plays that turn foreign-financed projects into political footballs are likely to further dampen confidence among foreign investors.”

India’s economy is slowing sharply and becoming even more reliant on foreign capital. Prime Minister Manmohan Singh has become concerned enough about the disaffection that he has pledged more friendly policies.

Mr. Sims, 60, said any help would be welcome.

He first came to India in 1975 as a follower of the Hare Krishna movement, and still wears a string of Indian prayer beads around his neck. He grew up in the suburbs of Detroit and cut his teeth developing resorts in Key West, Fla. Later, he was a consultant to the [Oberoi Group](#), an Indian hotel chain, among others.

About a decade ago, with the backing of investors like Alfred Ford, a great-grandson of Henry Ford, Mr. Sims set his sights on building a ski resort like Vail or Davos. The handful of existing resorts in India were hard to reach and had few amenities, so there was little competition.

Manali has long been a tourist destination for Indians, but most of the foreigners it draws are backpackers. There are no five-star hotels, and the roads are lined with small shops that sell tea and rent out winter coats.

The resort investors found a seemingly ideal site: a hilltop studded with fir trees, accessible only by a steep, winding path. Though nobody lives on the spot year-round, villagers grow kidney beans and potatoes and graze their cows there. From three sides, there is a breathtaking view of the Kullu Valley, and the fourth side backs up to a mountain on which Mr. Sims planned to build a ski lift that would climb to 14,000 feet.

“It’s just about as spectacular as you can get,” he said after an hourlong hike to the hilltop.

Though the location is a 10-hour drive from the nearest major airport, Mr. Sims was optimistic about creating a winter wonderland. After a gondola ride up to the car-free village, visitors would find luxury hotels, a crafts bazaar, an ice rink and the ski lift.

Himachal Pradesh, then governed by the [Indian National Congress](#) party, supported the project at first, agreeing to lease Mr. Sims forest land for skiing and to exempt him from a law that restricts land ownership.

The Ski Village would create 4,000 jobs, Mr. Sims said, and bring hotels like the luxurious [Six Senses Resorts and Spas](#) to the valley. Many local residents, especially those involved in skiing, river rafting and other sports, supported the project.

But other residents were apprehensive. Some said lewd, loud Westerners would defile the area, known as “the valley of the gods” because many Hindu deities are said to reside here.

The main opposition party, the [Bharatiya Janata Party](#), argued that the Indian National Congress had not paid enough attention to local concerns. One B.J.P. politician organized a meeting of the holy men, who said the deities opposed the project.

“We are not against development,” said Govind Singh Thakur, a B.J.P. leader who represents the area in the state legislature. “As long as the people’s issues are sorted out, they are welcome to come here.”

One landowner, Geeta Devi Katoch, said many people were angry when they learned that the developers had quietly bought some early parcels of land for one-third the price that prevailed once

people learned of the project. She said her family, which grazes cows on the hilltop, would not sell. “This land is all we have,” she said. “What will we do if we sell?”

Mr. Sims and his partners acknowledged that some land deals were struck at lower prices — something they now say could have been handled better — but said that those prices were reached through negotiations. They added that they offered local residents training and jobs, and even sent 60 young people to Finland for skiing lessons.

Once the B.J.P. came to power, the state appointed a committee to review the proposal. But before the committee made a recommendation, court documents show, the state moved to cancel its agreements with the Ski Village, arguing that the company had not moved fast enough to start the project.

In June, the [Himachal Pradesh High Court](#) ruled that the project could go forward and gave Mr. Sims six months to obtain environmental approvals. But the environmental agencies are not obligated to review his application quickly, and the state has vowed to appeal the court decision. The political situation might also change later this year, when state voters go to the polls.

Mr. Sims said he was no longer hopeful and felt that the odds were stacked against outsiders.

“People who do love India or who could easily love India would be very happy to contribute their talents and money,” he said. But “it’s the robber baron era — only those strong Indian businessmen who know how to play the game can succeed.”

*Neha Thirani contributed reporting from Mumbai.*