

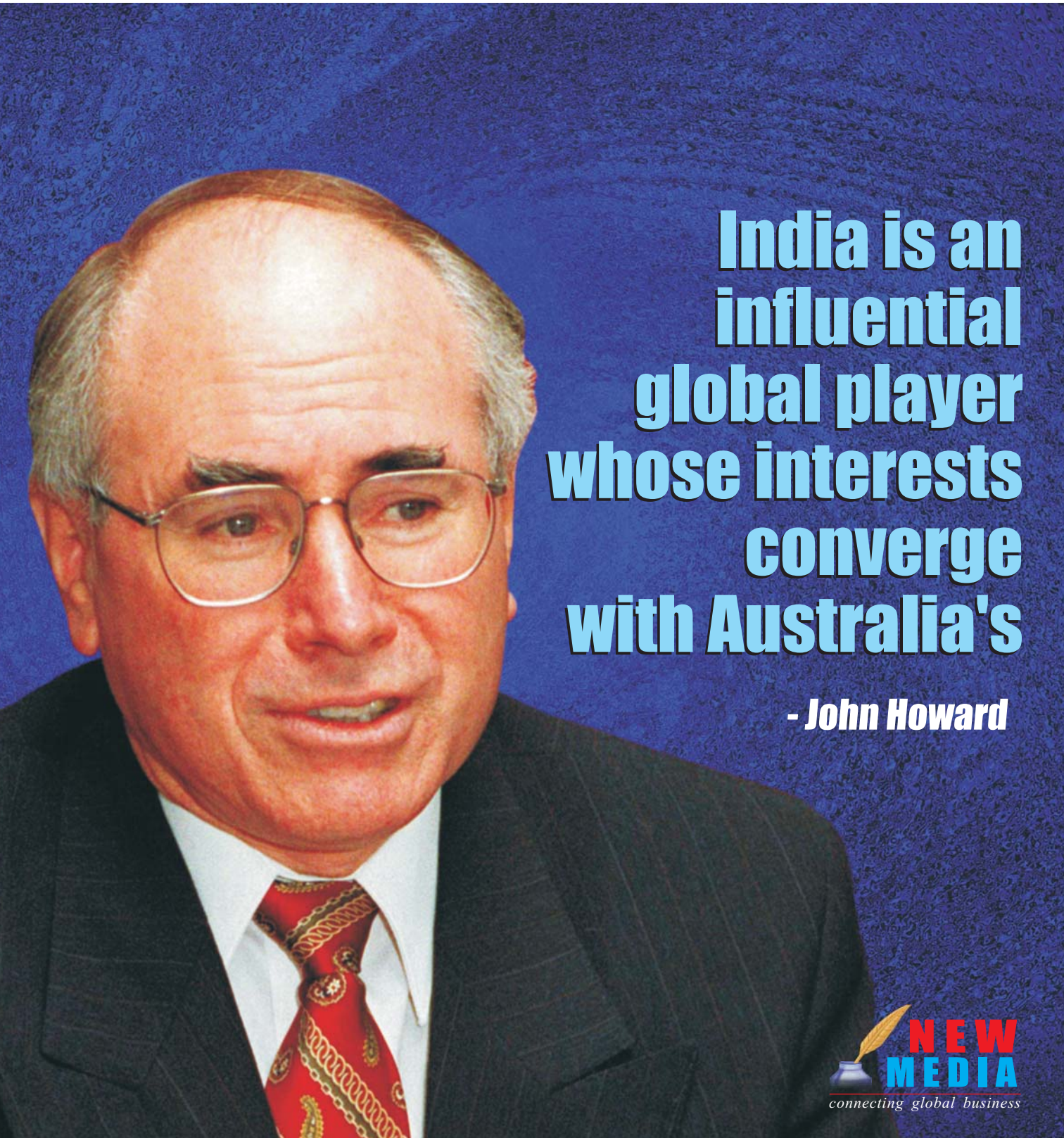
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**India is an
influential
global player
whose interests
converge
with Australia's**

- John Howard

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Technology

Strategic Sourcing Management ~
An Experiential Perspective
Evolving Challenges and Solutions



Dear Reader,

Greetings. Indo-Australian Business considers it a privilege to welcome Australia's Prime Minister John Howard, who is visiting India at a time when Indo-Australian bilateral trade is booming. There is an incredible synergy between the two countries. Howard has already indicated that he would be signing important agreements with his counterpart Prime Minister Manmohan Singh, covering trade, defence, science & technology and aviation. The two countries have already set up joint working groups and such other forums to facilitate co-operation and collaboration in the key areas of coal mining, energy and oil and natural gas exploration. Howard has said that Australia recognizes the growing stature of India as a global economic power and stressed the need for deeper economic co-operation between the two countries in view of the strong convergence of their interests. The cover story of the current issue argues how important Howard's visit is in boosting Indo-Australian bilateral trade to new highs. Australia, being strategically located, acts as a great springboard for Indian companies in the Asia Pacific Region. We present a detailed report. India's trade with South Australia has been steadily growing, thanks to the visit to India of Premier Mike Rann and effective follow-up action by Austrade. We offer a report. John Mathews is a Great Coach, but not of any game. He is a Master Coach to corporate top guns on topics such as leadership approach, strategy and the like. We have a face-to-face interview with the Don of corporate wisdom. We present a special feature on Madhya Pradesh, one of India's more progressive states, which says how fiscal discipline has rejuvenated its functioning. The issue carries a scholarly write-up by Prabhu Sinha of Satyam Computers on the evolution of challenges in an effective sourcing management office and the possible solutions. We present Australian High Commissioner John McCarthy's observations on an educational delegation from two management schools. Kerala, God's own country as the state tourism authorities promote it, offers truly breathtaking sights. In an interview, K.C. Venugopal, Minister for Tourism talks about the various initiatives launched to project Kerala as the most sought-after tourist destination in India. India is the unquestioned leader in the world's polished diamond market. But there is an Australian connection. Rough diamonds from Australia's Argyle find their way into the Indian workshops via Antwerp in Belgium. A feature Adelaide is Australia's pride. It's a pilgrimage centre for cricket lovers who trickle endlessly the year round to take a look at the famed oval, where the legendary Don Bradman accomplished many of his feats. Adelaide is also a city of learning, sought after by students from abroad. All these plus regular features.

Wish you happy reading

A handwritten signature in blue ink, appearing to read 'Satya Swaroop', with a long, sweeping underline.

Satya Swaroop

Managing Editor

satya@newmediacomm.biz



Innovation - The Great Nasscom Mantra

The Nasscom initiative on the promotion of innovation as an unerring and seamless suture of Indian IT companies large and small heralds a new wave of evolutionary finesse.

The width and depth of application portfolios and processes that are now migrated to India in new offshore outsourcing deals shows the mature understanding of Indian companies which are evolving rapidly.

The confidence that is now prevalent in the Indian economy, Indian IT and business process outsourcing companies presents a few pointed factors. For starters, it is the surefire signature of an idea whose time has come, that of work moving to lower cost destinations, where high quality has now become a hallmark of the industry rather than a differential.

The industry is set on a path that will help it reach the US\$ 60 billion export target that the recent NASSCOM-McKinsey report forecasted.

However the spiraling cost of manpower in India may soon witness a level playing field being created where American and Canadian companies would be able to compete with Indian firms based on their comparable costs and superior knowledge of customer culture and needs.

This could turn out to be true only if the entire industry rests like the proverbial hare in the race which it is unlikely to do. It would not under the best of circumstances presume that that global customers would continue to come just for low cost benefits.

It is presumed that innovation possesses the power to transform the face and future of both the Indian IT and

BPO industry. The late Peter Drucker, a great management thinker, called innovation a "change that creates a new dimension of performance." For something to qualify as a true innovation, it should meet three basic criteria, it must engage a creative process, be distinctive and yield impact.

It must be noted that innovation promises to do this in an industry which witnessed two waves of evolutionary change from the placement of highly skilled engineers from India on projects in the West to the legitimisation of offshore maintenance by the Y2K rush in the nineties and a little later to a mature capability to deliver large projects.

Right at the moment the BPO industry has teed off its transformation from a largely voice-based call center business to an adept handler of complex processes and back office functions.

Amidst this euphoria in the achievements of these segments in R&D outsourcing, product development, shared services, technical help desk centers and market research outsourcing for management consulting firms and investment banks, a quiet movement has begun to take the Indian industry to the next frontier.

Enter NASSCOM Innovation Forum, which through its initiatives is targeting small and large IT services and BPO organisations, while attempting to give meaning to the concept of innovation. It is encouraging emerging companies to change the world through path breaking offerings.

The Innovation Forum has grown out of the successful NASSCOM initiative to showcase emerging companies

in India through "spot the star" events during most parts of Circa 2004.

These resulted in successful presentations by the smaller companies at the innovation event held during NASSCOM's Annual Conference in Mumbai during February 2005. After igniting appetite for innovation amongst professionals and industry chiefs, NASSCOM embarked on a significant quest to recognise innovation within all aspects of the IT industry. Nominations were invited from Indian IT companies in categories ranging from products and IP creation, IT services frameworks, BPO and research and development.

Separate showcases and competitions were conducted in four cities for the larger, more established players and the smaller innovative firms. A special panel comprising committed senior professionals from small and large

firms, venture capital and academic institutions has been in existence for evaluating the contribution of each of the participating organisations through the microscope of true innovation.



The smaller companies participating in the exercise present a virtual Indian kaleidoscope of the best in industry and the twenty companies shortlisted from one hundred and thirty applicants for the Innovation Awards-2005 demonstrate that innovation is alive and well everywhere. The larger companies with focus on improving quality, customer focus, knowledge management through process innovations and technology solutions

delivery, have already shown their mettle.

India has the unstinted potential to sustain and even extend its edge over new entrants in the offshore outsourcing space. ■

India Enhancing Energy Security

The Indian Government is working on an emergency plan to produce more coal from the existing 16 mines to meet the growing demand in the country, according to Minister of State for Coal. Dasari Narayana Rao.

Delivering the keynote address at the two-day meeting of the India-Australia Coal and Mining Forum in New Delhi Rao said that, Coal India was considering acquiring coal properties in other countries with a view to enhance India's energy security.

"The government is keen to promote private and foreign investments in the mining sector in a big way and it is for the business people of India and Australia to capitalize on emerging opportunities following the government's recent decision to allow 100 percent FDI on automatic route in the mining sector," he said.

Speaking at the forum, Australian High Commissioner to India John McCarthy said, "India's mining sector contributes only a small percentage of the GDP at present. It has great potential, but needs further investment." "Energy and resources are the drivers of the

bilateral relationship," he added.

Secretary of mines, A.K.D Jadhav, said India was looking for the latest survey and exploration technologies for the speedy discovery and extraction of minerals. Environment management with state of the art practices in the mining industry was another area to be considered by the forum.



The India-Australia Coal and Mining Forum is a joint initiative by the Indian and Australian Governments. The forum aims at enhancing the collaborative relationship between both the countries to stimulate increased information exchange and joint projects, provide an opportunity for industry to showcase

expertise and capabilities and bring Indian and Australian industry, research institutions and governments together.

The forum will focus on topics of shared interest including investment, regulations, sustainable mining, mining technology services and equipment, coal blending and washing facilities, clean coal technologies, coal mine methane, technical cooperation, skill development and education. ■



A Convergence of Interests

By Dev Varam

There is a great convergence of interests between India and Australia. Centuries back, there had been trading between Southern India and Australia, a tradition that has survived. It has flourished in modern times. Both India and Australia are democracies and members of the Commonwealth. Both speak English and share a passion for cricket. At this juncture, relations between India and Australia are poised to enter a glorious phase. Both are implementing economic reforms, though India is a late entrant and is trying to catch up with free market economies, such as Australia. Already there is a boom in bilateral trade between the two countries, which is expected to receive a propulsive thrust with the arrival in India of Australian Prime Minister John Howard on March 5, 2006 to conclude concrete pacts with his Indian counterpart Manmohan Singh, covering a vast range of issues of mutual economic interest

Days ahead of his second visit to India in six years, Howard talked about what he would expect from his four-day visit. "During my visit it is anticipated that a number of agreements will be signed in various fields including trade, defence, science and air services," he said.

Besides New Delhi, Howard will be visiting Mumbai and Chennai during his four-day stay in this country. "I will be accompanied by a high-level delegation of business representatives with interests in India, whose presence demonstrates the importance Australia places on deepening commercial linkages with India," Howard said.

In recent years India has embarked upon a path of reform, transforming itself into a dynamic and vibrant economy. In 2005, two-way trade between Australia and India in goods and services reached \$9.4 billion.

"My visit will be a timely opportunity to encourage further





Abdul Kalam and Congress Party President Sonia Gandhi.

"India is an increasingly influential global and regional player whose interests converge with Australia's. We work together constructively on key international issues most recently on the Asia Pacific Partnership on Clean Development and Climate and at the East Asia Summit and the discussions I will have while in India will add impetus to our growing strategic relationship," Howard said.

The Australian Prime Minister, who appreciates India's new-found passion for reforms, knows that the strength of the Australian

expansion in our already productive relationship," Howard said, adding, "This visit will be an important opportunity to advance Australia's foreign and trade policy interests with a country of key and growing importance to Australia."

Howard and the members of his delegation will hold talks with Singh and his Cabinet colleagues holding key economic portfolios. He will also call on President A.P.J.

economy is the product of many past economic reforms, as he put it in a New Year message to his people. That reform process was maintained to the full in 2005, he said, adding, "It must, and will, continue in 2006."

Howard's perception of a resurgent India was reflected in what Australia's Minister for Foreign Affairs Alexander Downer said during his visit to India some months back. Interacting with Indian businessmen, Downer said: "First,

Australia Committed to Expand Trade with India: Howard

Australian Prime Minister John Howard's has said that his country is committed to expand trade with India.

In a statement on the eve of his departure for India on a four-day visit, starting from March 5, 2006, Howard said: "I am delighted that a high-level business delegation of representatives from leading Australian companies will accompany me during my official visit to India, visiting New Delhi, Mumbai and Chennai from 6 to 8 March 2006.

The business delegation includes some of Australia's largest companies, and all have substantial or growing commercial interests in India. The presence of the business delegation highlights the significant and growing trade and investment links that have developed between our two countries as well as Australia's commitment to expanding our commercial linkages.

The policies of the Indian government have transformed the Indian economy into a vibrant and successful model for the developing world. India is now the world's second fastest growing economy and has averaged more than 6.0 percent growth per annum in the last five years. Our strong economic complementarities have led to total two-way trade in goods and services expanding to A\$ 9.4 billion in 2005, and India is now our sixth largest merchandise trade export market.

I am greatly encouraged by the promising opportunities that exist to build upon our already impressive trading links. I hope the Australian business delegation in discussions with Indian counterparts will be able to identify future commercial opportunities and enhance the profile of our mutually important economic relationship."

India is a more important country, these days, both globally and regionally. That is a product of India's strong economic growth resulting from economic reforms. Second, India's economy will continue to grow at least 6.0 percent per annum. Third, India is increasingly expanding its interests and also its diplomatic reach into Australia's areas of particular economic and strategic interest. India, in other words, simply matters a lot more to us today than it did decades ago."

Bilateral trade between India and Australia has been growing at a very fast pace. The five-year trend in the growth of Australia's exports to India had been 25 per cent per annum and in the year to the end of 2004, total trade with India grew by over 62 per cent. In 2005 India became Australia's sixth biggest export market, overtaking the United Kingdom as an export market. Australian trade and investment links with India have continued to grow substantially. The trade relationship between Australia and India is very healthy. It can only become better and better in the future.

There is a strange similarity between India and Australia. The share of both nations in world trade is just one percent. Australia's trade in goods and services was valued at over \$300 billion in 2003-04, or 1.0 per cent of total world trade. India's share was just about the same. Considering the natural complementarity between the fast-growing economies of Australia and India, the scope for the two countries to garner a much larger share in total world trade is immense.

The strongest prospects for future trade and investment between Australia and India are commodities and services. Considering the immense scope in bilateral trade, the Australian Government launched the initiative of a Trade and Economic Framework (TEF) with India. Following this initiative, Australia's Trade Minister Mark Vaile and India's Minister for Commerce and Industry Kamal Nath agreed to negotiate a trade and economic framework in Sydney, when they met recently. Australians see

India as a country different from other struggling developing nations, a country full of opportunities for Australian companies. They see Australia is smart enough to look for and find space in a reinvigorated India.

Auto Component Industry

Australian companies are becoming increasingly interested in India, with its high rates of growth and as a large and growing consumer market with high disposable incomes. The fast industrialization of the country means a growth in demand for energy that has been met mainly by coal - some of which is imported from Australia. Another area of growth in bilateral trade is the automotive sector. General Motors in India is sourcing engines from General Motors Holden in Adelaide. Ford India's new car project is entirely designed and engineered in Melbourne. There are more opportunities for Australian auto companies in India than ever in components, technology, tooling and other after-market products. India is yet to open up the retail sector to Foreign Direct Investment in a big way and the Australian retail industry will enter into ventures in India. The food processing industry is increasingly conscious of the opportunities that are available in India.

IT Industry

Another promising area is India's IT industry. With nearly 25 Indian IT companies in Australia, including, Infosys from Bangalore, Satyam from Hyderabad and Polaris





from Chennai, there are opportunities to take up joint development work and for Indian companies to market Australian ICT products in India and third country markets.

IT has been a major contributor to India's economic resurgence. India also has one of the fastest growing telecom markets in the world and is a hotspot for IT and R&D.

IT, finance, telecommunications, health, education, environmental services, biotechnology and media and entertainment are other areas that offer great opportunities I think for cooperation.

Indian and Australian companies can work together in IT.



The Australian IT sector has done remarkable work in IT software, in which big Indian companies too have shown tremendous creativity. Although Australia is said to be a net importer of IT and India presumably is a net exporter of IT. The point of course is that you know statistics as measured you know - basic computers and so on, are much cheaper for us to import from other parts of the world but Australia is a net exporter of software and so I think that is an area where we can perhaps do more to bring the Indian SME software writers and producers together with their Australian counterparts. And we need to look at ways of doing that.

Oil and Gas Exploration

There is annual road-show event on the Indo-Australian energy calendar, held to promote Australian oil and gas exploration acreage within India. The roadshow comprises a seminar which provides further information on the process by which Indian corporation may obtain exploration acreage in Australia as well as information on the geological make-up of that acreage.

Working Group on Energy and Minerals

The Australia-India Joint Working Group on Energy and Minerals (JWG) was established in 1999 and its aim is to facilitate the exchange of information on energy and minerals policies and issues, promote trade and investment in the resources sector, enhance long-term bilateral cooperation, and stimulate the development of commercial relationships to the benefit of India and Australia. The Group's meetings are held alternately in India and Australia. The Joint Working Group delegations comprise both official and business





representatives. Australian energy resources such as coal and associated technology and infrastructure, copper and other resources fuel India's growing economy and are important and growing components of the bilateral economic relationship. Australia offers advanced technology and services to contribute to India's continued economic expansion and India stands to benefit very substantially, from Australian investment. Particularly in the areas of energy resources, infrastructure development, agricultural services and food processing.

Australia and India have expanding interests in trade and investment in two key sectors. These are energy and minerals. The India-Australia Coal and Mining Forum is a

joint initiative by the Indian and Australian governments, with the aim of facilitating increased bilateral trade, investment and collaboration in both the sectors, in which the convergence of interests is very strong, India is energy-starved and Australia is energy-surplus. In minerals too the interests of both countries dovetail with each other's.

This forum has been set up to explore the opportunities for and also looks at the issues such as regulations, sustainable mining, mining technology services and equipment, coal blending and washing facilities, clean coal technologies, coal mine methane and skills and education. The Forum will provide members of the coal and mining industries an opportunity to showcase their expertise and capabilities, and explore investment opportunities.

The Forum aims to enhance the collaborative relationship between Australia and India to stimulate increased information exchange and joint projects, provide an opportunity for industry to showcase expertise and capabilities, and bring together Australian and Indian industry, research institutions and government.

Solar Energy

Australia has harnessed solar energy, from Darwin in the



north of Australia to Adelaide in the very south of Australia. The solar energy vehicles, which don't need to be refuelled simply demonstrate the accessibility of the technology.

In an overall sense, there has been substantial investment over the years by Australia in solar energy and this has been technology, particularly photo-voltaic technology, which has been especially adaptable to rural communities in developing countries, such as India. Australia has a number of projects in Indonesia using this



technology. Australian companies would certainly be interested in developing some of that technology in cooperation with Indian firms.

Education

Education is another area of the services trade between Australia and India which has shown remarkable growth. There are a number of Australian universities which are exploring opportunities to collaborate with Indian universities as well as establishing a direct marketing presence.

On the education front, the number of Indian students who studied in Australia in 2005 was 21,000, which might not sound very many but this number is growing every year.

India is Australia's top off-shore source of post-graduate students, the top-ranked source of Computing Science and Engineering students, and the second-ranked source of higher education students.

Australia is either the second or the third largest destination, off-shore destination for Indian students. We would say second - depends on how you measure British statistics and compare them with Australia. The United States is the largest - then Australia and the United Kingdom have very similar numbers, and then a number of other countries.

Australian universities are of a very high standard. Foreign students pay to go to those universities, excepting for a number of what are called Australian development scholarships which are funded by our aid agency, Ausaid. Gold is Australia's largest single export commodity to India, while pearls and gems, jewellery and textiles are amongst India's largest exports to Australia. But the most scintillating prospects for future trade and investment between Australia and India are twentieth and twenty-first century commodities and services.

Biotechnology

There is a tremendous amount of interest in India in biotechnology. In Australia, as you will know yourself, an enormous amount of work is being done in that sector as

well. Australia has world leadership in a number of areas of biotechnology as India does, and there is need for some seed fund from government agencies which needed to be looked at.

In the field of biotechnology, Australia has been having discussions with the Department of Biotechnology. Australia could give a bit more energy to this relationship - between Australia and India - and perhaps even between us, put in a little bit of money - seed money - into joint research projects and try to bring together as efforts are being made to do this, bring together our respective research institutes, in the area of biotechnology.

There is another industry in which India and Australia



have common interests and which can only grow in terms of value. India is the world's largest producer of feature films and its producers and directors are looking for newer locales for shooting and world class post-production centres. On both counts, Australia fills the bill. Till date, more than 40 Indian films were shot in Australia.

Australia has much to offer India in terms of its expertise in developing the infrastructure and services related to the staging and management of major sports events.

Tourism provides another promising area of expansion in the economic relationship with India, particularly in the context of the Commonwealth Games which will move from Melbourne in 2006 to New Delhi in 2010. ■



Australia

The Great Springboard for India Inc.

Australia as a base for Indian companies has inherent business opportunities and a moot point is the fact that it is eager and willing to attract India's skills in developing innovative business processes.

For Indian companies, Australia an attractive market in its own right and a springboard for undertaking business within the entire Asia Pacific region, a fast developing region in which Australia has a cultural and geographic affinity. In recent years, India is seen to increasingly engage in the Asia Pacific region and there exists tremendous potential for Australian and Indian companies to work together in further developing this market.

The diverse and sophisticated Australian economy offers Indian companies the perfect platform from which to expand their business globally. Australia hosts the most multilingual workforce in the Asia-Pacific region. Add to this Australia's strong business links with the US and Europe, its innovative culture and its highly skilled workforce and you have the perfect contemporary base for growth.

Australia is quite keen to attract India's globally recognized skills in developing innovative business processes and Indian companies are recognizing the competitive advantage of having a base in Australia. It is also the ninth most important destination for Indian foreign direct investment.

A diverse and varied range of Indian companies is already in Australia, including world class

multinationals in software and biotechnology.

Australia and India have substantial converging commercial interests, due in part to the changing international environment. In the 12 months to June 2004, India became Australia's 7th largest export market with two-way trade reaching Aus \$3.86 billion. While bilateral trade is balanced in Australia's favour, its expansion has been bi-directional and potential exists for further growth of Indian investments in Australia.

In September 2005, the "Invest Australia" delegation undertook its fifth mission to India to evaluate the potential for greater Indian direct investment into Australia. This was in response to a number of factors, the most notable being the recent lifting of Indian government restrictions on FDI from India, India's high economic growth rate, the high level of business confidence and a recent number of large investments and investment queries by Indian firms in Australia.

The visit was very successful and highlighted the broad





scope of Indian interests in Australia. This ranged from the traditional sectors of agriculture, mining and resources through to advanced manufacturing and into other hi-technology fields such as ICT and biotechnology.

An investment into Australia remains an investment in growth, productivity, competitiveness, innovation and lifestyle. It is a decision to tap world-class intellectual capital, sophisticated infrastructure and the unique location of a nation with remarkable political stability in the fastest-growing region of the world. Indian business is increasingly viewing Australia as the gateway to the Asian Pacific market.

If you are planning an investment in Australia, "Invest Australia" can provide your business with a variety of solutions tailored to meet your business needs and can provide information on Australia's industry capabilities, guide you through the regulatory and approval processes and connect you with the right industry and government contacts.

Invest Australia currently has nine offices internationally these are located in Europe, the US and Asia-Pacific. The Sydney office

of Invest Australia services all enquiries by Indian companies.

Although Invest Australia does not currently have an office in India it works closely with key Australian government allies, including the Australian Trade Commission (Austrade) and the department of foreign affairs, who have extensive networks and are on the ground to undertake investment work where necessary. Invest Australia is constantly evaluating their investment attraction strategy in light of the changing global environment.

Indian Corporate Success Stories

Oswal Group

Oswal Chemicals and Fertilizers is a major Indian company listed on the Delhi Stock Exchange. Oswal Chemicals is one of the two largest fertilizer manufacturers in India and presently sources ammonia from the Middle East.

Australian operations Burrup Fertilizers

The Oswal group controls Burrup Fertilisers Pty Ltd, which is based in Perth. Burrup Fertilisers is developing a 2,200 tonnes per day liquid ammonia plant on a 72-hectare site on the Burrup Peninsula. The capital cost of the project is \$630 million with construction employment of 800 people and direct employment during operations of around 60 people.

Invest Australia Opens its Doors to India

Australia is the ninth most important destination for Indian foreign direct investment. A diverse range of Indian companies, including world class multinationals in software and biotechnology have established operations here.

"Invest Australia" is Australia's national inward investment agency and the first national point-of-contact for investment inquiries; It offers free, comprehensive and confidential assistance, saving valuable time and money.

Following several very successful visits to India over 2004 and 2005, highlighting the broad scope of Indian interests in Australia, Invest Australia now provides a website dedicated to potential investors in India.



Burrup Fertilisers received major project facilitation status in May 2001, and commenced work on its site in April 2003. Due to be up and running by the third quarter of 2005, the plant will have a production capacity of 7,60,000 tonnes annually, making it one of the world's largest ammonia production facilities, providing feedstock to meet an increasing demand for fertilisers in Asia, particularly India.

The Burrup site was chosen ahead of others in Trinidad and Venezuela because of the low sovereign risk in Australia, an attractive gas price and the ability of Oswal to own the entire project. Development of the ammonia projects has been aided by the Western Australian Government's \$186.3 million multi-use infrastructure package on the Burrup Peninsula. This will include the upgrading of the port of Dampier, the establishment of multi-user infrastructure corridors, new and realigned roads, and the installation of the inlet and outlet pipes for water desalination.

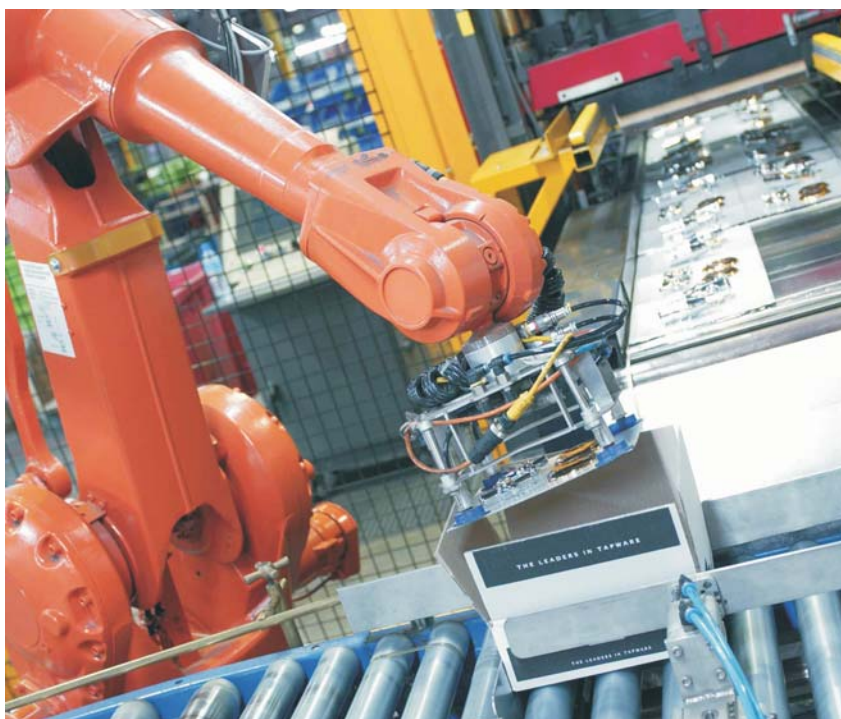
Aditya Birla Group

The Aditya Birla Group is one of India's largest business houses. The group's operations span 18 countries, including Australia. The group's annual revenues exceed US\$6 billion and it has about 72,000 employees worldwide.

The group is a world leader in the production of viscose staple fibre (which is used in the textile industry); one of Asia's largest integrated aluminium producers, the fastest growing copper company in Asia; a leading global producer of palm oil; the third largest producer of insulators and a large cement producer.

Hindalco Industries Ltd, a flagship company of the Aditya Birla Group, is an industry leader in aluminium and copper and ranks among India's top 10 companies in terms of market capitalization. Hindalco's operations are organized into two strategic business units, aluminium and copper. Birla Copper aspires to be among the world's foremost cost competitive producers of copper.

To make Birla Copper an integrated producer of copper, the company believes that upstream expansion through ownership in mines is important. In January 2003, Birla Copper, a unit of the Aditya Birla Group purchased the Nifty Copper Mine in Western Australia for A\$158.8 million. The acquisition was completed through a wholly owned Australia subsidiary and is the second largest foreign acquisition by an Indian company. The mine is the





third-largest copper resource in Australia and one of the world's top 25 copper deposits.

Nifty currently has a capacity of 25,000 tonnes per year of copper cathodes, with a large undeveloped copper sulphide resource estimated to be around 1.9 million tonnes of copper equivalent. The project also has a total resource of 148 million tonnes of ore graded 1.3 per cent of copper ore deposits. Included in the purchase was a 50 per cent interest in the Maroochydore exploration project.

In September 2003, the Aditya Birla Group announced the acquisition of a second copper mine in Australia the Mount Gordon Copper Mine in north-west Queensland. The \$A21 million acquisition was completed through a wholly owned subsidiary, Birla Minerals. The Mount Gordon Copper Mine, owned by Western Metals, had been in receivership since July 2003. The acquisition of Mount Gordon is a major strategic step in Aditya Birla Groups move to become a globally competitive, integrated copper player.

Together, the Aditya Birla Group's Australian operations, Mount Gordon and Nifty Copper Mines will cater to more than one third of Birla's copper concentrate requirement for its Dahej smelter in India.

Birlasoft Australia

Birlasoft Australia, a subsidiary of the giant CK Birla Group one of India's rapidly growing multinational IT consulting and services companies set up its Australian operations in 2002. Its staff numbers rapidly grew to

service some of Australia largest companies such as Coles Myer. It currently employs 190 people in its Melbourne Development Centre, more than 12 per cent of its global workforce.

Tata Consultancy Services (TCS)

Tata Consultancy Services, India's largest software and services company, announced in February 2002 the development of a new global development centre in Melbourne. Beginning operations in 2002, the facility, part of the TCS worldwide network of over 20,000 employees and more than 50 branches, provides high-end technical support services to clients in Australia and New Zealand. The development centre currently employs 180 people developing software solutions for some of Australia and New Zealand's largest companies, including NAB, Westpac, ANZ, Fonterra NZ, Hutchison Telecommunications and IBM Australia.

Infosys Technologies

Infosys, one of India's largest consulting and IT service providers, announced in September 2002, that it would expand its operations to Australia with the establishment of a global development center in Melbourne. Employing 200 people the development center was integrated with other Infosys development centers located in the US, Europe and India. The center, one of the first for the region enabled customers to deploy technology that aligned with its business imperatives to maintain a competitive edge.



In December 2003, Infosys acquired Melbourne-based Expert Information Services for A\$31 million with the aim of trebling its Australian workforce to 1500 in the next three years. Expert Information Services employed 350 workers, most of which joined Infosys' 200 employees to

create a 550-strong Australian workforce. Infosys' Australian clients include Suncorp Metway, Vodafone and Telstra.

Polaris Software

Polaris Software, an Indian company worth US\$700 million with an annual turnover of US\$116 million, commenced operations in Australia in 1997 having been attracted to the international market for IT by extensive work for Citibank. The Citibank relationship began in 1986 when Polaris provided some of the software needed by Citibank to introduce the first ATMs in India.

Polaris has 4,500 employees, 22 offices in 13 countries, six software engineering centers in India and a business continuity center in Singapore. In addition, they are represented in over 16 countries through more than 22 corporate business partners.

Like other Indian IT firms, Polaris has leveraged off its relationship with large US multinationals in order to establish a global presence in other markets. As a result of this, Polaris has the potential to work in all forty countries where Citibank conducts business. Citibank also holds equity in Polaris: eleven per cent at present, down from 27 per cent in the past. Polaris's main Asia offices are Sydney and Singapore. In October 2000, Forbes included Polaris in its list of the world's best 300 companies across all industry sectors.

Asian Paints

Asian Paints is India's largest paint company and ranks among the top ten decorative coatings companies in the world today, with a turnover of Rs 20.67 billion (USD 435 million). The company has been the market leader in paints since 1968 and today it is double the size of any other paint company in India.



Asian Paints has a strong presence in the Indian sub-continent, Southeast Asia, Far East, Middle East, South Pacific, Caribbean, Africa and Europe. Together, the group has its presence in 24 countries and has 27 manufacturing plants across these countries.

The company established Apco Coatings in Queensland in 1995. It acquired the paint business of Pacific Paints Co Pty Ltd Australia in 2000 in line with its objective of having a significant presence in the Australian market. Apco Coatings has factories in Townsville and Brisbane. It has a NATA accredited laboratory, ISO and APAS accreditations.

Mahindra-British Telecom

In June 2003, Mahindra-British Telecom (MBT) Indian-based telecommunications software and solutions provider, announced that it had formally commenced operations in Australia. With 4000 staff, annual global sales of over Aus \$170 million, and customers including AT&T, British Telecom and Ericsson, MBT is one of the world's largest providers of technology expertise to the telecommunications industry. MBT is the joint venture of British Telecommunications (BT), which holds 43 per cent equity, and India's Mahindra, and Mahindra Company, which controls the remaining 57 per cent. Since commencing operations in Australia MBT has been partnering with local firms to offer globally competitive, value-added delivery. Its long-term strategy is to expand further in Australia as well as the Asia Pacific region.

VISA International

Indian mining company VISA International has opened an office in Queensland, following the relaxation of Indian regulatory restrictions on foreign investment in September 2003. The company's Brisbane base will be used as a location from which to pursue investment opportunities in the region.

VISA currently sources 500,000 tonnes of coking coal a year for conversion in India and will also source an additional 600,000 tonnes of coking coal per year, from various mines in Queensland.

The restrictions lifted by the government of India include the lifting of foreign investment restrictions and legislation on the ash content, which previously required India's typically high ash content coal to be washed if it is mined more than 40 kilometres from its destination. The lifting of the regulations has made investment in Australian operations more viable for Indian mining companies. ■

India-S. Australia bilateral trade



A Quiet Bond Grows Stronger

A special relationship is quietly but surely developing between India and the State of South Australia.

Over the past 15 months, the South Australians have sent two trade delegations to India, both led at the highest level by their Premier Mike Rann.

For many Indians, South Australia is known as the home of the world-famous cricket venue, the Adelaide Oval, and as the State of origin of well-known cricketers such as the Chappell brothers, Jason Gillespie and Darren Lehmann. Today, Greg Chappell is coaching the Indian cricket team.

Traditionally, India and Australia as nations have enjoyed much in common: membership of the Commonwealth and layers of tradition through a common legal system, language and, of course, a love of cricket.

The South Australian Government, however, believes that there are many opportunities of potential mutual benefit to strengthen ties between the two regions, which it considers to offer complementary markets.

Known variously as Australia's Wine State, the Arts State and the Defence State, because of its stand-out capabilities in those industries, the centrally located southern Australian State is keen to support increased trade and cultural links with India, and has implemented a number of new measures to help the process.

In addition to the recent trade missions to promote trade between South Australia and India, a South Australian Chapter of the Australia India Business Council was formed in Adelaide in July 2000 and officially launched by Premier Rann on 29 June 2005.

There is also a regular e-newsletter, the *South Australia-India Trade E-news*, which is distributed by the South Australian Department of Trade and Economic Development to a growing database of interested recipients, both in India and South Australia.

The newsletter provides the latest information on all that is happening in South Australia and India to continue building on the developing relationship.

Much to the delight of cricket fans on both continents, former Australian test cricketer Darren Lehmann was appointed in 2005 as South Australia's Special Envoy to India.

As Special Envoy, Darren's role is to support local businesses looking to export to India, encourage investment by Indian companies into South Australia and promote South Australia and India as mutual tourist destinations.

During his visit to India in September, 2005 Darren was keen to talk about South Australia's excellent sporting tradition, its world-class training facilities and the State's increasing popularity as a training camp destination.

A visit is scheduled later this year where Darren will again promote opportunities for India in South Australia.

South Australia India trade

In 2004-05, the overall two-way trade between India and South Australia was worth \$152 million. South Australia recorded a trade surplus of \$47 million.

South Australia exports approximately \$100 million worth of goods to India annually. Its top four export commodities to India (2003-2004) were lead (\$29 million), silver (\$22 million), coal (\$12 million) and wool (\$7 million).

South Australian imports from India in the same period were worth \$52 million. The top four import commodities from India were lead (\$10 million), cotton toilet and kitchen linen (\$7 million), precious metal jewellery (\$3

million) and parts and accessories for vehicles and tractors (\$2 million).

Migration to South Australia

South Australia is home to a growing Indian population. According to Australia's 2001 census, 5,058 South Australians claimed Indian ancestry and 3,688 of South Australian residents identified themselves as having been born in India.

Hindi is the main language spoken at home by 951 South Australians. India is currently the third largest source country for South Australia for skilled migrants, and South Australia has also been successful in attracting more Indian students to study in the State. In 2004, 526 Indians studied in South Australia, largely in higher education. In 2005, this had increased to nearly 1,000 Indian students.

Bonus migration points

Adelaide, South Australia, is one of the few mainland State capital cities in Australia offering bonus migration points to students. Students choosing to study in South Australia are eligible for five bonus migration points and can look at pursuing a career once they complete their studies.

Graduates with a Bachelor degree can apply for a Skilled Independent Regional Visa and continue to enjoy the lifestyle and opportunities that South Australia offers.

Adelaide was recently voted one of the world's top five cities to live in by The Economist magazine and offers an affordable lifestyle with living costs 18 percent less than Sydney and 15 percent less than Melbourne.

There is a continued scope for more trade in products, services and expertise, as well migration between the two regions.

Two-way Business Opportunities

The Indian economy has been consistently growing at around 6.0 per cent a year for the past few years. It is amongst the fastest growing economies in the developing



world. Simultaneously, India is also opening up its economy to allow imports of foreign products, services and investments.

This presents Australia with a broad range of business opportunities, many of which fit well within South Australia's export capability.

Some of these sectors are fresh and processed food, education, health, water, sports, aviation, wine, tooling, services, and film and television commercial production and post-production.

Additionally, there is scope to attract Indian investments into South Australia's minerals and energy industries. Many Indian companies have invested in Australia over the past couple of years and many more are keenly looking at

new possibilities.

With the pending Sister State Agreement between Tamil Nadu and South Australia, it is expected there will be increased movement between the two regions of people, products and services in the coming year.

South Australian representation in India

The decision last year by the South Australian Government to appoint a *Director Trade and Investment* in India to represent South Australia has boosted the potential of growth in trade relationship between the two regions.

Ayub Tareen has been in the business of advising Australian companies on doing business with India for nearly 10 years. He is now exclusively available to facilitate trade and investment between India and South Australia. Companies in both regions can approach Tareen for initial advice on the appropriateness of their products or services to the market, or for a detailed market entry strategy.

Tareen is supported by Austrade's vast network and the Department of Trade and Economic Development in South Australia. He can be contacted to discuss business opportunities:

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Gallop's visit boosts Indian investment in W. Australia

Western Australia's Premier, Dr Geoff Gallop made his inaugural visit to India during the first week of October 2005. The Premier's nine-day program had a strong resources sector focus but also emphasised his Government's commitment to and interest in strengthening ties in agri-food, education and tourism.

To date, Western Australia has attracted the lion's share of Indian investment to Australia accounting for three quarters of a billion dollars.



Dr Geoff Gallop
Premier, Western Australia

From fruitful discussions with leading Indian corporations this growing interest is likely to increase with further energy sector down-streaming investments.

In his meeting with the Minister for Industry and Commerce Kamal Nath, Dr Gallop reinforced Australia's concern about bans on Australian dairy and meat products and of the high State tariffs that operate as barriers to trade in the wine industry.

Western Australia, in conjunction with the National Food Industry Strategy (NFIS) group and Austrade is working to export more Australian food products and fruits to India. Dr Gallop praised the work of the WA Department of Agriculture and the WA Trade Office which are leading a drive to export apples and stone fruit in to the market.

The success of the "open bulk bin" export of gala apples from Western Australia's South West has seen exports lift from 40 containers in 2003-04 to 60 containers in 2004-05. The stone fruit marketing strategy (an Australia wide drive) will be launched early in 2006 under the "Summerfruit Australia" promotion.

Dr Gallop also expressed his interest in seeing Western Australia increase its market share in attracting Indian

students to study in Perth. Part of the strategy will see the position of Education Marketing Officer reinstated in the WA Trade Office functions in 2006.

Another outcome was his support, at the urging of Tamil Nadu, for reviving the Chem-Plast Kaillis Trophy cricket competition between the Ranji Cup Team in Tamil Nadu and the Pura Cup Team in Western Australia. The competition commenced in 1994 but the untimely death of Michael Kailis two years later saw it flounder for want of a sponsor on the Western Australian side. It is hoped to revive it in a 20/20 version of the game.

Gold and diamonds from Western Australia play a vital role in India's jewellery industry. It accounts for \$10 billion in export earnings for India and is the country's number one export. Dr Gallop and the Gem and Jewellery Council of India announced that Western Australian jewellery designers would be invited to participate in Mumbai's international jewellery exhibition in April 2006.

The event will give Western Australian designers an opportunity to showcase their talent and skills to Indian manufacturers and international buyers and manufacturers who participate in this global event.

Western Australia is also keen to attract an Indian airline to use Perth as an alternative entry and exit port of call for Australia. Talks were held with several major airlines.

Throughout his visit and travel to Delhi, Bangalore, Chennai and Mumbai, Dr Gallop emphasised Western Australia's proximity to India it is the closest Australian capital city to India and only two and a half hours difference in time zones. He called for a reinvigoration of the Indian Ocean Rim Forum and focus on sharing R&D opportunities to help the rim grow and prosper.

Development Minister Alan Carpenter due in March 2006. State Opposition Leader Matt Birney is also expected to lead a fact finding mission here in February.

Author Sonia Grincer was the former Regional Director, Western Australia Trade Office India ■

To Create Enlightened Dream Team for Business World...

Combine Australian Spirit with Indian Spirituality



John Matthews, Director of the Institute of Executive Coaching, undertakes the most challenging task of coaching top corporate executive, including CEOs and policy makers in governments on such matters as leadership approach, strategy and innovation. One of the world's most sought-after Master Coaches, John took some time off to talk to Consulting Editor Rajiv Tiwari in the margins of a workshop he conducted in New Delhi on the importance of coaching as a tool to retain and upgrading the talent pool.

You have been coaching and advising many senior executives of high profile institutions in banking and finance, professional services, retail, IT and telecommunications in Australia, besides coaching and advising a number of Australia's most senior government ministers including the Advisor to the Prime Minister. Have you noticed a growing interest in India from Australia over the past few years?

Absolutely. Many businesses in Australia have outsourced their call centres and IT operations to India. I have been called in at times to help improve communications between groups from both countries. As you know from the most recent World Trade Conference in Davos, Switzerland, India is on everyone's radar screen as a major player in world economics. There are many reasons why Australia and India are able to work well together. The very fact that we were once part of the same land mass millions of years means there is a literal common ground we stand on. India and Australia have a young workforce that wants to learn and grow. Australians and Indians love cricket and I would say there are similarities in attitude towards the English. These may sound like trite comments but I believe they are the sort of tipping points that will enable the two countries to continue to work more closely in the future. Many of my Australian colleagues also value the rich spiritual and cultural heritage of India. There is definitely a growing Australian interest in India on many levels.

What is the difference between Coaching and Training?

Coaching can be called "just in time training" because a

coach doesn't want to waste time lecturing you on what you already know. He wants you to show him what you are already capable of doing so he can focus on filling the gaps to help you improve your performance. A lot of training loses its effectiveness (up to 80 percent is lost after one week according to one study) if it isn't followed up with coaching that enables you to apply what you learned in a practical, experiential way.

What are the sectors of interest in India for Australia in terms of investments and collaboration?

I'm sure there are many sectors of interest for Australia. The obvious ones are IT, business operations, and call centres. Australians are also interested in India's booming entertainment industry and textile industry. An interesting area for collaboration would be in the area of personal development. My experience is that India has a much better sense of a customer service sentiment. I felt a sense from Indians of wanting to please and make strangers welcome. Australians can be quite independent and anti-authoritarian. I think at times Australians associate "customer service" with servitude and they aren't going to be anyone's servant. The Australian Spirit shows its strength in areas such as sport and innovation. If we can find a way to combine what Australia has done in sport with what India has done with spirituality we could possibly create an "Enlightened Dream Team" for the business world. Now that would be an interesting area for collaboration.

India is being increasingly sought after by the US and Europe for its talent pool. Is there a possibility of greater collaboration between Australia and India?

Because of Australia's small population there seems to be more interest in building an internal talent pool first. Only after enough critical mass has been built here in Australia will there be enough confidence to begin to import talent from India.

India is moving from a "Talent Abundance market to

What I do know is that coaching is a relatively low cost way of transferring skills from one segment of the workforce to another and thus a way of continually hot housing new talent.

Your recent workshop in Delhi with a large number of CEOs and HR heads is indicative of a lot of interest in the area of Coaching as a tool for retaining as well as upgrading the current talent pool in India. Your comments please.

Many of the CEOs and HR heads that attended the workshop are already familiar with coaching as a tool for retaining and upgrading their talent pools. Many multinational organizations already have coaching strategies in place. The area of most interest for this group were to hear some practical ways to implement those coaching strategies. It's easy to understand the theoretical basis of Executive Coaching. It is far more difficult to find people that have had the practical experience working through the details of making those coaching programs work. For instance, when developing a coaching program for high potentials, one area that many times is overlooked is how to equip the line managers of this group. The direct managers of high potentials don't always know how to challenge and motivate their best and brightest.

They may be threatened or unconscious of the ways that they actually alienate this talent from their organization. There is a lot of valuable experience that we have gained in Australia helping large organizations maximize the benefits of executive coaching not only for their high potentials but in creating

The Master Coach & his Mission

John Matthews is co-founder and Director of the Institute of Executive Coaching, Australia's leading coaching and leadership organization. Over the past 10 years, John has spent over 11,000 hours coaching executives from some of the world's most prominent organizations.

John coaches and advises a number of Australia's most senior government ministers including the Advisor to the Prime Minister. John was recently a guest speaker and facilitator at the Federal Secretaries Retreat to determine the Australian government's leadership approach.

He works with the most senior executives of high profile institutions in banking and finance, professional services, retail, IT and telecommunications. He has worked with; IBM in the development of its 'High Performance Teams', Telstra in the design and delivery of its cultural change initiative, 'Unleashed' and MLC in developing its Mentoring Programs. Other clients include ANZ Banking Corporation, Fairfax Newspapers, AGL, Clayton Utz law firm, NRMA, Ernst and Young, The Department of Education, Science and Training and the NSW Department of Health. John is a sought-after speaker and media commentator on corporate leadership and culture change. His speaking engagements include the University of Sydney's 'Evidence Based Coaching' 2005 Conference, and talks for AGSM, AIHRE and the International Coaching Federation..

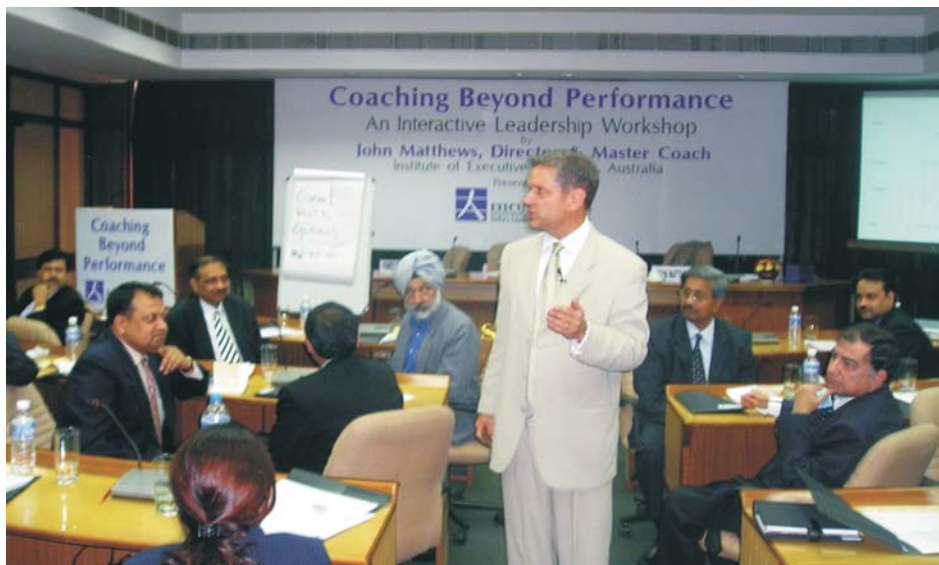
John is asked by the media to give expert comments on topics ranging from leadership, strategy, innovation, executive coaching and management issues. He is also a contributing author to Avril Henry's book, 'Authentic Leadership Revelations; An Australian Perspective.'

John's commitment to personal excellence enables business leaders to achieve outstanding results in a very short period of time. He has been one of the major presenters in the Commonwealth Bank's Effective Leadership Forum II and Compass Programs designed to enable leaders to model new and more effective behaviours for a changing corporate environment. John has an engaging presentation style, earning the respect of his audience by challenging and holding participants accountable for their own learning in a compassionate and inspiring way.

He has been described by a leading coach in this way. "After working with John people are different. He has a mystic way of combining tough with tender, rigor with compassion and intelligence with respect. He delivers without offence and creates in others the desire to continually become."

a Talent Shortage" market. How do you think this trend can be reversed?

I don't know what type of resources India is allocating to continue to educate and keep its workforce relevant.



a “coaching culture” that helps everyone perform at their best. This is the sort of information that participants found most valuable.

Coaching is seen as an avoidable investment by many organizations. What kind of returns on investment can an organization expect in this area?

This is the big question that CEO's in particular want answered. Our Institute in conjunction with the University of Sydney and several other organizations is part of an ongoing research project looking to come up with more specific answers to this question. Given the complexity of large organizations and all the contributing factors which can effect the bottom line, it is very difficult to isolate a direct correlation. Some areas that do show improvements from executive coaching is improved employee engagement scores, less unplanned absenteeism, improved 360 degree feedback on management style, improved success rates of new senior hires especially during that first critical 90 days. When you begin to look at all the hidden costs involved in not providing coaching, a CEO needs to ask whether it really is an avoidable investment or whether they have just turned a blind eye to the real costs. Owner/operators in the SME market may find it easier to measure what difference executive coaching is making to their business by setting up some key result areas which they can track as part of a coaching contract.

Is it possible to replicate your success in coaching and upgrading talent in Australia for India?

Our success will depend on our ability to listen and understand the differences of the two markets. Fortunately, we have a very good relationship with the

leadership of Executive Access who do understand the Indian market. This workshop in Delhi is the beginning of an ongoing dialogue between our two organizations designed to leverage off our respective strengths and bring the greatest value to our potential clients. I believe we are in a quite unique position to marry our executive coaching experience with the expertise and market knowledge of Executive Access not only to

replicate our success in Australia but surpass it in many ways.

What has been your experience in coaching the politicians and the bureaucrats in Australia? Do you think the Indian politicians and bureaucrats too can gain from coaching on similar lines?

Presently, I am not coaching any elected politicians. I do coach a number of Federal Department secretaries and CEOs of government agencies. My experience has been very positive. The people I coach are the more progressive leaders that want to improve their personal effectiveness and that of their organization. I find these individuals have high ideals as public servants. They are responsible for billions of dollars of government disbursements and are constantly looking for ways to manage that responsibility to get optimum results. The leadership in the Australian Public Service are very interested in transferring best practices from the private business sector and ask me to share that knowledge with them. I believe that the best and brightest within the Indian Government would also be interested in that knowledge. In fact, we are organizing a forum so top leadership from both governments can share their experience of how executive coaching is helping to lift the performance of their respective organizations. It will be interesting to hear the results of that dialogue and see what initiatives they engender. So, as you can tell, I find it very easy to be optimistic about the difference executive coaching can make. The reason is that while it may be a long and difficult task to transform large government organization or private corporations, you can make a difference in individuals' lives at every step along the way. ■

Global IT Majors To Ramp Off-Shore Delivery Capabilities

According to the latest Nasscom report, released recently "worldwide spending on IT-ITES witnessed steady growth in 2005 on the back of healthier spending across key markets of the US and Western Europe, and strong growth within emerging markets".

Outsourcing continued to be the primary growth engine with global delivery forming an integral part of the strategies adopted by customers as well as service providers continued the report. Heartening news for all those involved in this industry and the nation in general.

In addition to growth the portfolio of services sourced globally continued to expand into higher value, more complex activities, further reinforcing the growing maturity of the global delivery model.

This was complemented by global majors continuing to significantly ramp-up their offshore delivery capabilities predominantly in India, vindicating the success of the global delivery model and highlighting India's increasingly important role in the new world IT order.

The maturing nature of the industry was also reflected in continued consolidation, progressive deal structures and stable pricing environments with a moderate upward bias.

Circa 2005 witnessed the coming of age of the Indian IT multinationals, with the traditionally India-centric, indigenous players beginning to build noticeable presence in other locations through cross-border acquisitions, onshore contract wins and organic growth in other low-cost locations.

MNC vendors were able to

offer offshore capabilities more effectively and leading offshore-centric (India) players expanded their onsite and multi-country offshore delivery capabilities

The Indian IT growth story is on song despite sporadic skepticism with Indian IT-ITES. Industry continues on its high growth path with industry aggregates estimated to cross USD 36 billion in the current fiscal (FY 2005-06), projecting annual growth of around 28 per cent.

Services exports remain the industry mainstay and emerging service lines such as infrastructure outsourcing, software testing, etc., in IT outsourcing; analytics, research and functional outsourcing (F&A, CIS and HR) in ITES-BPO gained greater visibility; and engineering and R&D services emerged as an independent segment

It is estimated that less than 10 per cent of the addressable market for globally sourced IT-ITES has been captured till date, indicating significant room for growth. As global delivery matures, most sourcing destinations, including emerging locations, will grow in size.

Led by gradual economic recovery and a positive outlook for corporate earnings, worldwide IT-ITES spending witnessed steady growth in 2005. The worldwide

aggregate spend on IT-ITES is estimated to have grown from USD 1,384 billion in 2004 to over USD 1,479 billion in 2005, a growth of nearly seven per cent over the year.

Industry consolidation has not been restricted to customer markets. On the supply side, the uptake in industry consolidation observed in 2004 continued in 2005, with





global IT majors as well as regional offshore pure-plays engaging in cross-border merger and acquisition (M&A) activity aimed at strengthening their individual portfolios and expanding their geographic footprints. While the number of tech-related M&A deals declined by 15 per cent during the first half of 2005, total value of the deals was up by 37 per cent.

A key factor driving the high-value M&A activity in this

space is the high level of cash reserve built up by companies - with much of their budgeted capital expenditure already completed.

The keen emphasis on delivering increased business value and the focus on improving business processes through the use of IT continues to push traditional services players to partner and acquire in the BPO space.

The overarching characteristic of the worldwide IT-ITES industry continues to be the rapid evolution of the global delivery model. The year 2005 witnessed global majors as well as regional offshore-centric pure-plays undertake significant efforts to ramp-up their offshore delivery capabilities. Experiences of companies adapting to global delivery have highlighted that in addition to managing a growing scale of business across multiple locations, successful execution of the model also entails broadening the scope of activities undertaken.

It also entails leveraging multi-location delivery capability to maintain high levels of productivity in a distributed workflow environment, managing the cross-cultural dimensions of a global workforce and mitigating the geopolitical risks associated with various locations. ■

"The locations are fantastic."

Joel Silver, Producer, The Matrix Trilogy

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Fiscal discipline boosts M.P's image & credibility



Madhya Pradesh (M.P) is upbeat about its position within the country. The reasons are manifold. First, the state has a new and youthful Chief Minister in **Shivraj Singh Chauhan**, who is committed to implementing the promises made. Fiscal discipline is a major measure, followed by a host of others, including the development of infrastructure. The list is long.

Besides fiscal discipline, efficient fiscal management and austerity measures adopted by the state government during the last two years, have resulted in positive changes in the finances of the state. The credibility of the state in the financial market has shown unprecedented improvement, reflected in the over subscription of the development bonds floated by the government.

The state government is sincere in delivering on promises made. A special thrust and a sense of urgency is noticeable within government departments. To begin with, a special review cell has been created under the general administration department for this purpose and all concerned ministers have to constantly review progress.

The government has undertaken many fiscal reform initiatives during the year 2004-05. Some measures are of a macro economic nature and some are micro economic, relating to procedures and processes. The present government has made efforts to bring the revenue deficit down to Rs. 4,009 crore during the year 2004-05. The financial improvement has enhanced the state's image in the country.

The state government has also reversed the trend of spending borrowings on day-to-day expenditure. Today, a large part of the borrowings is spent on capital works. This will ensure that there is a return on the capital expenditure, which can be used to repay interest and the principal in the future.

Due to greater emphasis laid on the development of

infrastructure by the present government, the capital outlay has gone up to Rs. 4951 crore in 2004-05 and is expected to cross Rs. 5000 crore this year.

The state government has also taken effective steps to curb tax evasion and to improve tax recovery, which resulted in an increase of 19 percent in revenue collections this year in comparison to the previous year.

An unprecedented increase in tax and non-tax revenue collection has also been registered by March 2005. An increase of 9.80 percent has been registered in excise revenue, 18.89 percent from commercial taxes, 12.55 percent from forest and 13.65 percent from mining. Under the small saving schemes 13.86 percent more amount has been collected during the financial year 2004-05 in comparison to the previous financial year.

Similarly, an increase of 28.35 percent has been registered in the revenue collected from stamp and registration.

As a result of the improved financial management, the state government did not have to resort to over-draft even for a single day in the last financial year as against 47 days of over-draft in the previous year. It is after a long period of 16 years that the state government did not have to resort to over-draft even for a single day. This year so far the state has not even resorted to ways and means advances (WMA). The state development loans have been oversubscribed by 35 percent. The state government has swapped high cost debt of Rs. 1227 crore with low

cost debt resulting in savings of Rs. 56 crore. The state government has also taken liabilities of Rs. 3,000 crore of MPEB, which also improved the image of Madhya Pradesh among financial institutions.

A provision of Rs. 250 crore has been made for restructuring of public sector undertakings and discharge of liabilities. The Fiscal Responsibility and Budget Management Act has been passed by the state assembly, which would help transparency and fiscal stability. A guarantee redemption fund is being set up to set aside resources for loans guaranteed by the state government. A cyber treasury would also be set up in the state in the next financial year.

Amongst the administrative streamlining are quite a few steps. For example, a new rationalized excise policy has been formulated and overall state excise revenue has increased. A new dispensation has been put in place to provide copies of five-year khasra to farmers within 10 days of submitting application. Arrangements have been made for demarcation of land within one month after due payment of the land demarcation fee, a step in the right direction considering the time involved with this activity previously.

The government would like to encourage cultivation and marketing of medicinal plants and the processing of medicinal herbs will soon start at Sehore, Seoni, Satna, Chhindwara, Katni and Shahdol. Process is on for the establishment of small godown-cum-processing centres at Chhatarpur, Sidhi, Satna, Jabalpur and Dindori for collection, processing and sale of non-nationalized minor forest produce. A five-year strategy is in place to boost cultivation of medicinal and aromatic plants.

A Deen Dayal Self-employment Scheme has been introduced from August 2004 for educated unemployed youth from all sections. Under the scheme, a maximum amount of Rs. 50,000 is given to the beneficiary as margin money to obtain bank loan for self-employment. A margin money of Rs. 5.22 lakh has been deposited for



loans in the last financial year for unemployed scheduled caste youth under the Rani Durgavati Self Employment scheme.

A Madhya Pradesh Trade and Investment Facilitation Corporation has been set up to facilitate industrial investment by major industrial groups and NRIs.

A special concession package has been announced to encourage food processing and herbal medicine industries. Electricity bills of farmers having irrigation pumps of 3 to 5 horsepower from January 1, 2001 to December 31, 2005 has been waived. Minimum charge on metered irrigation pumps is not billed. Following the principle of "billing only the actual consumption", it has been decided to carry out cent percent metering and so far, 48 lakh meters have been installed.

Arrangements are in place now for procurement on support price of crops immediately after harvesting. And a comprehensive strategy has been implemented to encourage formulas for preparing bio-fertilizers and bio-pesticides. Arrangements have been made for training farmers in application of modern techniques of cultivation of fruits, medicinal and aromatic plants and flowers.

Directives have been issued to municipal corporations, municipalities and nagar panchayats to ensure construction of rainwater harvesting structures in the new housing schemes in urban areas. A Simhashta Mela authority has been constituted in order to expedite disposal of pending court cases and 361 posts of civil judges created. All vacant posts from civil judge to district judge have been filled up in the lower courts. A recommendation is forwarded to the central government for filling up vacancies of judges in the high court.

Since roads are an integral part of infrastructure, the emphasis of the government is for widening and strengthening the road network. Madhya Pradesh



has 72,000 km length of roads including 4600 km of national highways, 8300 km of state highways, 10,800 km of major district roads and 48,600 km of rural roads. Most of these roads were in devastating shape and thus the state government has given priority to improvement of roads in the state. A total length of 12,000 km roads has been constructed in the last two years.

A provision of about Rs. 2000 crore has been put in place for the construction of roads. Madhya Pradesh Road Development Corporation has been set up on 14th July 2004 to carry out work with private capital investments. The corporation has been given the status of a state highway authority and all the 29 state highways with a length of 8099 km are under the Corporation. The length of important district and other roads is 11,114 within the state.

In keeping with the promises made, adequate power supply has been ensured to farmers and there are no power cuts in the state. The consistent efforts by the state government, the recovery of electricity bills has increased by 25 percent in comparison to the previous year. Other measures have been taken to improve the condition of Madhya Pradesh State Electricity Board and separate companies have come into existence for generation, distribution and transmission of power.

The state government will generate 2,100 mw additional power to meet the gap between demand and supply and will become self-reliant in the power sector by 2008. The power plants, which are going to be completed within the next three years, include the 520 mw - Onkareshwar Hydel Power Project (by Dec, 07) and 500 mw - Birsingpur Thermal Power Project (by Dec, 06).

Negotiations with the private sector are on for investments in power generation. The projects to be covered under it include the 400 mw Maheshwar Hydel Power Project, coal based 2000 mw Mahan Thermal Power Project (Essar), 360 mw gas-based Aban Thermal Power Project (Jhabua), and the 430 mw gas based Guna Thermal Power Project (STI Power).

In the distribution sector 2641 km of 33 & 11 kv lines, 130 power transformers, 19 EHV sub-stations have been set up during 2004-05 & 2005-06.

A historic memorandum of understanding has been signed between the Central Government and the state governments of Madhya Pradesh and Uttar Pradesh, for the country's first river linking project to interlink Ken and Betwa rivers.

Madhya Pradesh and Rajasthan have agreed on a project for inter-linking Parvati, Newaj and Kalisindh rivers with the Chambal. On completion of the project, utilization of the entire water of the Chambal basin in both states would

be a reality. At present only one-fourth water is utilized and the master plan for the project is underway.

An action plan has been implemented to create a better climate for capital investment, augmenting employment opportunities, removing industrial sickness and increasing economic growth rate. The policy has been implemented for a period of five years from April 1, 2005. Under the policy measures have been taken to develop M.P as an industry-friendly State.

Under the industrial promotion policy, Madhya Pradesh Trade Investment Facilitation Corporation Limited (TRIFAC) has been set to enable prompt disposal of proposals for an investment of over Rs. 3.0 crore. Besides, an industrial advisory council headed by the Chief Minister has been constituted and a high level empowered committee has been formed under it for single window clearance. The committee would take decisions in cases of establishment of mega projects involving capital investment of over Rs 25 crore. Besides, a textile advisory committee and a pharmaceutical advisory committee have also been formed. The high level committee has cleared ten proposals of over Rs. 22 crore so far.

Separate clusters are being developed keeping in view the resources of different areas. A Rs. 70 crore auto cluster is being set up at Pithampur (Indore), another Rs. 1800 crore auto testing track will also be set up there. A Rs. 67 crore engineering cluster is being developed in Bhopal and a pharmaceutical cluster is being set up at Pithampur. All these are likely to put Madhya Pradesh as a world class destination for investors both from India and abroad in the auto component industry.

An industrial infrastructure development fund has been set up to remove the financial difficulties in the development of industrial infrastructure. An information technology park is also being set up at Indore. Preliminary preparations have been made for establishment of a gem and jewellery Park at Indore for making ornaments, cutting, polishing, designing and marketing of precious stones at Indore. A stone park is being set up at Katni.

Infrastructure conforming to international standards is being developed on about 2500 acre in the country's first ever-Special Economic Zone in Indore with the status of a foreign territory. The state government has cleared the docks for establishment of the 60 lakh tonne per annum capacity, Rs. 9,000 crore Bharat Oman Petroleum Refinery, at Bina. After the Oman Refinery and the Bharat Petroleum Company presented their stands, the Madhya Pradesh government granted heavy concessions to facilitate its early establishment. ■

The Art of Preserving Crafts

Madhya Pradesh is a state with a rich tradition of arts and crafts, some of them sustained by tradition through centuries. The state's Department of Rural Industries, with other concerned agencies working under its aegis, is making every effort to see that these arts and crafts survive with changing times.

The Department aims to conserve and develop these traditional and non-traditional crafts of the state by providing more jobs to rural youth especially belonging to scheduled castes and tribes, backward and minority sections and women.

The department comprises the Directorate of Handlooms and Handicrafts, the Directorate of Sericulture, the Silk Federation, the Khadi and Village Industries Board and the Handicrafts & Handlooms Development Corporation.

The Department works with self-help groups (SHGs) small and medium entrepreneurs (SMEs) and cooperative societies mainly through the cluster-approach to cover the vast range of rural industries comprising hand looms, handicrafts, silk production, khadi and other village industries. Quality-of-life considerations towards its constituents are part of the department's area of concern. It welcomes private sector and NGO participation partnerships include UNIDO (capacity building in Chanderi and Maheshwar with directorate of handlooms), NID (Design development and M.P. Handicrafts and Handlooms Development Corporation), NIFT (Chanderi and Maheshwar), FAB-INDIA (with the M.P. Handicrafts and Hand looms Development Corporation), Hindustan Lever Limited (with the Khadi and Village Industries Board), Central Silk Board (with directorate of sericulture), the National Handloom Development Corporation, NABARD, National Minorities Development and Finance Corporation, National Backward Classes Finance and Development Corporation and National Scheduled Castes Finance and Development.

The Department's sectoral CEOs are in dialogue with the chambers of commerce and industry, voluntary organizations and other stakeholders within and outside the government towards partnership synergies.

The Directorate of Handlooms and Handicrafts focuses on the weavers and craftsmen who keep alive their traditional livelihoods (the weaving traditions of Chanderi and Maheshwar go back several centuries, providing case studies in sustainability). Assistance is provided by way of credit facilities, facilitation of raw material, technology transfer, quality consciousness, design development, skill upgradation and marketing support. The Directorate not only implements the department's policies but also provides evaluatory feedback.

The craftsmen of Madhya Pradesh produce a rich variety of skillfully worked products. The weaves range from fine cottons and silks (both mulberry and tussar) to coarse and basic weaves.

The crafts range from stone engraving, jewellery, terracotta and woodwork to bell-metal and textile printing. Products from simple bamboo items to teak and bamboo furniture, tribal motifs in metal to highly artistic brass items hand block printed cotton materials to the elegant weaves of the Chanderi and Maheshwari silk sarees extol the skill of its artisans. The Handicrafts & Handlooms Development Corporation supports this wide range of handicrafts through capacity-building intervention and comprehensive marketing strategy.

The Khadi and Village Industries Board channels the large array of goods produced by the sector through its network of production and marketing outlets. The production and marketing of spices, the Vindhya Valley program interfaces the marketing skills of corporate giant Hindustan Lever Ltd (HLL) with SHG micro-enterprise.

The Directorate of Sericulture runs a comprehensive 'soil to silk' program to encourage silk production. Particular attention is being paid to technology transfer and R&D for the production of superior quality silk. Although much of the Tussar (wild silk) production has now passed to the new State of Chhattisgarh, interventions to boost production in Madhya Pradesh are underway and are yielding exciting results in per acre productivity. The Directorate liaises with the Central Silk Board (CSB) and NGOs. The sub-sector sustains a growing number of livelihoods, targeted to increase with the recent initiative of introduction of castor-based 'Eri silk' production in the State. The Silk Federation with its 'Silk Mark' authorization explores markets while pushing technical improvement through its R&D program.

In sum, the Department of Rural Industries has devised cutting edge programs for integrated cluster development, support to SMEs, SHGs and voluntary organizations, marketing support and partnership strategies. It has formal systems for market assessment, training and evaluation. The Department welcomes fresh initiatives to supplement its design development, technology transfer, skill-upgradation, networking with stakeholders, and marketing strategies, both domestic and export oriented. Training programs drawing upon management techniques, best practices and awareness of global issues impacting the Sector underpin the Department's efforts to refine and strengthen its delivery system towards the pursuit of Millennium Development Goals (MDG) in the rural livelihoods sector. ■

As Project Investment spurts...

M.P's GDP Poised to Double by 2010

INVESTMENT SCENARIO - HIGHLIGHTS

Madhya Pradesh ranks 5th among all states in the country in terms of 100 percent EOU with an investment of \$ 2.0 billion between 1991 and 2003.

MP ranks 3rd among all states in terms of project under execution. As per Tata Statistical Outline, projects worth \$ 13.0 billion are under execution at present. The project implementation ratio is 71.4 per cent in MP as against the national ratio of 38.1 percent.

This indicates the effectiveness and quality of governance in the state.

The gross output to investment ratio in MP is the 2nd highest in the country.

After the execution and completion of the current projects the GDP of the state is likely to double by the year 2009-2010.

The major sector-wise project proposals under execution/consideration are:

Project Proposal Industry	\$ Billion
Textile	0.348
Pharmaceutical	0.116
Cement/Minerals	0.348
Petro Chemicals	2.09
Auto/ Auto Components	0.534
Auto cluster/Auto Track/Engineering	
Food Processing	0.222
SEZ	0.186
Infrastructure	
Roads	0.465
Power	6.00
Integrated pench river Project	0.80
Service Sector	0.232
Total	11.34
Say \$ 11.5 Billion	

Future Investment Scenario:

Because of its natural resources, logistics (centrally located), adequate industrial power, knowledge based cheap manpower, water resources and cheap land, Madhya Pradesh offers a distinct advantage to the prospective investors.

Natural Resources Advantage

Mines & Minerals: The states mineral deposits ranks 4th among all states in the country. The State Mining Corporation has entered into joint ventures with private corporations for harnessing mining potential of the state.

Water: Adequate surface and ground water exists for industrialization. About 30 percent of Agriculture Land is under irrigation.

Cheap Land for Industrial use: Land is available in industrial growth Centres and the Special Export Zone (SEZ) at rates ranging from 30 cents/sqft to \$10/sqft, which is a fraction of the cost as compared to developed states and metros.

Other Advantages:

Power: There are no power cuts on the industrial feeders. The state shall be a power surplus state by the year 2008-2009.

The present total available capacity is 6195 MW. Some of the facts are as under:

Installed capacity thermal	2147 MW
Installed Hydel Capacity	843 MW
Joint venture Hydel Capacity	
(Narmada Hydel Plants)	1370 MW
Central share of power	1836 MW
Total	6195 MW

During next five years additional capacity amounting to 5326 MW shall be installed with an approximate expenditure of \$6 billion.

Industrial Harmony No. of Workers Involved in Lockouts		
State	Year 2000-2001	Year 2001-2002
Andhra Pradesh	217888	63644
Assam	0	912
Delhi	730	176
Gujrat	3952	1231
Harayana	1400	0
Himachal Pradesh	190	0
Karnataka	2687	4552
Kerla	6944	2600
Madhya Pradesh	0	0
Maharashtra	3638	1725
Orissa	3687	187
Punjab	1053	3125
Rajasthan	8295	5590
Tamil Nadu	13432	14565
Uttar Pradesh	9096	2397
West Bengal	99594	98028
India	374062	199182

The cess for captive power generation has recently been reduced from 20 paise per unit to 10 paise per unit.

Labour: Many of the labour laws under the purview of state government have been amended as per the New Industrial Promotion Policy -2004 & have been made industry



friendly. Peace and harmony exists in Labour Relations and some of the leading multinationals like Procter & Gamble, VA TECH HYDRO & Bridgestone

are not unionized. No lockouts have been reported between the year 2000-2003.

Adequate knowledge based skilled manpower is available.

Logistics: Since MP is centrally located it is fast becoming a logistic hub for FMCG companies like P&G and Hindustan Lever resulting in considerable saving on transport. Three internal container depots (ICD's) have been established namely at Indore (Pithampur), Bhopal (Mandideep) & Gwalior (Malanpur). Nearly 425 trains per day pass through Madhya Pradesh. 1800 kms of state high way are being upgraded through Build, Operate & Transfer (BOT). Bhopal has ISRO'S Master Control facility & most of the country's cyber Connectivity linking Metros & cities like Ahmedabad, Bangalore & Hyderabad pass through Madhya Pradesh. Bhopal and Indore are well connected with Delhi and Mumbai by air.

Advantage of Industrial Promotion Policy 2004:

- Special Package for Mega Projects basis by Apex Level Investment Promotion Empowered committee headed by Chief Minister.
- Industrial Investment Promotion Assistance-50% to 75% of commercial tax for 3 to 10 years.
- Concessional Registration Charges & Stamp Duty Exemption for Term Loans documentation.
- Interest Subsidy on Term Loan 3 to 5 percent for 5 to 7 years.
- For Thrust Sector Industries 25 per cent Capital Subsidy. Maximum Rs. 25 Lakh
- Land on 75 percent concessive rate for Mega projects. Max 20 acres.
- Entry Tax exemption for 5 years.
- 5 Years Electricity Duty Exemption on Captive Power generation.
- 15 percent Capital subsidy to SSI up to Rs 15 Lakh in backward areas.
- Special Packages for textile, food processing, medicinal & herbal and automobile component industries.
- Infrastructure grant upto Rs. 1.0 crore for developing private sector industrial parks.

- Partial reimbursement of project report, ISO certification, Patent and Technology Purchase Cost.
- Life Style Advantage: Leading a metro life style at 50-60 percent of the metro cost and hassle-free traffic reducing daily travel time to only about 30-40 minutes.

Specialised Infrastructure at select location

- Industrial Infrastructure Development Fund
- Apparel Parks - SEZ, Indore, Jabalpur
- Food Parks & Agri Export Zones • Stone Park - Katni
- Specialized infrastructure • Industrial Clusters
- Auto Track • Crystal IT Park - Indore

Agro

Incredible Biodiversity - As much as 75 percent of country's SOYABEAN production (4.7mt)...40 percent of GRAMS grown in MP.

Spices: GARLIC, CORIANDER, CHILLI. Commercial grade POTATO & WHEAT. Rare MEDICINAL plants.

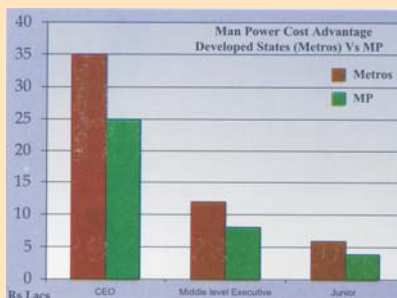
Social forestry

Madhya Pradesh has an ambitious plan of utilizing at least 1 million hectares of wasteland for plantation of paper pulp & energy trees with clonal varieties in next 5-7 years.

This will open an opportunity for producing \$ 1.5 billion to \$2 billion worth of commercial paper in the state.

Knowledge Pool

- 18,000 technical, 230,000 graduates entering workforce annually.



- India's 6th Indian Institute of Management (IIM) at Indore
- Indian Institute of Information Technology (IIIT) at Gwalior.

- National Institute of Technology at Bhopal.

Tourism

Development, Conservation, Restoration, Infrastructure Development of Buddhist Sites & Buddhist Circuit in Madhya Pradesh: • Sanchi • Sathdhara • Sonari

- Murulkhurd • Andher

Construction of Helipads/Airports for connecting Buddhist Tourists Sites to other important tourism locations such as Khajuraho, Mandu, Pachmari. National Parks such as Kanha, Bandhavgarh and Pench. ■



Indore's SEZ on the Speed Track Enjoying the Best of Both Worlds

Raghav Chandra, MD, MPSIDC



The Special Economic Zone at Indore, the industrial and commercial capital of

Madhya Pradesh, is a huge sprawling complex measuring 2,500 acres of well-developed land. It has been laid out with most modern infrastructure facilities very next to the Pithampur/Kheda Industrial Growth Centre Complex, which is often referred to as the Detroit of India. Thus the SEZ enjoys the best of both worlds.

The SEZ promoted by Madhya Pradesh State Industrial Development Corporation (MPSIDC), is a specialized State Government Corporation dedicated for the development of Industrial Areas and Infrastructure facilities in M.P. The SEZ has been developed through MPSIDC's subsidiary company, MPAKVN.

Indore provides the entire social infrastructure, civic facilities and other benefits to the growing industry. Central connectivity of Indore to all major parts of the country is also a boon to the industries. Indore SEZ has emerged as the first Greenfield SEZ to become fully operational.

A fully operational Inland Container Depot managed by Container Corporation of India (CONCOR) is spread over 6.57 ha. within the SEZ. It is a well-developed dry port and is connected by rail and road transport through Indore to major destinations in India. A SPV in the name of SEZ Indore Limited has been incorporated. Govt. of M.P., MPAKVN and MPSIDC are presently the promoters of this Company.

The State Government has also passed the Indore Special

Economic Zone (Special Provisions) Act, 2003 to provide various concessions to the units & developers at SEZ as per the commitment under the SEZ Policy of Government of India. Salient features of the Act include special M.P. Government facilitation and relaxation in labour laws.

A full time Joint Development Commissioner and other subordinate staff have already been posted at SEZ, Indore, and the Development Commissioner's office is fully functional. Similarly, regular Custom Staff has also been posted to provide benefits under the Exim Policy to the units.

To ensure quality and cheap power, the Union Ministry of Power has allocated 25 MW of power for the SEZ. This will be directly provided by NTPC to SEZ and will be wheeled through the MPSEB/PUCIL network. Necessary provisions have been made in this regard in the State SEZ Act. The sub-station is already constructed and the Power Purchase Agreement has been signed with NTPC. Because of this arrangement, SEZ expects to provide power at a cheaper rate.

Three banks - State Bank of India, Bank of India and Punjab National Bank - have applied for setting up offshore banking units at SEZ. Bank of India has also created a SEZ cell for providing finance to the prospective units of SEZ in the form of foreign currency loans. Efforts are being made to expedite the development of external infrastructure to boost the SEZ. Four Lining of National Highway between Indore and Mumbai (Indore-Khalghat section has been approved and taken on high priority by the Central government). Indore Airport is planned to be expanded and a cargo hub to be set up; Railway link for SEZ to be developed; availability of Natural Gas (The Minister Petroleum, has declared that availability of Natural Gas for Pithampur SEZ will be ensured. To provide a hassle-free atmosphere, the Labour Laws have been substantially made industry friendly and given legal backing. Some of the key activities likely at SEZ are soya and agro processing, textile and apparels, technical




textiles, metallurgical processing, automobile and ancillary (specially component manufacturing), pharmaceuticals, Information Technology and electronic hardware, bio-tech, gems and jewellery, trading and logistics and power generation.

The central government has recently sanctioned an Apparel Park at the SEZ. This park will be spread over 140 acres of land already in possession. This will be developed at a project cost of Rs. 30.00 crores. Planned efforts are being taken for the induction of a strategic partner to develop the SEZ in the private sector. Tata Economic Consultancy Services (TECS) have completed preliminary action and seven interested parties have been shortlisted. The finalization process is in an advanced stage.

The first phase of the SEZ Indore is already operational. MOU have been executed with 31 units and specific areas have been allotted to 17 units. Out of these, five units have started construction. Four units, namely SRF Ltd, Flexituff International Ltd, Emerald Tobacco Ltd and Amulya Exports Ltd have begun commercial production. Further, new investments are expected to be mobilized, worth about Rs. 1400 crores.

Several pharmaceutical companies namely Ipca Laboratories Ltd, Cipla Ltd, Wockhardt and Nicholas Laboratories have shown their keen interest to set up their units in SEZ. As much as 52 acres of land to Ipca Labs and 20 acres to Nicholas Labs have been allotted for their drug formulation and life saving drugs projects with investment of Rs. 200 crores and Rs. 120 crores respectively. Similarly several textile companies like Pratibha Syntex are taking space in the SEZ. It is expected that the SEZ would finally bring in several billion dollars of investment, and provide employment to over two lakh people by the time of its full development/evolution over the next five years.




Golden Jubilee Year
2005 - 2006


A Blueprint of Success


A new philosophy is now the driving force behind development in Madhya Pradesh.


The people of Madhya Pradesh are now partners in the process of strengthening the infrastructure.

Construction of 40,000 kilometres of roads, becoming self-reliant in power generation by 2008 and creating an irrigation capacity of 8 lakh hectares – everything shows the commitment of the new governance.









Tomorrow Belongs to Madhya Pradesh

DPR/Madhyam/2005

Food Business - The Best Bet for economic growth

By:Pratap Verma



Parameters for Rural Marketing in Madhya Pradesh

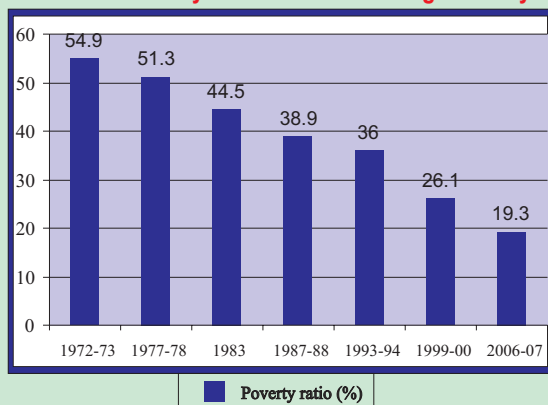
The foundation of any marketing scheme depends upon the customer's values and decisions on the distribution of their disposable incomes.

Therefore it is obvious that unless the purchasing power of the farmer and other rural segments are enhanced, the limitations on rural marketing shall continue. In Madhya Pradesh agriculture's contribution to the state GDP is 24 percent and around 78 percent of the state population is dependent on agricultural production. At present those below poverty line (having income of less than \$1 a day) is about 40 percent. This figure can be further brought down sufficiently if M.P catches up with the national 8.0 percent annual GDP growth, envisaged in the coming years.

A study conducted by the Federation of Indian Chambers of Commerce and Industry shows the impact of 8.0 GDP growth per annum on poverty at the national level.

The chart B shows the GDP growth of some of the states. The main reasons for high growth states are their commitment to reforms. In these states vision drivers and

Chart -A Poverty level has declined significantly



policies are implemented with right strategies and speed. For example, Gujarat has achieved an agriculture GDP growth rate of 11.2 percent consistently for the last 10 years (in spite of seven draught years) against the national agriculture GDP growth of less than 3.0 percent.

According to Narendra Modi, the Gujarat CM, it was made possible through commitment to "water management" in Gujarat. Nearly 137,000 stop dams have been built in the last three years,

Narmada has been interlinked to the Sabarmati river and Gujarat has plans to connect 18 more rivers to Narmada within the next five years. The Sardar Sarover dam has

**Chart -B Growth Disparities in the states: 1992-2002
(Average Annual Growth)**

> 7%	Gujarat, Goa, Tripura
6-7 %	Delhi, Maharashtra, Sikkim, Karnataka, Tamil Nadu, West Bengal, Himachal, Kerala
5-6%	Nagaland, Rajasthan, Madhya Pradesh, Kashmir, Andhra
4-5%	Arunachal, Haryana, Punjab, Uttar Pradesh
2-4%	Orissa, Bihar, Assam

enabled Gujarat to provide 24-hour, three-phase supply to 100 percent of the rural areas (partly because of less energy requirement due to canal irrigation). A 1,400-km drinking pipeline grid serves large number of villages and a 2,900-km gas grid has allowed industries to be located in rural surroundings. Gujarat even has a private rail line. These initiatives on rural infrastructure in Gujarat have empowered the rural community to leapfrog economically. A single master return for 21 industrial regulations has been allowed with self-certification to obviate the erstwhile "inspector raj".

Coming to Madhya Pradesh, for its GDP growth to touch 10 percent per annum would require a macro view of the overall economy. However, let us restrict ourselves at present to the areas concerning the rural economy, which is a facilitator for rural marketing. Some of the key drivers and challenges include, making an average land holding of 2.5 hectares as a sustainable model for maximum value creation. The state should identify best practices of other states and make sustainable business model to replicate their success.

The government should identify and prioritize issues in the existing agribusiness chain namely, infrastructure, raw

materials, post harvest practices, marketing arrangements and institutional set-ups for lending. It should also benchmark M.P's competitiveness in agriculture, against leading Indian producing states, evaluate various schemes and initiatives of the government. Another area where the state should concentrate is for developing of a food processing policy for the state, it should simultaneously identify investment opportunities in the processing sector including the six food parks. And most important it should showcase the state's agribusiness potential in the domestic and international market for attracting investments into this sector. Meanwhile an attempt should be made to propagate M.P as an organic food state.

Some of the successful marketing business models of M.P state are worth mentioning. For example, the e-Chaupal of ITC, has empowered M.P farmers to sell their products at competitive prices without hassles. The e-Chaupal model also provides for a rural mall wherein the rural targeted goods get sold with modern marketing set ups.

An entrepreneur near Sehore has opened up a "modern weekend resort" with a multiplex facility in Sehore town. This venture has focused on "Bhopal Tourists". Some lessons, which could be from these two business models, include the fact that they are based on modern technologies and business is propelled by excellent road connections to a large city. In both cases the local communities are directly benefited.

The models also ensure that modern FMCG goods are affordable to the rural community through small packages while cutting on economic and logistic chains. They also give multiple options for purchase and help select a champion amongst the community. For example, Eveready Batteries focused on village teacher and the village headman or Patwari for increasing sales.

(The author is an Industrial & Investment Advisor, Madhya Pradesh State Industrial Development Corporation)



It's Pulsating with New Hopes

Today in Madhya Pradesh development has acquired new dimensions.

It is not just construction of roads and buildings but it is paving the way for a life of fulfilment for all.

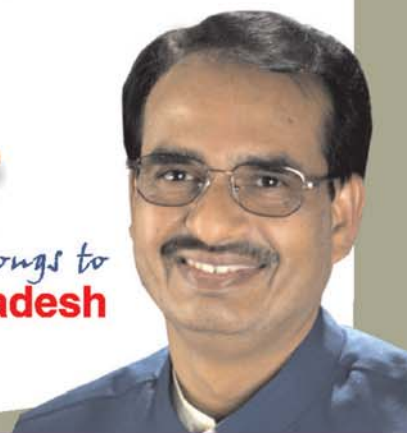
It is a governance that believes in a corruption free administration. It believes in ensuring equality of opportunity for all, decentralization of power and establishing the rule of law.



It's a governance that creates an ambience where everybody has an opportunity to dream and to work towards achieving it.



Tomorrow Belongs to
Madhya Pradesh



Connectivity & Cost Reduction on Transport

Bhopal A City of Advantages

Why Bhopal?

Bhopal has made a rapid progress in industrial growth in recent years. Perhaps the most strategically located town in the country, Bhopal forms the bridgehead to every part of India. The strategic rail, road and air connectivity not only helps in accessing markets, it also ensures a saving in terms of time and money. Here, Proctor and Gamble claims to have saved approx. Rs. 70 crore a year by creating its warehouse in Bhopal. Eicher (Tractor division) also followed suit. Bhopal is a virtual haven for logistic operations with easy availability of skilled workers.

The quiet city, with zero pollution, is cosmopolitan in nature and is known for its penchant for hosting arts and cultural festivals on a national scale. The city has educational institutions of standard and quality, right from the school level to college and professional studies.

Three industrial growth centres developed by M.P. Audyogik Kendra Vikas Nigam (Bhopal) Ltd. on 3284 acres of land offer three choice locations, all located in proximity to Bhopal.

Strategic locations of these industrial growth centres, namely Mandideep-Satlapur-Pilukhedi have attracted a number of industries.

Since the power situation has vastly improved, roads and

other linkages have been strengthened, coupled with the low cost of real estate, the incentive for investment is quite high for industry in these growth centres.

Bhopal, the capital city of Madhya Pradesh, is the ideal destination for investment in industry. Bhopal, known as the city of hills and lakes, besides being a picturesque location, offers a number of infrastructure facilities and incentives for setting up industrial projects. The central location of Bhopal and its surroundings gives a competitive edge to industrial units in terms of connectivity and cuts down costs on production and transportation.

Incentives & Concessions

Concession for Land allotment to Mega Projects :

For projects more than Rs. 25 Crore (i.e. mega projects) 25 percent of existing premium upto 5 to 20 acres of land depending upon size of investment. (Existing Land premium for LMI is Rs. 250/- per sq mtr)

Food & Agro processing, Milk Product, Herbs, Forest based industry having investment in over Rs. 10 crore is treated as mega project.

Industrial Investment Promotion Assistance :

(I) If the fixed Capital Investment is between Rs. 1 crore to Rs. 10 crore, 50 percent of the amount of Commercial Tax and Central Tax, (excluding commercial tax on purchase of raw material) maximum up to fixed capital investment for a period of five years.

(II) If the fixed capital is more than Rs.10 crores, 75 percent amount of Commercial Tax and Central Tax (excluding Commercial Tax on purchase of Raw material) maximum up to Rs. 10 crore for a period of 10 years.



Project Report Cost Reimbursement

- For SSI Units® 1%
- For Medium Scale Industries @ 0.5% (maximum Rs. 3 lakhs)

Interest Subsidy on Term Loan :

@ 5% for 7 years (maximum upto Rs. 20 lakhs)

Investment Subsidy :

1. For SSI Units - @ 15% (maximum upto Rs 15 lakhs)
2. For SC/ST & Women @ 15% (Rs. 17.5 lakhs)

3. Assistance to Thrust Sector-Textile, I.T., Biotechnology, Automobile, Pharma & Herbal, Food processing, Agriculture & Urban waste processing.

For Fixed Capital Investment of Rs. 50 Lakhs and above - @ 25% - maximum up to Rs. 251 lakhs.

Thrust Sector Industries:


IT, Bio Technology, Life Sciences, Herbal Products, Electronic telecommunications, petrochemicals, automobiles, pharmaceuticals and cotton yarn & fabrics.

Infrastructure


- Water Supply - 3.5 mgd (Mandideep) 1.0 mgd (Pillukhedhi) • Power - Adequate & good quality
- Manpower - Over 40,000 skilled workers in industry • Telephone - Adequate Bandwidth with optical fibre cable connectivity
- Industry: Small / Medium / Large • No. of industries already operating - 338 • Total investment - approx. Rs. 14,000 crores • Exports - More than Rs. 1500 crores per annum solid export

Major Groups:

BHEL, Proctor & Gamble, Crompton & Greaves, VATEch, HEG, Optel, Lupin Laboratories, Vardhman Spinning Mills, Godrej, IFB, Fujitsu, Eicher, Bhaskar, Pepsi, Coca-cola, ITC, Albert David, Bhilwara, Oswal, Nahar, Hind Spinners, Aristro Pharma. ■




Golden Jubilee Year
2005 - 2008




Energy for New Synergy

⚡ Today the people of Madhya Pradesh have new dreams in their eyes. The renewed efforts for strengthen the infrastructure in the state assure them of a brighter tomorrow. Completion of Indira Sagar Project before the stipulated time and launch of 210 MW Power Plant Project at Amarkantak and 500 MW Project at Birsinghpur give new confidence to people about their future. Soon Madhya Pradesh will have an additional capacity to generate nearly 1400 MW of power.

⚡ The sparkle of hope in every eye is the symbol of the new synergy with which the people of Madhya Pradesh are building a new state.





Tomorrow Belongs to
Madhya Pradesh

DPR/Madhyam/2005

Long Term Strategies for Sustainable Development



Mr. K C Venugopal

K. C. Venugopal, Minister for Tourism and Devaswom, has proved his efficiency soon after assuming power. Several strategies and initiatives were framed to tap the maximum potential of Tourism in Kerala. Marketing in the international markets, attracting investments in the tourism sector, building up infrastructure etc. are given equal priority to facilitate the growth of tourism. In a chat with **G. Biju Krishnan** he elaborates on the plans and proposals.

What are the measures taken for sustainable tourism development in Kerala?

As part of the efforts for sustainable tourism development in Kerala, the government has given shape to 'Tourism Vision 2025', which serves as a guiding force for the growth and development of tourism in the state. Apart from sustainable development, it also envisages guidelines for marketing and conservation. Vision 2025 would also help in formulating long-term plans that would do no harm to the ecology and culture of the land. To regulate tourism development in accordance with ecological guidelines we have formulated the Kerala Preservation and Conservation of Tourism Areas Act 2005, the first legislation of its kind in India. We have also made preservation and conservation of our natural and cultural heritage, a cornerstone in tourism development.

What are the prospects of tourism in terms of

economic activities and employment generation?

Foreign exchange earnings could be optimized only if we succeed in attracting more foreign tourists. With the coming in of high spending tourists, more economic activities would take place and more employment opportunities would be generated. The Tourism industry should be able to develop unique products, which can provide authentic experiences and value added services. While providing world-class products and services to the tourists, the prices should be made competitive. We have to bear in mind that almost all nations and destinations have realized the potential of tourism and are extending products and services at the minimum cost. We have to compete in the international market and for that the government is now focusing on market development and brand building. We are in the process of developing a time bound marketing plan with special focus on selected markets.

How do you see the flow of tourists to Kerala in the past few years?

Kerala Tourism is doing extremely well as it has succeeded in attracting a large number of international as well as domestic tourists. According to the statistics, a total of 345,546 international tourists visited Kerala in the year 2004, registering a growth of 17.28 per cent over 2003. In 2004 the total domestic tourist arrival was 59,72,182 and in the previous year it was 58,71,228, registering a growth of 1.72 per cent. We hope that the



figures would go up further in the current year.

Creating awareness in the international and domestic markets is an ongoing process. When do you think Kerala would be able to reap the harvest?

We are already reaping the rewards of the promotional activities carried out in the international and domestic markets. The increase in the number of tourists visiting Kerala is the result of our marketing efforts. Marketing should be a continuous effort, without which no destination can survive. We are trying to throw new light on the tourism brand of Kerala without harming the existing values and do marketing aggressively.

Which all markets is Kerala focusing on currently and what are the strategies being used to tap different market segments?

Currently we are concentrating on the Western European markets like U.K, France, Germany, Italy, Australia, Switzerland and Netherlands. We are also looking at the emerging markets in South East Asia like Japan, Singapore, Malaysia and leading countries in the Middle East like UAE, Kuwait, Saudi Arabia etc. We are looking at product specific promotion in these markets like Ayurveda in Germany and culture in France.

What are the challenges Kerala has to face in its marketing efforts?

We are trying to attract more high spending leisure tourists to the State and that of course is a challenge. The most striking challenge is to promote the State without losing its appeal. Resources are a major constraint when you try to reach out to international markets. We try our best to stretch each marketing rupee to its maximum and get the best out of the promotional activities. Another challenge is the increasing competition between destinations, both national and international.

What are the promotional packages planned to woo tourists to Kerala?

The Government of Kerala and the Department of Tourism play the role of a facilitator and so our focus is always on finding new products and promoting them. After the tremendous success of Ayurveda and Backwaters, Kerala Tourism is now promoting new products like Plantation Holidays, Farm Tourism, Monsoon rejuvenation holidays and Wedding and Honeymoon holidays. The private sector develops packages and offers them in emerging markets and these are jointly promoted.

What are the marketing initiatives taken up to cater to various segments of the market?



In the recent years more and more foreign tourists are arriving to Kerala. Kerala Tourism attributes this to the time-specific, market specific campaigns. To capture the foreign markets, we are mostly focusing on the electronic media; especially television and we are airing campaigns on CNN, BBC, National Geographic and Discovery channels in Europe, Middle East, Asia Pacific and South East Asia. Another way of reaching out to the international market is by participating in all major international tourism events and fairs like WTM London, ITB Berlin, FITUR Spain, BIT Milan, CITM China, PATA Singapore etc.

What are the steps taken up to assure tourist arrivals through the year?

At present, domestic tourists visit Kerala mainly between November and May. The peak season for international tourist arrivals is between October and March. But with the aggressive promotion of Ayurveda, we have been receiving tourists even during monsoon, extending the tourist season. We are also promoting the traditional festivals like Onam, Elephant pageants and Boat races in a big way to attract tourists during August and September.

How far are exhibitions and road shows helping in attracting tourists to Kerala?

Participation in tourism, trade fairs and organization of road shows are key promotional activities of Kerala Tourism. These help us in getting a foothold in new markets, consolidating our presence in existing markets and also to popularize Kerala among the travel media in these markets. They also provide a platform for the tourism trade in Kerala to network and develop business relationships with their counterparts in other markets.

What are the steps taken to attract private investments in the tourism sector?

We are well aware that without private participation and investment, tourism cannot triumph which is why we are extending all possible support for private entrepreneurs in the tourism sector. The Government plays the role of a facilitator and catalyst for private sector investment. The Government provides various incentives and subsidies to private investment in the tourism sector. An Investment Guidance Cell helps in facilitation and provides guidance to set up projects in the tourism field. Joint Ventures with Private Sector also help in attracting investment in the



tourism sector. The aggressive marketing of the tourist attractions of the State and Kerala's strong brand equity also attract large investments in tourism from big time national players and from NRIs.

There are complaints about lack of proper infrastructural facilities. What are the steps taken to overcome this?

Infrastructure development figures are high in Kerala Tourism's agenda. We are providing funds from the Department for upgradation and maintenance of roads on a world-class basis. Vazhiyoram, a pioneering project to set up wayside amenities with private participation is another effort to bolster infrastructure for tourism development. Backwater development plans with boat terminals and jetties will also improve tourism infrastructure. Several other initiatives are also in the pipeline.

What are the most obvious and not so obvious trends and innovations that drive tourism in Kerala?

I think the most obvious trends are the increase in disposable income, rise in luxury travel, lower air fares etc. It is an international phenomenon that travellers are eager to find diversity rather than similarity. Kerala has varied products and services to offer that can satisfy any traveller. A key contribution to Kerala's success has been the entrepreneurship and innovativeness displayed by the tourism trade in the State. The ingenious tourism products developed by the trade like the Houseboats, Tree-houses and the boutique Kerala style hotels and resorts have all given an original flavour to Kerala Tourism.

What steps have been taken to create awareness among the tourists and locals about the importance of ecology?

Kerala is the first state in India to introduce a branding and classification system for the tourism products and services. The Ayurveda Centres in Kerala have been issued 'Green Leaf' or 'Olive Leaf' certification,

depending on their services and facilities. Houseboats operating in the state have been branded 'Gold Star' or 'Silver Star' and authorities are continuously evaluating its functioning. The Department of Tourism would soon be launching an Eco-Tourism Certification Programme for tourism service providers, based on their adherence to Eco-Tourism practices. Local awareness campaign

to sensitise stakeholders in tourism like taxi drivers, guides etc. about the benefits of tourism is another such initiative.

What are the steps taken to assure local level development and promotion of ethnic arts and crafts through tourism?

Several projects are being taken up by the Department in this direction. Kudumbashree, a local self-help women's initiative, has been identified and is entrusted with the upkeep of select destinations. The Govt. organizes the Nishagandhi Dance and Music Festival and other cultural programmes to promote the State's ethnic art forms. The Art forms are also showcased at Kerala Travel Mart, Malabar Travel Mart and other Road shows organized by Kerala Tourism. Several other projects like Village Tourism are also being implemented with these objectives.

What are the entertainment facilities set up for the tourists visiting the state?

The term entertainment is very much a personal one, and varies from person to person. The entertainment facilities available in Kerala are unique and varied. We have given top priority to the promotion of traditional events, cultural activities, art forms etc. The boat races of Kerala are unique which cannot be seen in any other part of the world. We are keen on showcasing what we have rather than creating something artificial. The amusement park attached to Veli Tourist Village in Thiruvananthapuram is purely for entertainment. An area of 7.5 hectares of land is ready to be handed over to Southern Fun City for its construction. The Government of India has also sanctioned Rs. 4.23 crores for setting up a Marina in Bolgatty Island at Kochi. A Golf Course is being planned at Kochi. Dreamcity Project at Kozhikode is yet another attempt for augmenting entertainment options in the State. With the realisation of all these projects, the state would have ample entertainment opportunities. ■



Cutting the Barriers



B Suman

Only a planned move with strategic planning can push Kerala Tourism forward. **B. Suman** IAS Tourism Director with a farsighted vision on tourism is all set to cut all barriers and attain an enviable position for the industry. Excerpts from an exclusive interview given to **G. Biju Krishnan**.

Do you feel that the total tourism potential of Kerala has been tapped? If not what has to be done?

No, I think we are far from tapping actual tourism potential of Kerala. But we are certainly on the right path. The model we have adopted is to develop high-end, high return, high value tourism. Tourism activities in Kerala are centered around South Kerala and investment is happening there. At the same time the Malabar region is largely untapped and we are trying to give a big push for tourism in this region. The next leap for Kerala Tourism will definitely come from this region. As the President of India had said, we need to develop the domestic tourist inflows and triple the International inflows in the next three years. A lot of investment has already been made in destinations like Kovalam, Kumarakom, Kochi and Munnar etc. The virgin areas under the Bekal project are now being opened up in Kasargode. Bekal along with Wayanad will be the engines for growth, which will push Malabar tourism forward.

There are complaints that in spite of the promotional activities; Kerala is still unheard in certain parts of the world, which are good tourism markets? Why is this happening?

I would like my brand to be heard in all parts of the world. But money to carry out marketing is a problem. The second thing is that there are a lot of new markets, which

are opening up like Taiwan, Spain, Russia, Italy etc. It is difficult to get to all these markets with our limited resources. Advertising in a local magazine or Newspapers is not enough. We need to build up the brand there. There is still a lot more potential in the U.K, German and French markets where we have a strong hold. So instead of diluting the marketing activities, we are now concentrating on certain markets and slowly penetrating into the new ones.

What are the steps taken to woo domestic and international tourists?

As part of our marketing strategy, we do air audio and visual advertisements through prime channels, domestic and International. We also conduct road shows, participate in various domestic and international fares and travel marts as it is the best way to connect to important destinations like Dubai, London, Berlin etc. We have conducted road shows in major Indian cities like Delhi, Bombay, Chennai, Ahmedabad etc., which have been fruitful within a short period. This year again, the international season tapers by March. So, as preparation for the domestic season, we will be starting one set of road shows again from January to March at important places in India.

What are the steps taken to attract investors to Kerala?

You know that supply and demand match here. If we have to attain tourist traffic as the President of India has said, we have to definitely add accommodation facilities for 60 lakh domestic and 8-9 lakh international tourists. Obviously, the state has its role and the private sector has its role. The state should also unleash the potential of the investor, create an investor friendly climate where the investor feels that it is a good deal for him to come and invest. So we are in the process of getting some of the big hotel chains invest in the state. The Radison is opening one property in Kumarakam and that has generated a lot of interest in other major international groups to invest in Kerala. The Baniyan Tree and Paraquam Resorts have shown interest. I feel that a lot of investment will come in next 2-3 years.

Unification of tax for tourist vehicles is a long-standing demand of travel agents and tour operators. Has the tourism department taken any initiatives to realize this?

We are actually giving a lot of push towards this. What happens now is that there are varying taxes in different states and all of them are collecting it separately. In the south zone co-ordination meeting with the Tourism Minister, we presented the case very forcefully to agree upon some common rate. But nobody is prepared to loose their revenue. Still we are trying our best to bring in some arrangements to overcome this crisis.

What are the steps taken by the department to check unprofessional practices in the name of Ayurveda?

Any Ayurvedic centre, if it wants to get classified, has to file an application with the tourism director. A committee

inspects the facilities and classifies it as a 'green leaf' or as an 'olive leaf' depending upon the quality that is roughly like 5 stars and 3 stars for hotels. I have made a proposal to the Government and hopefully in the next Assembly session, a Bill will be passed making license for Ayurvedic centres mandatory. It would be better if the Department of Indian Systems of Medicines or Department of Health does it. So, if a licensing system is introduced, only those qualified and having basic infrastructure and basic safety aspects will be granted a license. The Tourism Department will look, access and evaluate it and will give the green leaf and olive leaf, according to its standards.

What are the limitations of tourism in Kerala? How can we over come it?

One of the biggest problems we face in Kerala is that our business is seasonal. We are doing brisk business for 6 months in a year and a very dull business for the other 6 months, especially during the rainy season. All over the world people think the rainy season is a lousy time to travel. But there are places, which we can sell. During the monsoon everything is green and beautiful and we must convey that. There are many countries in the world where rain is rare, especially in the Gulf countries. We must try to woo them and make them visit Kerala during monsoon. Another thing is the room costs. Round the year we have the same rates. We have to reduce it during off-season and attract tourists. So I think we need to be more price sensitive.

Connectivity is another major problem and we need to get more flights and low cost airlines. We need to improve the roads certainly, but I think more importance should be

given to rail connectivity. I advocate express highways for quick and safe transport across the state. We also need to look at air taxi, that is the proposal that I am working on now. It is some what like the seaplanes for high spending tourists. Instead of taking tedious road journeys lasting 5-6 hours, they can reach Kovalam from Kumarakom in half an hour. If we get private investors to invest in that, it might change the face of tourism in Kerala. ■





On 15 March the Queen's Baton Relay will arrive in Melbourne at the Melbourne Cricket Ground (MCG) where 80,000 spectators will welcome the start of the Commonwealth Games at the Opening Ceremony and 4,500 athletes will be ready to compete for gold for their home team over 12 days of competition. The Games are expected to attract a global television audience in excess of 1 billion people.

Melbourne has been preparing for the Games and the city is ready. The Melbourne Cricket Ground has been redeveloped and offers sports lovers fantastic views of the playing ground and is located right on the city edge. The capacity of the MCG will be approximately 80,000 people during the Games and once the Games are over the capacity increases to 90,000 when the athletics track is taken out. The Melbourne Sports and Aquatic Centre will seat 7,800 fans who will watch the swimming competition and cheer their team for gold. Melbourne's Southern Cross Station has been redeveloped into a world class public transport interchange, with fast rail connections to regional Victorian centres

and new facilities for rail, taxi and bus passengers. With its striking visual appearance, the redeveloped Southern Cross Station will be a distinctive landmark when fully complete. The redevelopment project includes a new world-class transport interchange facility, office accommodation, residential towers/hotel and a retail plaza on the site. As well as welcoming some of the world's best athletes, Melbourne will also play host to some of the most innovative artists from across the Commonwealth in March 2006. Festival Melbourne2006 will be an international spectacular with 11 days of non-stop music, dance, circus, street theatre and visual art from all the corners of the Commonwealth in a range of venues across the State, including the great outdoors. Best of all everything is free. The city will be buzzing day and night at live sites including Federation Square, the Alexandra Gardens, the Sidney Myer Music Bowl, the Arts Precinct, Docklands and right across Melbourne.

The excitement will also reach out across the state, with regional festivals in Ballarat, Geelong, Moe and Bendigo. Running during the day and into the evenings, there will be three artistic programs, performing arts,



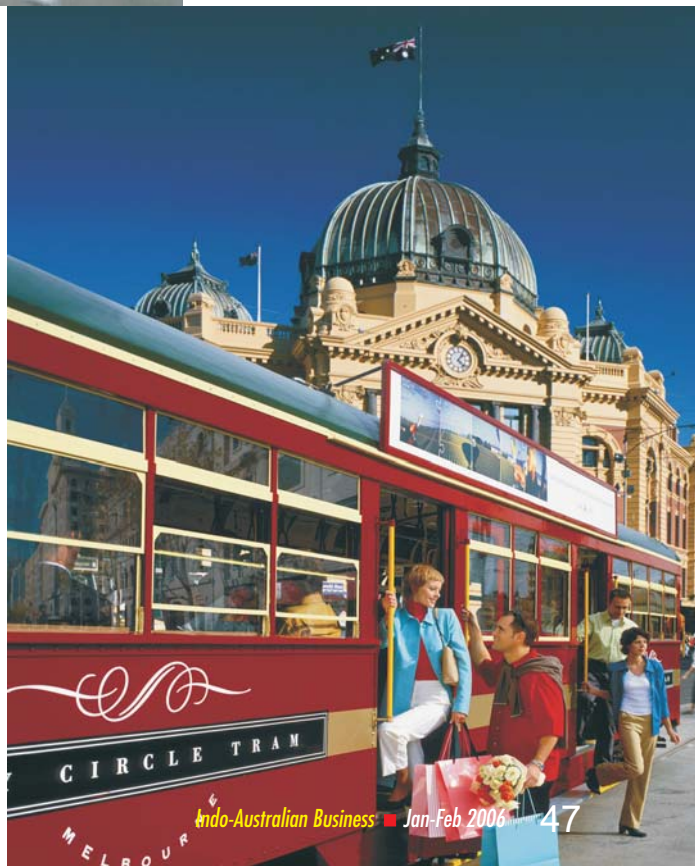
exhibitions and a spectacular youth program. The performing arts program will offer an exciting range of acts including circus, street performance, dance, music and acrobatics. The exhibitions program will include photography, installations, Indigenous carving, textiles and moving image. One of the many highlights is the 2006 Contemporary Commonwealth exhibition, a collaboration between the National Gallery of Victoria and the Australian Centre for the Moving Image, this

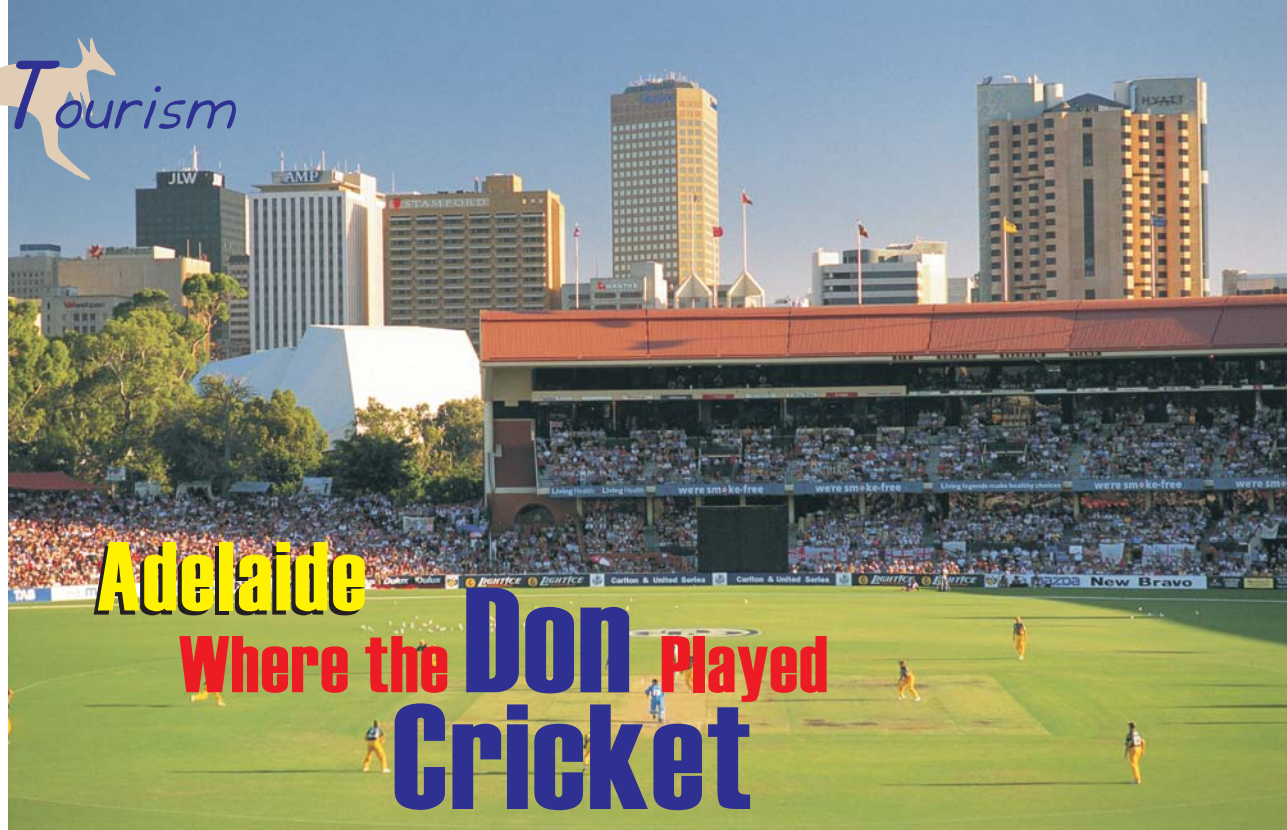


exhibition explores new forms of narrative, documentary and cartography and explores the themes of migration and exchange. The Games village will be home to 4,500 athletes and 1,500 officials and is located on the city fringe in the suburb of Parkville. Athletes from around the world will be welcomed to the village from the 5 March onwards as they arrive from their home country and get ready to compete in their sport. Over 15,000 volunteers from around Australia

have devoted their time and skills to the Games and visitors to the city. The volunteers work in a variety of roles from driver to cook to helping the athletes at the village. Visitors to Melbourne will be well cared for by the volunteers who will be able to provide assistance with directions and suggest dining options.

The Opening Ceremony of the 2006 Commonwealth Games will be one of the largest shows ever staged in Victoria. The Ceremony will not just be confined within the walls of the MCG - it will involve an extraordinary cross-section of the community, brought together in new ways to create one of the largest community events in Victoria's history. Up to 8000 performers, volunteers and athletes from across the Commonwealth will be involved in this spectacular celebration of Australia's culture, its spirit and its people. Melbourne's public transport services will move visitors from venue to accommodation with ease and what's even better is that Commonwealth Games tickets holders receive free public transport on metropolitan trains, trams and buses that accept Metcards on the day of the event. ■





South Australia's State capital, Adelaide, is an elegant city, easy to get around, with many cultural attractions, shopping precincts, restaurants and a buzzing nightlife all within walking distance.

Adelaide is also home to the world-famous Adelaide Oval, with cricket fans visiting this spectacular venue all-year round to either watch a game of national or international cricket. The Bradman Collection at the State Library in the city's CBD is also a highlight for sports fanatics.

If it's shopping you're after, head for Rundle Mall, a dedicated retail precinct, full of shops, department stores and elegant historic arcades. Just minutes from Adelaide Airport in the city's west, Harbour Town offers brand direct outlet shopping with 90 fashion and home wares stores in the one location. The Adelaide Central Market is the true heart of this food and wine-obsessed. Here you will find a host of sights, smells, interesting people and of course, great fresh food.

Beyond Adelaide, the Adelaide Hills are an easy twenty minute drive east of Adelaide. Rich in German culture, Hahndorf is a popular town to visit, with a shady main street boasting art galleries, craft shops, boutiques and small goods stores. Bridgewater Mill is one of Australia's finest restaurants and not to be missed is Melba's Chocolate and Confectionery Factory. Join the animals at Cleland Wildlife Park, where you can cuddle a koala and walk the park rim with the

spectacular views of the city.

Surrounded by vineyards, rolling hills and beautiful bush land, the Barossa is Australia's premier wine region and home to famous wine companies including Wolf Blass, Penfolds and Jacob's Creek.

Nature-lovers can head to Kangaroo Island - arguably the best place in Australia to see the widest range of Australian native animals in their natural habitats. Marvel at Kangaroo Island's amazing rock formations, rugged coasts and pristine beaches.

The Fleurieu Peninsula has been Adelaide's favourite holiday playground for over a century. Victor Harbor, is a great place to observe magnificent whales during winter, and nearby Granite Island is also home to a large colony of Fairy Penguins with penguin-watching tours held nightly.

There's so much to do in brilliant South Australia. And it's all so close. Adelaide is the perfect gateway to the State's tourism regions. ■





Thinking of world-class education? Think Adelaide, Australia's fastest growing city for international education, with the number of international students exceeding the national average by almost twice the number in the last three years.

The last year's rapid growth of almost 17 per cent driving foreign students enrolment up to a record number of 17,900 in 2005, has encouraged global education providers and investors to think of Adelaide as the future hub of education. No wonder then, the United States University Carnegie Mellon chose Adelaide for the site of its new Australian campus, which opened in March 2006.

The campus Australia's first foreign university will include two new schools: the *H. John Heinz III School of Public Policy and Management* and the innovative *Entertainment Technology Centre (ETC)*. Together, they will deliver three post-graduate American qualifications in Adelaide from 2006.

A Chinese business consortium known as the Tengyu Group also signed a deal late last year, which paves way for a \$60 million, 20-storey apartment block for international students in the heart of Adelaide.

India accounts for Adelaide's fourth largest international student population, with 1457 Indian students (or eight per cent of the total) choosing the city for education in 2005. That is a 67 per cent rise on the 2004 total.

Education and business ties between South Australia and India have strengthened since the South Australian Premier Mike Rann and cricketing legend Darren Lehmann led a trade mission to Mumbai, Bangalore and Chennai late last year. The results were immediate, with South Australian websites such as www.studyadelaide.com recording a 25 per cent rise in Indian students choosing Adelaide, generating more than 50 news stories.

To capitalise on growing interest among prospective overseas students, South Australia's international education agency Education Adelaide recently launched

the state's first global advertising campaign, positioning Adelaide as Australia's learning city. It highlights South Australia's key competitive advantages, including:

- A tradition of excellence forged by renowned institutions including The University of Adelaide and Flinders University.
- Specifically designed courses with direct links to Australian businesses through the University of South Australia.
- Five bonus migration points earned by students who choose Adelaide.
- Adelaide's reputation as the fastest growing city in the world (outside Canada) for the International Baccalaureate program.
- The city's status as the only place in the world offering French, Swiss and Australian hospitality/culinary undergraduate and postgraduate qualifications, through the International College of Hotel Management and Le Cordon Bleu.
- Producing three Nobel Prize winners more than any other Australian city.
- Affordability (Adelaide's cost of living is 18% cheaper than Sydney and 15% cheaper than Melbourne)
- A welcoming, inclusive community.

"Adelaide will never compete with our eastern counterparts in terms of total numbers, and that's part of our attractiveness to a growing number of international students," says Education Adelaide Chief Executive Officer Denise Von Wald.

"Adelaide's strength lies in its ability to offer a genuine, affordable Australian education experience where international students can be immersed in a friendly, welcoming environment."

For more information on studying in Adelaide, South Australia, visit www.studyadelaide.com ■

Australian Management Universities Seek Indian Students

Here is what the Australian High Commissioner, John McCathy had to say on the education delegation with Deans of two Management Schools from Australian Universities that visited India recently.



John McCathy

Both these management schools, Australian Graduate School of Management (AGSM) and Melbourne Business School (MBS) are very good. After receiving tremendous response from the New Delhi session, these university representatives are much excited. They had a great interacting session with students and parents and have underlined a very high quality of the Australian education."

On changes happening in the Indo-Australian relations

Our trade figure shows a steady growth in the Australian exports. India remains our 6th major trade partner as per the last 12 months report. Trade has grown up over more than 25 per cent in a year, which is a good sign. Specially, pertaining to the Australian education delegations visit I would like to mention that, we continue to attract more and more Indian students. Our latest figure shows a growth from 21,000 to 26,000 Indian students now studying in Australia. The bulk of Indian students going to Australia are for IT and Engineering but now gradually it is shifting to other areas as well.

This is the first education delegation with management universities. After seeing the response, I believe there is a lot of scope to attract the Indian students towards the Australian management studies.

Robert Mclean, Dean and Director, AGSM:

As this is your first visit to India and also a management university's visit to India, what are your expectations out of this?

Firstly, India is a great source of talent for business schools. And, secondly, we are a small country and the awareness about Australia beyond cricket is very low. So, we thought it was important to come here and take steps to know each other better. So, when an Indian student

thinks of doing business studies abroad, he should think of Australia, think of AGSM and think of Melbourne Business School.

What kind of potential do the Australian management schools have to attract Indian students?

Certainly, we have been getting a lot of response from this visit and there has been a significant increase in the applications of Indian students aspiring to study in Australia. We have the advantage of the world-class education in English with an affordable price. AGSM was set up almost 30 years ago as an Australian research led school.

My message to the Indian students and parents would be that..... "Take a look at Australia, put it on your list of preferred schools and see how you are going to be benefited. The cost effectiveness of our education is the key factor. The Forbes ranking has ranked AGSM as the best school in Asia as per the return on the investment is concerned."

In this visit we are also talking to the Indian companies to place the AGSM students in their companies.

Thomas Schroeder, Director, AGSM:

The majority of the Indian is taking care of business and management. India needs talent that we can really provide. The quality of education, its cost advantage over UK, or US attracts most Indian students to study in Australia. We welcome more and more Indian students to our management classes. Corporate India, is venturing out of boundaries, so any Indian who wants to emerge in the global economy should have a learning experience of an international market.

An Indian student sharing his experience of

studying in AGSM.....

I was skeptical in the beginning when I joined AGSM but when I came out after 2 years, I was satisfied as I learnt a lot. It is important for students to select the right school. My advice would be that, go prepared for whichever course you want to enroll into. In the schools you can only polish and advance your theories. Do not go expecting a job in Australia, which is not that easy. But definitely you will get a quality MBA. My experience was enriching. I stayed with an Australian family. The people are very nice and they take you with open arms. All my batch mates were placed in the first year only. Though selling an Australian MBA degree is more difficult than selling an US MBA degree, there is an assurance that you will get good

jobs in Asia. I joined the Morgan Stanley in Hong Kong and now I am in India. I owe my achievement to AGSM.

Michael Toohey, Dean, Melbourne Business School

The specialties of the MBS are financial area like investment banking, and we are also very strong in providing employment into the management-consulting firms. We have students placed at McKensey for example. A country like India that is developing with a great pace, needs highly skilled professional. And if the students want to have a management course at a reasonable price, they must choose Australia. The current batch of Indian students in MBS is a significant group. ■

US Based Carnegie Mellon University Opens in Adelaide



Australia's first foreign university, Carnegie Mellon, will open its doors to students in May this year following the signing of an agreement with the South Australian government.

US-based Carnegie Mellon will be Adelaide's fourth university and the third situated within the city's central business district, strengthening Adelaide's reputation as an 'Education City'. The new university is expected to attract international post-graduate students, particularly from the Asia-Pacific region, as well as local students.

Carnegie Mellon chose to establish in Adelaide because of its proximity to Asia and the city's beauty and cultural richness. The three masters programs in public policy and management, information technology and entertainment technology will confer American degrees, similar to those offered in Carnegie Mellon's home campus in Pittsburgh.

An agreement to allow Carnegie Mellon to establish a campus in Adelaide was signed late last year by South Australian Premier, Mike Rann, foreign affairs minister, Alexander Downer and Carnegie Mellon's chief

academic officer, Professor Mark Kamlet. Rann said the new university would enhance South Australia's reputation as a destination for quality, internationally recognized degrees and will be a significant factor in helping the state to achieve its target of doubling its market share of international students within ten years.

The federal government has announced that it will contribute Aus \$ 8 million over the next four years to provide 20 annual scholarships. The scholarships will be offered through AusAid and will be directed at overseas students in the region.

Applications are now open for the first student intake for post-graduate courses in public policy and management and information technology at the H. John Heinz School of Public Policy and Management, located in the heart of Adelaide's business district.

A second school of Carnegie Mellon, the entertainment technology center (ETC) will also commence in May from a site in Adelaide's creative precinct. The ETC is a cutting-edge interactive digital media school. ■



Argyle makes diamonds affordable

It's Gem of a Business

By Sonia Grincer



India's gem and jewellery industry is the country's leading export earner at US \$10 Billion (16 percent of total exports). And Western Australia's Argyle diamonds has been a contributing factor to the industry's phenomenal export growth and development.

Indian diamond merchants and jewellery manufacturers have been quick off the mark to recognise the fact that "diamonds are a girl's best friend" and to fashion the comparatively less expensive Argyle diamonds into affordable jewellery that is sought and bought by women the world over. Diamonds are no longer the domain of a wealthy elite or a special celebratory occasion purchase.

Today 95 percent of Argyle diamonds find their way to India via Antwerp, a global diamond buying centre where stones are valued and sold predominantly to merchants from India's Jain community who dominate the country's diamond jewellery industry based in Mumbai and Gujarat from where the community originates.

Essentially family businesses, Indian diamond merchants and manufacturers are a force to be reckoned with. Where Israel once led the world in the art of cutting and polishing the gemstones today most of the cutting and polishing as well as manufacturing is undertaken in India.

The person responsible for marketing Argyle Diamonds to India is Rio Tinto's Nirupa Bhatt. Ms Bhatt is an industry rarity. Not only is she a woman succeeding in a man's world but she is doing so with a community that traditionally tends to prefer women to keep a low profile and to immerse themselves in a home maker's role and

functions. That's not quite Ms Bhatt's style. In her beautifully draped saris, Ms Bhatt manages these seasoned negotiators with great élan. Along the way she has been the recipient of an Indian business awards and, most recently, recognised by the global gem and jewellery industry.

The viability and continuation of the Argyle mine site in the far North of Western Australia is a matter of grave concern to Indian diamond merchants and the Government of

India. Rio Tinto, the owners and operators of the Argyle mine must switch within the next two years from open cut to underground mining if the site is to remain viable.

The Premier of Western Australia, Dr Geoff Gallop, on his recent visit to India, met with the President and members of the Gem and Jewellery Council of India and undertook a site visit to InterJewel, a cutting, sorting and jewellery design and manufacturing facility located in the Free Trade Zone on the outskirts of Mumbai.

InterJewel's Mumbai operations employs some eight hundred and fifty workers who produce diamond jewellery exclusively for international markets in the US, Europe, and South East Asia.

The hard and difficult to cut Argyle diamonds are worked on



by skilled and experienced cutters who manage to cut delicate and multi facets into the most minute gemstones.

To cater to the preferences of each market, InterJewel, like many other manufacturing units employs along with local Indian designers international designers who send their designs through a Cad Cam system.

The manufacturing process for mass jewellery entails producing a silver casting from a selected design which is then used to create a rubber mould. Liquid wax is next injected into the mould. On hardening, diamonds are placed in the wax which is also checked for imperfections. Plaster of paris is

poured onto the wax jewellery to create another mould. On

hardening, gold is poured into the plaster of paris mould

and onto the wax piece of jewellery at a specific temperature

which enables the gold to replace the wax and hold the diamonds in a fixed setting. Clearly, a very labour intensive process.

To provide the talented pool of Western Australian based designers with an opportunity to showcase their work and skills to Indian manufacturers, Dr Gallop and the Chairman of the Indian Gem and Jewellery Export Promotional Council, Bakul Mehta, have agreed to provide space for WA jewellery designers at the International Jewellery exhibition to be held in Mumbai in April 2006. Participation in the event will be co-ordinated by the Western Australia Trade and Investment Office in Mumbai. ■



Neville Roach appointed TCS-FNS Chairman

Tata Consultancy Services (TCS), a leading global IT services and consulting organisation announced that Mr Neville Roach has been appointed chairman

of TCS-FNS, the Australian company established to acquire Sydney-based Financial Network Services (FNS) in October 2005. He will also be an Advisor to TCS Australia.

Roach is a well-known leader of the Australian ICT industry having worked for IBM Australia from 1965 to 1980 when he joined Fujitsu Australia, where he rose to the positions of Chairman and Chief Executive Officer before retiring in 2004. He also served as Chairman of the Australian Information Industry Association (AIIA) and President of the Asian Oceanian Computing Industry Organisation (ASOCIO) and on several Australian Federal and State ICT industry development committees. More recently, he was the founding Chairman of National ICT Australia (NICTA). His current positions include Chairman of SmartInternet Cooperative Research Centre, TAFE Global and the Australia India

Business Council and Director of OneSteel Limited and the Australian Academic and Research Network (AARNET).

S Ramadorai, CEO and Managing director of TCS, said, "TCS is delighted that a person of Neville Roach's experience and leadership will chair the Board of TCS-FNS at this crucial point in the company's development. We are also confident that his advice will help TCS Australia to become a major force in the Australian market".

Roach said, "I am proud to become closely associated with TCS, India's largest IT software and services company as well as TCS-FNS, one of Australia's most successful global solutions providers. I am particularly excited that TCS is committed to the development of TCS-FNS into a global centre of excellence for the banking industry. "This gives TCS-FNS the opportunity to become a role model for the development of the Australian IT industry through the combination of Australia's world class domain knowledge and India's software development expertise and global marketing reach", he added. ■

Alexander: the Great Value Supercomputers

Australian computing company Alexander Technology is working in tandem with the Australian National University (ANU) for the development of low cost, high power, reliable supercomputers.

Alexander Technology focuses on lower cost supercomputers to support applications such as geophysics, climate modeling seismic processing, molecular modeling, bioinformatics, rendering, visualization and data mining.

Alexander Technology developed the ANU "Bunyip" supercomputer cluster in 2000 which won first place at the international supercomputing conference SC2000 for "Best Performance for Price in the World in 2000."

The ANU Research School of Earth Sciences is home to the "TerraWulf" cluster computing systems provided by Alexander Technologies. The system is a cluster of 128 2.4 gigahertz PCs, with a total of 5.5 terabytes of hard disk and 128 gigabytes of fast RDRAM (memory). TerraWulf is unique, being the only cluster in the world dedicated to data analysis problems in the earth

sciences. The system provides an unprecedented performance/cost ratio and uses state-of-the-art computational techniques recently developed at ANU.

The cluster computing techniques developed here are now being used by other commercial clients including the University of Sydney, National ICT Australia (NICTA) and the Australian Partnership for Advanced Computing (APAC). APAC is located at ANU and led by Chief Executive Professor John O'Callaghan, who was recently awarded the Pearcey Medal "for services to Australian Society in Computer Science and Technology". APAC is the peak body for advanced computing infrastructure and research in Australia. The Systemic Infrastructure Initiative as part of the Australian Government's Backing Australia's Ability program supports APAC.

Late last year, Alexander Technology was awarded a commercialization grant as part of the Australian Capital Territory (ACT) Government's Knowledge Fund.

Australia: Idyllic Nucleus for Analytics Off shoring

Australia is in a strong position to benefit from the "third wave" of international outsourcing at the highly skilled analytical end, a report commissioned by Invest Australia has found. It has cheaper office rents than Mumbai and cheaper accountants than London. It's now time for Australia to tell the world what it has to offer for high-level front office support roles.

"Big global financial institutions are opening up their minds to outsourcing functions other than very simple ones," said Gary Johnston, executive manager at Axiss Australia, a division of Invest Australia. "People simply don't realize how sophisticated Australia is in terms of its financial markets."

In April last year, a team from Invest Australia, the government's inward investment agency, went to India to investigate opportunities.

"It became obvious there are things they are doing in India which we could do equally well or better here," Johnston said. "We have better infrastructure, we have a strong and transparent regulatory and legal framework and a deep pool of accounting, actuarial and analytical skills. Australia is very well placed to provide the high-value-added activities."

The report focuses on opportunities in financial services, particularly jobs in equity research, structured finance, retail banking and actuarial services. It identifies five key advantages to off shoring in Australia: the low cost and deep pool of labour, low business infrastructure costs, a stable business environment, a strategic time zone advantage and good quality of life.

Specialized financial services staff cost on average 30% less in Sydney than they do in London, the report showed.

Co-author of the report Sriraman Annaswamy, who heads up off shoring advisory firm Swamy and Associates, said a skills shortage in India had led to a rapid rise of professional salaries and reduced its competitiveness. "Indian destinations are not necessarily the cheapest knowledge-processing outsourcing destinations as is conventionally believed," Annaswamy said.

He said people were often surprised to hear it is cheaper to rent office space in Sydney than Mumbai and that office space in Brisbane and Melbourne costs about the same as Bangalore.

GAIL and Arrow in Joint Venture

Australian coal seam gas producer Arrow Energy announced its intention to form a joint venture with Indian energy gas transmission and marketing company, GAIL (India) Ltd to accelerate its Australian coal seam gas projects and seek new opportunities in India. Arrow and GAIL believe this planned cooperation will lead to a wide range of opportunities for both companies - in India, Australia and, potentially, elsewhere.

Arrow Chief Executive, Nick Davies said the Memorandum of Understanding would be finalized over coming months, but the agreement should see GAIL invest a substantial amount in Arrow's Australian operations. GAIL had previously announced its intention to spend up to Aus \$500 million in Australia to expand their business operations.

"Through this agreement we have an injection of funds and the use of GAIL engineers on deputation, allowing us to rapidly accelerate our Australian development projects. It is likely that any investment by GAIL will be made across the entire value chain including investments in exploration and future production projects," said Davies.

Partnering with GAIL will assist Arrow to find export

opportunities while the company ramps up its gas production through multiple projects.

As part of the agreement, GAIL will identify export markets for gas-to-liquids or compressed natural gas. While coal seam gas has excellent prospects in Queensland because of favorable geology, the market is finite. By partnering with GAIL, Arrow will be able to accelerate its sales platform beyond the current market.

The agreement brings together GAIL's India-specific knowledge and market position with Arrow's coal bed methane (CBM) technical and development experience. Arrow will assist GAIL in exploration and development of coal seam methane projects in India where there is both strong demand and high prices for gas.

"India is currently only meeting about half of its potential gas needs. Some of that is from domestic production and some is being imported as liquefied natural gas from the Middle East at high cost," Davies commented.

There is the potential for Arrow and GAIL to jointly bid for CBM exploration blocks in the next round of CBM acreage releases in India, where significant tax concessions are offered for emerging CBM players. ■

Australian Strategy for Nanotech... the Industry of the Small

Big things are planned for the business of the small in 2006, with Australian industry minister, Ian Macfarlane, announcing the formulation of a national strategy for the development and regulation of the emerging field of nanotechnology.

"Nanotechnology is poised to change many traditional industries and over the next decade is expected to become as influential in the 21st century as information technology, energy and computers were in the 20th century," said Macfarlane. The minister has already established a taskforce within his department to develop options for a national nanotech strategy, in consultation with industry, science and the ethics specialists.

According to the minister, Australia has an opportunity to be part of this world-wide movement towards smaller and greater efficiency in many aspects of our daily lives,

not only as a developer of the technology, but also as a responsible regulator of the field he stressed.

Australia is already producing groundbreaking products which integrate nanotechnology in items such as sunscreens, medical and environmental sensors, self cleaning paints and glass coating. .

"It is hard to imagine areas of our lives that won't be impacted by nanotechnology so it makes sense to have a coordinated national approach, with the state and territory governments, to making sure Australia is 'nanotech ready'" said Macfarlane.

From an industry perspective Australia will have to capture the commercial opportunities of developing this field but it's just as important that the environmental, health and social issues are understood and properly monitored. ■



Strategic Sourcing Management ~ An Experiential Perspective

Evolving Challenges and Solutions

By Prabhu Sinha

Quality Waves Global Solution Inc. (QWGS)

Sourcing Excellence Objective

The objective of this document is to provide an organization with an implementation perspective of an effective sourcing management office [SMO]. This document is a summary of our partner's vast experience in enabling sourcing relationships, particularly offshore relationships. This is presented in the form of key challenges in offshore operations, and recommended process infrastructure with key benefits and risks. The final section outlines the establishment of an effective sourcing governance structure. QWGS hopes that an organization finds this information useful in preparing for, establishing and effectively operationalizing its strategic sourcing initiatives.



Global Sourcing – The Key Challenges

While offshore software development or business processing is increasingly becoming a well-accepted strategy for global enterprises, they pose certain unique challenges. These challenges related both to establishing and managing offshore relationships as also change management challenges in the onshore IT organization. These challenges, along with recommendations for addressing them are presented in the following table:

Table 1 - Key Challenges for Global Operations

Category	Key Challenges	Addressing the Challenges
Strategy	<ul style="list-style-type: none"> • Evolving an offshore strategy that is aligned to business and IT strategic objectives • Managing expectations; often the promise of immediate returns may not be realized • Evolving enterprise level alignment in terms of what can be off shored and what cannot • Understanding and planning for the organizational changes that may be necessitated 	<ul style="list-style-type: none"> • Objectively evaluating the risks and benefits of various off shoring models, in the context of the overall business and IT strategy • Converting the off shoring strategy into an off shoring roadmap that meets objectives and mitigates risks; roadmap to not only indicate timeline objectives but also targeted benefits • Developing and disseminating off shoring decision criteria and guidelines based on an extensive analysis of existing application and process portfolio • Developing an effective change management approach that addresses all key stakeholders In case of offshore In sourcing as a strategy, an additional critical success factor would be to ensure that the off shoring roadmap takes into account the business realities prevailing in the offshore destination
Program and Project Management	<ul style="list-style-type: none"> • Operationalizing the offshoring strategy at the level of individual 	<ul style="list-style-type: none"> • Converting strategic off shoring criteria to operational decision rules

Category	Key Challenges	Addressing the Challenges
Quality and Process	<p>projects; ensuring alignment and risk mitigation at an enterprise level</p> <ul style="list-style-type: none"> • Dealing with a relatively new operating model, particularly for program / project managers who have to manage geographically dispersed teams across time zones and also shift from a skill augmentation approach to a project sourcing approach • Deciding the 'who is driving' question balancing the need for control and frequent interaction vis-à-vis giving operating freedom to the offshore team • Overcoming the 'I can't hear you' problem ad-hoc communication, inappropriate or at times late escalation of issues, unique cultural issues like non-interpretation of requirements to the extent desired etc. • How to effectively understand and manage key offshoring related activities like transition? 	<ul style="list-style-type: none"> • Identifying what aspects of the existing program and project management processes support or hinder effective working with offshore teams; this needs to be done through an analysis of processes vis-à-vis identified challenges • Architecting revised processes for program and project management, including relationship governance, based on identified needs • Involving key stakeholders throughout the process so to ensure buy in and aid in effective implementation; this will also proactively sensitize managers to the challenges of managing geographically dispersed teams • Establishing transition related knowledge and making it accessible to stakeholders; developing transition experts is also advisable as they can ensure that an objective process is followed for transition
	<ul style="list-style-type: none"> • Addressing the 'Are we there yet' question how to decide what level of process maturity is adequate before proceeding with an offshore strategy? • What strategies to adopt with respect to process capability at offshore? <p>If setting up an offshore in sourcing center, when to introduce processes? at the blueprint stage or after stabilization of operations?</p> <p>If engaging with an external vendor, how to manage issues of compatibility, both when the vendor has higher process capability or lower process capability as compared to on-shore?</p> <p>How to deal with critical processes like testing? How to effectively establish testing infrastructure and processes for work executed at offshore?</p> <ul style="list-style-type: none"> • How to effectively address communication challenges from a process standpoint? • How to effectively leverage knowledge residing at onshore, for executing offshore work? What about knowledge transfer in case of specific projects? 	<ul style="list-style-type: none"> • Objectively deciding the level of process maturity required based on the following factors: Types of relationship models proposed to be engaged in e.g. if entire projects are to be off shored then a high level of process capability is required offshore while a high level of governance capability is required onshore. On the other hand if only some aspects of projects are offshored with a majority of the projects still retained onshore, then along with governance and process issues compatibility needs to be ensured between onshore and offshore processes Types of projects proposed to be off shored e.g. if highly business critical projects are to be off shored then a high level of process capability is a must. Further the processes established should suit the nature of work e.g. maintenance projects need specific methodologies to be put in place QWGSi advises that at least a minimum set of processes particularly project management, requirements management, configuration and change management etc. be established. The higher order processes like metrics and improvement could probably be implemented at a later point in time after stabilization of offshore operations • As regards testing, typically having specific testing infrastructure in place at the offshore location is advisable; else involving third party testing entities in the process, after ensuring measures for information security, is also feasible. Further, onshore teams may need to do independent testing to prevent aspects like malicious code, depending on the threat perception • Communications related aspects need to be introduced in all the processes ranging from project management and governance to actual development

Category	Key Challenges	Addressing the Challenges
Security and Business Continuity	<ul style="list-style-type: none"> • How do we ensure security and privacy of data/information? What level of controls could be appropriate for engaging in off shoring relationships? • How can we manage infrastructure and security over multiple locations? • How to assess the Business Continuity risks in offshore operations and how to evolve mitigation strategies? 	<p>e.g. communication plans as a key component of project plans. Further, seeking to support communication through standardized templates can also be helpful</p> <ul style="list-style-type: none"> • For knowledge transfer, involving the offshore partner (either in sourced or outsourced) in developing an effective knowledge transfer process is critical <p>Adopting a systematic approach to management of information security and business continuity risks is critical. QWGSi advises that the following key steps be adopted in this regard:</p> <ul style="list-style-type: none"> • Conducting a Risk Assessment; this needs to possibly be conducted both at onshore and offshore • Defining suitable Control Objectives based on risk assessment output • Establishing a comprehensive Security Policy • Architecting suitable Information Security Management Systems (ISMS) to implement Control Objectives • Deploying relevant tools to implement the ISMS • Carrying out a Business Impact Assessment, particularly considering offshore relationships, and establishing effective Business Continuity Plans <p>Depending on business objectives and requirements, the processes developed could potentially be mapped to internationally accepted standards like the ISO 17799 [BS7799]</p>
Human Capital	<ul style="list-style-type: none"> • How to ensure that the best available resources are working on a given project at a point in time? How can this be achieved in case of a dispersed and diverse workforce? • What about attrition? How to ensure continuity of knowledge and skills? • How to analyze and plan for competencies at onshore and offshore? How to balance competency distribution e.g. domain Vs technical? • How is training best handled in offshore relationships? <p>How to ensure resource flexibility, particularly ramp up and ramp down?</p> <ul style="list-style-type: none"> • How to manage cultural differences effectively? 	<p>Effective resource management is probably the key success factor for offshore operations. The extent to which resource management can be effective depends on how well it aligns with the overall objectives of off shoring. E.g. the competency plans need to consider the types of competencies planned to be retained onshore Vs those planned to be transferred or developed offshore. Further, the mix of competencies to be developed should be based on the current and anticipated IT and process portfolio</p> <p>It is proven that 'micro-management' of offshore-resources is not advisable. Allowing free hand to the offshore team allows them (whether in sourced or outsourced) to plan and acquire resources based on imperatives that are pertinent to their environment and also have a level of flexibility to ramp up. The on-shore team however needs to play a key role in the recruitment and training of those resources which are in roles like relationship management, requirements development, project management etc since they need to be culturally sensitized and compatible to onshore personnel</p>
Infrastructure	<ul style="list-style-type: none"> • What strategies to adopt to ensure compatibility for development and testing environments between onshore and offshore? • How to ensure reliable communication infrastructure? 	<p>Typically an extent of replication of development of testing environments is advisable; while this could involve initial investments, over the long term there are adequate returns in terms of ease of operation, security etc.</p> <p>Communications networks need to be made resilient;</p>

Category	Key Challenges	Addressing the Challenges
	<ul style="list-style-type: none"> How to go about building cost-effective and reliable offshore facilities and infrastructure, given an alien environment and its attendant challenges? 	<p>redundancies could be established to ensure uninterrupted communications</p> <p>Tuning the physical infrastructure to match infrastructure facilities that are present at onshore is advisable; this also promotes effective collaboration among onshore and offshore teams</p> <p>Further, the physical and technology infrastructure needs to match the security and business continuity requirements e.g. providing redundant power supply sources to assure 24/7 power</p> <p>For overcoming challenges related to the local environment, several strategies are possible. This includes involving external vendors in the process of establishing an offshore presence, either through a fully outsourced model or through a partnership model. In case of offshore in sourcing, engaging local personnel in key roles related to facilities / infrastructure management etc. is essential.</p>

Sourcing Strategy and Governance

What do we want to achieve through strategic sourcing? How to determine the costs / benefits and risks?

How do we baseline current performance and costs?

What is a risk optimal sourcing strategy? What governance structure can effectively balance our needs for control and flexibility?

What relationship models should we employ? E.g. single source, multi-source, offshore / onshore, co-source.



Relationship Formation

How do we develop sourcing requirements that are accurate and comprehensive?

What vendor selection criteria should we use? How do we ensure that they are aligned with sourcing objectives? What should we consider while performing due diligence?

How do we structure relationship formation processes for optimum visibility and cycle time?

How do we identify and manage transition related risks? What processes should we put in place for effective transition?



Relationship Improvement

How do we ensure that our sourcing relationships stay aligned to performance and financial objectives?

On what parameters should we assess our sourcing relationships? What methodologies should we use?

What improvement programs do we institutionalize for our vendors?

How do we pursue improvement initiatives related to process integration and standardization with and among vendors?



Relationship Management

How do we proactively plan for relationship management while developing contracts and SLAs?

What metrics should we use for monitoring the performance of our sourcing partners?

What engagement governance structures should we put in place?

How do we manage and control changes to sourcing relationships?

What mechanisms should we put in place to manage disputes or issues?

Change Management

How do we anticipate and plan for organizational changes caused by sourcing initiatives?
How do we ensure stakeholder involvement to ensure buy-in to our sourcing initiatives?
What communication strategies should we adopt?

The above challenges can be summarized into each phase of the sourcing lifecycle, right from sourcing strategy and governance to relationship formation, management and improvement.

The above challenges have certain commonalities. Understanding these commonalities enables organizations to effectively address these factors. Some of the key commonalities include:

- Need for planning activities in each phase of the life-cycle
- Managing involvement of multiple stakeholders
- Standardizing activities to ensure consistency, especially in vendor selection and vendor management

Need for measurement throughout the life cycle. For example, in the sourcing strategy phase measurement enables effective base lining of internal capabilities and accurate definition of the value proposition of sourcing. And in the contract development phase measurement enables effective definition of service levels. Further, in the relationship management phase having effective vendor performance scoring and tracking mechanisms is critical.

Processes for Global Sourcing

In order to overcome / mitigate the challenges outlined in the preceding section, several organizations are currently establishing processes for managing their global sourcing initiatives. They are doing so because a strategic process driven approach has proven effective in addressing the challenges outlined earlier, particularly in terms of effective strategic planning, coordination across stakeholders, measurement, etc. In QWGS's experience, processes play a key role across the sourcing life cycle right from strategy to program and project management, and also in effective execution of sourcing engagements.

Figure (2) presents the various stages of the typical global sourcing life cycle and the key process components, i.e. program management office and sourcing management office, for managing global sourcing as a strategic initiative.

The above life cycle begins with establishing a sourcing strategy and definition of an implementation roadmap. As mentioned in the preceding section, organizations need to ensure that they perform certain critical activities while developing the strategy and roadmap if they are to succeed in global sourcing. The life cycle has two potentially parallel streams; the first is to do with establishing sourcing relationships and the second is related to establishment of governance capabilities. While these are indicated as occurring in parallel, organizations at times prefer to perform these in sequence; with some establishing relationships first before governance capabilities and vice versa. QWGS recommends a parallel approach to these streams as it optimizes the timelines and also enables effective synchronization between them e.g. while establishing a governance structure and processes for program management, having visibility into initial results from piloting offshore and initial experiences with processes and operating models can be helpful.

Overview of Process Components

This section describes each of the process components mentioned above, along with the value delivered to the organization. These are derived from QWGS's experiences, both as a partner in several offshore relationships with global customers and also from playing a consulting role in enabling establishment of such processes at several leading organizations globally.

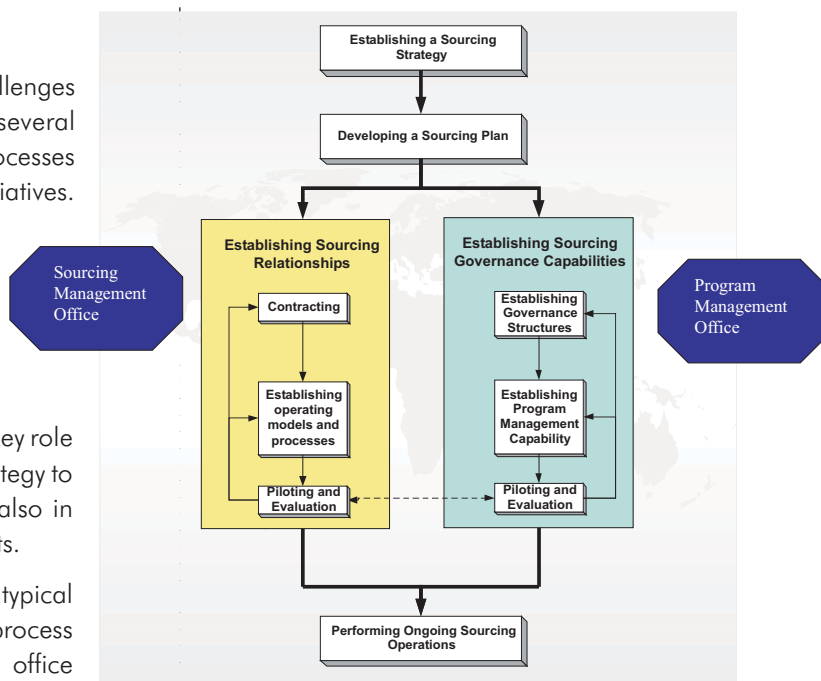
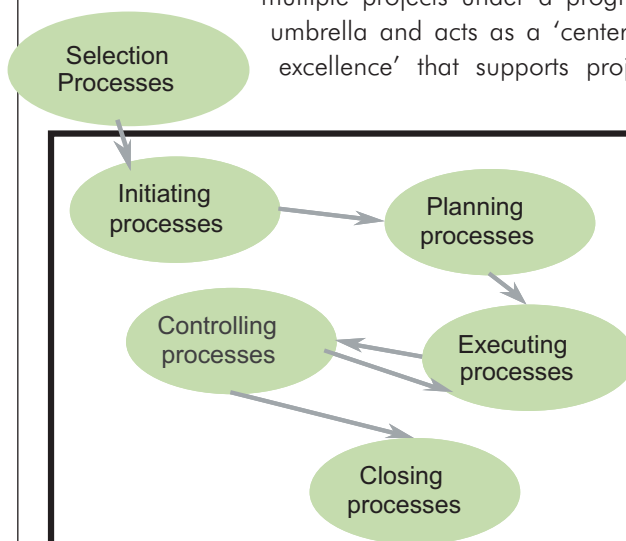


Figure 1 Typical Roadmap and Process Components

Program Management Office [PMO]

The enterprise PMO is increasingly gaining traction as the preferred entity and set of processes for managing organizational IT Programs and Projects. While each project is a distinct endeavor to address a unique requirement, a program is a group of projects managed in a coordinated way to obtain benefits not available from managing them individually. Establishing a dedicated program management office enables the IT function to provide the extra focus and resources that complex projects demand. The PMO focuses on coordinating multiple projects under a program umbrella and acts as a 'center of excellence' that supports project



Adapted from OPM3[Organizational Project Management Maturity Model]

Figure 3 PMO Processes

managers in the implementation of activities required to achieve project(s) success.

The PMO offers project management tools, support, mentoring, project portfolio management and quality assurance. Depending on its envisaged role in the context of the overall organizational structure, the PMO could function as one or more of the following:

- 'Repository'—serving only as a central source of information
- 'Weather Station'—reporting and tracking events without influencing them
- 'Coach'—participating as a trainer, consultant or mentor, providing information on project processes and often helping in the project set up and post-project review
- 'Super Project Manager'—a consolidated central function providing direct management or at least oversight (depending on scope and duration) of major projects

Figure 3 describes the typical processes handled by a PMO.

While establishing a PMO, organizations need to ensure that it fits well within their existing IT organization structure, in terms of its envisaged scope and in terms of enabling effective change management. Figure 4, depicts the various options available in terms of fitting a PMO into the structure of the IT organization. As can be seen, the PMO could potentially be at the level of a business unit, or cater only to development projects, or as a separate entity under the Administration & Planning area.

Key Benefits of a PMO

Generic

- The PMO allows for consolidation of project resource plans, financial reporting, project schedules, change, risk and quality information into a central repository
- Provides a mechanism for prioritizing enterprise IT initiatives based on strategic imperatives, risks, benefits, etc.
- Improves senior management visibility and control over IT initiatives

Specific to off shoring

- Establishes the critical capabilities for managing project teams working across time zones; puts in place processes for managing the extended development window and ensuring that the best available resources are put to use at any given point in time
- Enables effective decision-making in terms of what projects go offshore, and to what extent. By tying such decisions to strategic objectives and project risk profiles, the PMO emerges as a key tool in managing off shoring related risks.

Sourcing Management Office [SMO]

The Sourcing Management Office is another process driven entity that organizations are increasingly focusing on. While the Program Management Office, outlined in the preceding section manages IT programs, the SMO is envisaged as the entity that will 'source resources' for implementing these programs.

The SMO:

- Is a distinct organizational unit that is responsible for centralizing the acquisition, integration and coordination of needed resources
- Plays a key role in establishing and managing sourcing relationships with internal and external entities

In a typical external sourcing scenario, the SMO would contain processes for managing the entire sourcing lifecycle; extending from strategy to vendor evaluation and selection to contracting and relationship management. However in an in sourcing scenario, the SMO would play the role of establishing contractual relationships (e.g. Internal Supply Agreements) with the in sourced

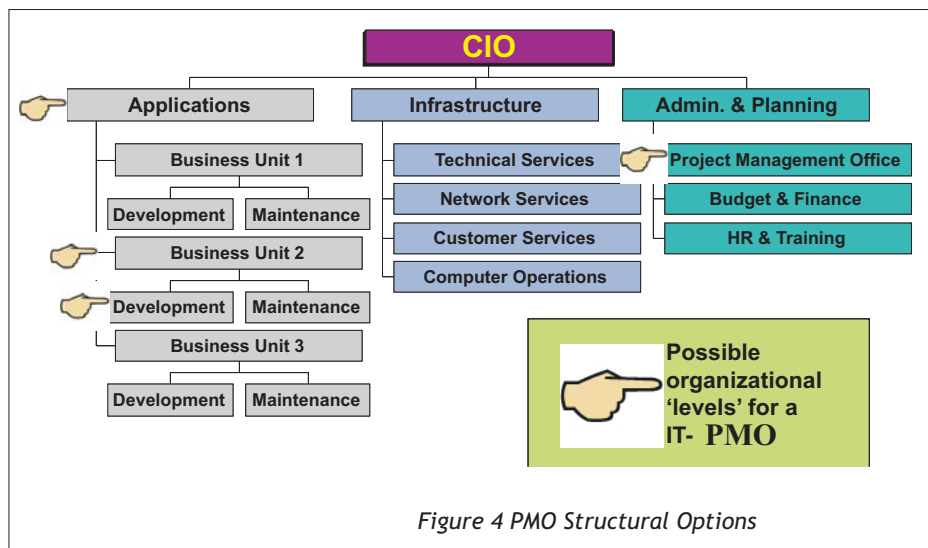


Figure 4 PMO Structural Options

organization and also serve as a single entity responsible for all projects / activities that are performed using resources from the in sourced organization.

Recommended Approach for Establishing Processes

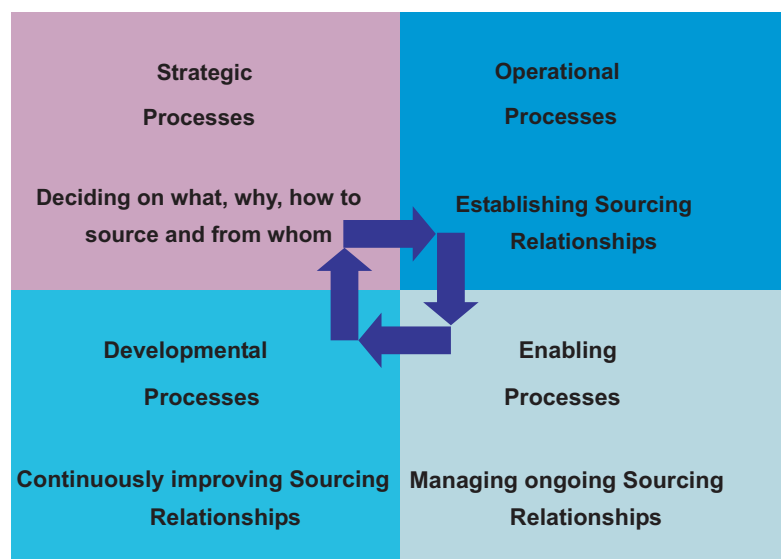


Figure 5, represents the typical process architecture of an SMO. There are four distinct categories of processes, which address the entire sourcing life cycle. While the strategic processes provide the sourcing governance structure and workflow, templates and guidelines for developing a Sourcing Strategy and a Sourcing Plan, the Operational processes do likewise for the 'Evaluation and Selection' and 'Contract Development' phases. Further, the Enabling processes and Developmental processes address the ongoing 'Relationship Management' phase and provide capabilities for managing and continuously improving sourcing relationships.

While the SMO does provide organizations with the above capabilities, it also presents new challenges for its successful implementation.

Effective implementation of SMO processes requires cross-functional and cross-departmental teamwork and co-ordination. Further, since the SMO takes over some of the major sourcing related activities, which had hitherto belonged to project managers and operations managers, it may cause some shifts in organizational dynamics that need to be managed by the organization. Hence, all stakeholders need to have a sense of common purpose towards the SMO. Therefore, organizations need to manage soft issues relating to people, expectations, roles and responsibilities, in the changed environment, through a comprehensive "Change Management" strategy and plan.

While the preceding section gave an overview of the critical process components for effective global sourcing, it also highlighted several key challenges in establishing such organizational entities and processes. In this section QWGSi shares its experiences with supporting organizations in effectively implementing such processes. The key learning from such consulting engagements are presented below:

This section outlines the approach recommended by QWGSi for implementing effective sourcing governance and program management processes [See Figure 6]. This approach is in the form of the typical phases, the key objectives to be achieved and the associated deliverables. While this is generic

in nature, it has proven to be quite effective in establishing processes both within QWGSi as well as for external customers. The overview of this recommended approach is presented below.

The timelines presented are the typical proportion of time spent in each stage. By adopting such a systematic approach, an organization can ensure that whatever processes are developed meet their intended purpose and eventually get used; this is achieved by involving stakeholders throughout the process right from planning to design to definition and deployment.

Conclusions

Global sourcing has emerged as a proven strategy for driving value in IT organizations. QWGSi believes that organizations can achieve excellence and derive lasting value from their Global Sourcing initiatives if they adopt a strategic approach and establish the required process infrastructure based on industry best practices. QWGSi hopes that the information presented in this document is of value to an organization in furthering their Global Sourcing strategies, establishing effective sourcing operations and mitigating sourcing related risks. QWGSi would be pleased to provide further information or clarifications required regarding any of the aspects presented in this document.

The author is Sr Vice President, Global Head, Quality Solutions, Satyam Computer Services ■



India, Australia sign customs pact

The Indian cabinet has given its approval for a Memorandum of Understanding (MoU) between the Central Board of Excise and Customs of India and Australian Customs Service of the Commonwealth of Australia for co-operation and mutual assistance in customs matters.

The MoU will help in making available reliable, quick and cost-effective information and intelligence for the prevention and investigation of customs offences and apprehending of customs offenders.

The salient features of the MoU are as follows:-

Scope

The MoU will cover assistance by sharing information and intelligence to ensure proper application of customs law and the prevention, investigation and combating of customs offences. All assistance under this MoU shall be provided in accordance with the national laws. The information or assistance shall in particular relate to: (i) enabling detection of false declarations with regard to value, description and origin of goods; authenticity of any official documents in support of a declaration made before the customs authorities; (iii) new trends, means or methods in committing customs offences; and (iv) new customs law enforcement techniques.

Special Assistance

In specific cases, upon request, the assistance shall extend to providing information on whether goods are imported or exported into the customs territory of any of the contracting parties lawfully and about the customs procedure, if any, under which the goods have been placed.

Special Surveillance

On request, the administration of the contracting parties shall provide information and intelligence, and maintain surveillance over: (i) goods either in transport or in storage notified by the requested administration as giving rise to suspected illicit traffic towards the customs territory of requesting party; (ii) means of transport suspected by

the requesting administration of being used to commit customs offences in the customs territory of either party; and (iii) premises suspected by the requesting administration of being used to commit customs offences in the customs territory of either party.

Technical Cooperation:

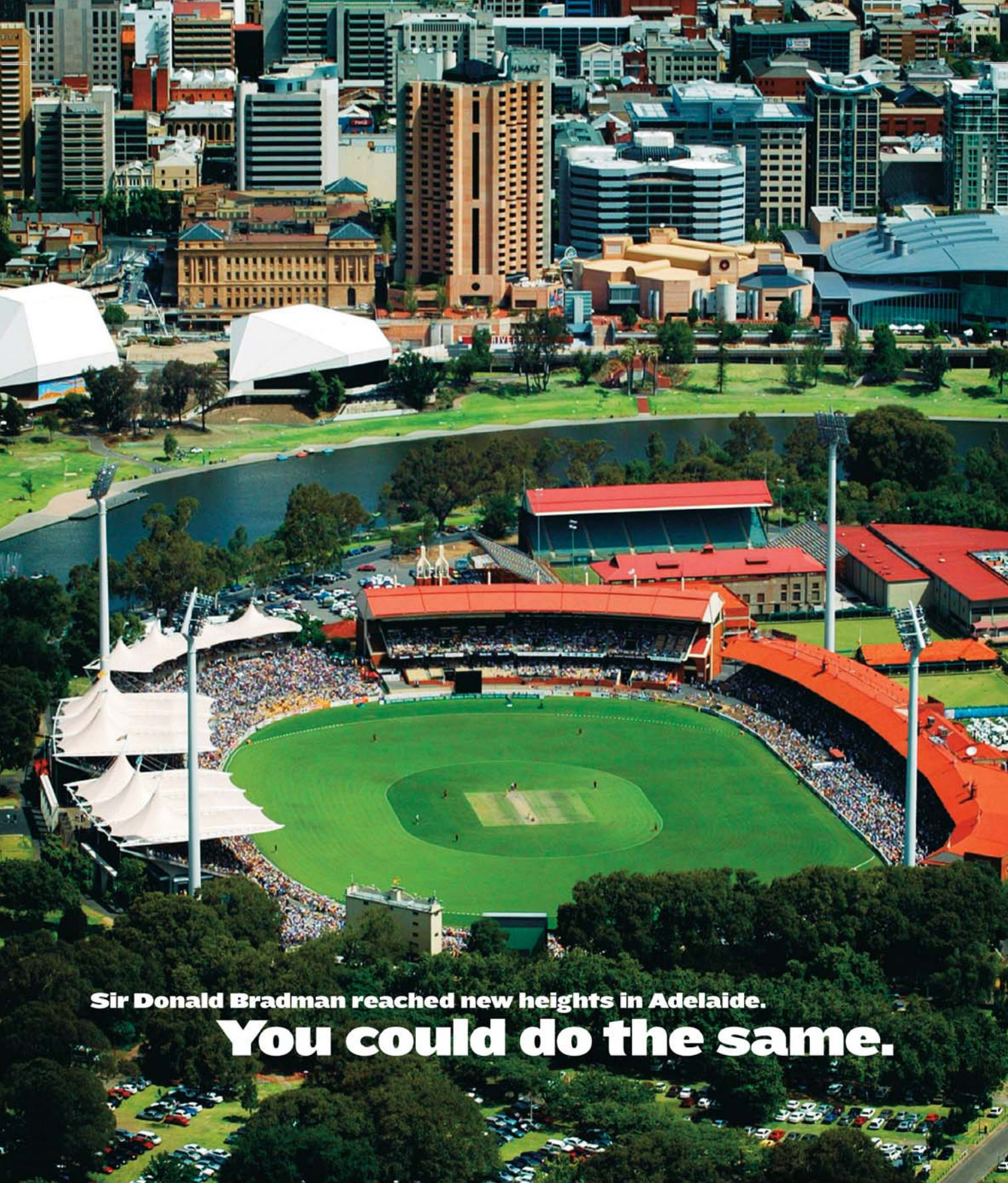
The MoU provides for the contracting parties to cooperate with each other in customs matters including: (i) exchange of customs officers or experts for understanding each other's customs techniques; (ii) exchange of information and experience in the usage of interdiction and detection equipment; exchange of professional, scientific and technical data relating to customs legislation and procedure; (iv) exchange of information on actions undertaken with third countries in relation to technical cooperation; and (v) exchange of information to cooperate in the simplification and harmonization of their customs procedures.

Confidentiality of Information

Any information or intelligence received under the MoU is required to be used solely for the purposes of the MoU and with strict regard to confidentiality.

Exemptions

The assistance under the MoU can be refused where, in the opinion of the concerned administration, it would infringe upon its sovereignty, security, public order or other vital national interests. Assistance can be postponed on the ground that it shall interfere with an ongoing investigation, prosecution or proceeding. ■



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