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The Meltdown: A Blessing in Disguise for India's Infrastructure?

The global financial meltdown has injected a sense of panic into the Indian economy. The seemingly invincible India Inc is playing a wait and watch game with all plans for expansion and new hires stalled for the time being. However, the time is ripe for decisive government intervention.

In recent times, the Indian Prime Minister has talked about the counter-cyclical nature of infrastructure investment. Given that we are scraping the bottom of the trough in terms of growth, a massive dose of government-induced infrastructure investment might be overdue.

How would infrastructure spending help in these troubled times? There would be a significant gain in terms of employment as substantial human capital and unskilled labour are needed to convert raw material such as bricks, cement and steel into productive infrastructure. Such additional employment would be synonymous with the generation of new income and expenditure flows. The resulting increase in domestic demand would neutralise the effect of depressed external demand. The recovery of demand might indeed persuade India Inc to go back to its past expansionary ways.

The other effect would be on productivity. The Indian growth story has been scripted in spite of its poor infrastructure, not because of it. Urban roads continue to be congested and of poor quality. Power outages are frequent in even the relatively developed state of Maharashtra falling short of its requirements by 20 percent. Airports are characterised by crowded terminals and runways that often keep planes hovering above for long. In short, economic activity is constrained significantly by inadequate infrastructure. It would not be wrong to say that if India had China's infrastructure its rate of growth would easily touch double-digit levels.

It is in this context that we could term the financial meltdown as a blessing in disguise: the need for relief during these troubled times might usher in a massive dose of government-aided infrastructure investment. Thus, a major improvement in previously stagnant infrastructure might be in the offing.

Large infrastructure spending by the government or aided agencies is believed to be an important component of this package. Such spending should inject both optimism and financial capability into the economy.

However, in the case of India, the stumbling block is corruption. The announcement of a major relief package might signal an opportunity for implementing authorities to make a killing. Indeed a failure to keep corruption down to reasonably low levels might relegate a potentially major turnaround in the Indian infrastructure network to the status of a temporary employment generation programme of no lasting consequence. The civil society, intelligentsia and even the man on the street have a major policing role in this regard. Let us shape destiny instead of being its children.

What's Happening – An Overview

Building Skills

"The final draft for the establishment of National Skill Development Corporation (NSDC) is ready and will be placed before the Union Cabinet soon", said Oscar Fernandes, Union Minister of State for Labour and Employment.

The private sector has agreed to take 51 percent stake in this "private-sector-led" corporation, which would be a not-for-profit company. The main purpose of establishing NSDC, with a capital base of Rs 10 crore, is to stimulate and co-ordinate initiatives in the skills development sector.

NSDC would set up sector skill councils (SSC) to develop sector-specific competency standards and qualifications consistent with the proposed national vocational qualifications framework.

(BL, 17.09.08; 19.08.08; & 29.08.08)

Foreign Varsities in India

International players are increasingly setting up campuses in India. Some have already begun offering courses, mostly in management, while others are waiting for the clearance of the Foreign Education Bill, which has been pending in Parliament for two years.

The Bill, if passed, will allow 100 percent foreign direct investment (FDI) by universities. Till now, they can only offer exchange programmes with Indian partners. This, however, has not deterred their enthusiasm.

Stanford, British Columbia, McGill, Simon Fraser, Quebec, and Montreal Universities are some of the

other international universities awaiting the Government's nod to set up campuses in India. (BS, 01.07.08)

10-Year Tax Holiday

"The Government should offer fiscal support in the form of a 10-year tax holiday, excise waiver for purchase of training equipment and machinery, funding for training for Industrial Training Centres", a FICCI release said.

The Government should address the critical issue of lack of opportunities for upward mobility in the education ladder for Industrial Training Institute (ITI) pass-outs. At present, ITI pass-outs find it difficult to upgrade their qualification to diploma and degree level. Employment exchanges in the country should be remodelled, to offer – under one roof – training services, counseling services, employment testing services and employee referral services.

Suitable amendments should be made to the Apprenticeship Act, which at present does not allow the companies to treat apprentices at par with workers. (BL, 17.08.08)

Running into Trouble?

Technical educational institutes and B-schools competing with each other to find partners abroad have run into trouble with the authorities terming many such ties-up as illegal.

The All India Council for Technical Education (AICTE) has served notice to over 104 institutes for partnering foreign universities and 169 other institutes including some of the big

names in the private education sector, for conducting unauthorised technical courses.

Perturbed over the spate of advertisements by private educational institutes during the admission sessions, the Government asked the AICTE to take action against those making false claims, especially about their foreign alliances and deemed university status. (ET, 21.07.08)

Academic Ranking

The Shanghai Jiao Tong University announced the academic ranking of the top world universities on the Internet. In the previous years, only two institutions from India have made the list – Indian Institute of Science (IIS), Bangalore and Indian Institute of Technology (IIT) Kharagpur. Both were clubbed with other universities in the rank 303-401.

As in all previous years Harvard University is ranked number one. Out of a total of 500, US gets 159, Europe 210, and Asia Pacific-100. What is satisfying is that China has been able to place 18 of its institutions in this list in a relatively short period of time. Obviously, they have instituted serious policies to achieve this and it is time we take a re-look at our own policies and understand what makes universities achieve an elite academic status. (ET, 21.07.08)

New Programmes

The Confederation of Indian Industry (CII) Institute of Logistics and the Indian Institute of Materials Management have jointly launched two new executive development programmes – on supply chain management (SCM) and retail supply chain management.

The programmes will cover various aspects required as knowledge for SCM professionals in manufacturing and retail businesses. These are eight-day and two-day courses respectively, which aims at improving the skills sets of SCM officers.

The CII, in collaboration with industry, government and the National Skill Development Mission will train around 50,000 people in the next one year under its various skill development programmes to address the growing demand for skills in the country. (ET, 13.09.08 & BL, 05.08.08)

Educational Tie-up

The Indian Institute of Foreign Trade (IIFT) has tied up with the Bombay Stock Exchange (BSE) to launch a four-month long certificate programme in capital and financial markets. The course, to commence on August 23, 2008, will have 170 contact hours spread over a period of four months. It has attracted a motley group of applicants – from IAS officers and CAs to financial journalists.

The course will have in-house faculty from IIFT as well as private investment bankers and trading practitioners. The course fee has been pegged at Rs 50,000 and classes will be conducted either on a daily basis for two hours each on all weekdays or over five hours each on Saturday and Sunday.

(ET, 26.07.08)



Redefining Corporate Training

– R Devarajan

Transformation in corporate training must focus on developing a roadmap to better standards and values, better in terms of being more useful, rewarding and engaging.

Corporate training philosophy and technology require a transformation in today's rapidly changing commercial climate. Transformation in corporate training must focus on developing a roadmap to better standards and better values, better in terms of being more useful, more rewarding and more engaging.

Change is a feature of the world of business, government and society. The need for capabilities to countenance the impact of this change and also to take advantage of it underpins the rationale for training individuals and groups of employees in organisations.

While companies may implement training initiatives in different ways, it is vital to address two basic questions relating to this subject.

The first: What prompts companies to allocate their hard-won revenues and resources to the training and development of their employees, especially during difficult times? The second: What guarantees are there that such endeavours will succeed in the present and future scenario?

A common answer to both questions is that in the radically transforming and result-oriented commercial climate, the key to success is the generation of a pool of skilled and knowledgeable employees. This key factor can be created and nurtured by dedicated specialists in the organisation. "We have conjured a name for these key people, these heads of learning. We have called them 'learning architects' – individuals managing the design and implementation of the appropriate learning for their organisation", say David Mackey and Sian Livsey, authors of the book *Transforming Training*.

Building a sound and proper base of relevant and appropriate knowledge, culling and deriving the quintessential wisdom from such knowledge and applying that wisdom to improve people's performance are among the critical building



blocks for organisational success. The learning architect has the onus for and ownership of this process.

Training *per se* may not be an adequate input for this purpose. It has to operate in conjunction with four other elements in order to achieve and sustain a high degree of corporate success. Now, how do these factors provide a platform for corporate excellence?

Training is the primary tool and technique in this metamorphosis. It may be redefined as an efficient and effective assimilation of knowledge

and skill and their assiduous application by an organisation in a holistic manner. The challenge lies in furnishing the correct input to the correct people at the correct place and time.

Leadership, the second element, is the intelligent application of knowledge in motivating and developing individuals and teams. The fundamental challenge facing a business leader today is to create a corporate climate that enables his employees to operate at their optimum levels of efficiency.

Change must be understood in terms of how to overcome any resistance to its implementation. Organisations and individuals must be well versed in the art of using the power of change in influencing their stakeholders.

Cultural awareness is about knowing, learning and comprehending how an organisation and its cultural constituents coexist and collaborate with each other in the art and science of corporate sustainability.

Client focus deals with the client-centric behaviour of an organisation and its people, which responds to the needs and requirements of their client community with the objective of providing the highest standard of performance.

All five ingredients need to be in their proper place for an organisation to succeed. There is a new urgency to the role of training. It has to be designed quickly and delivered at the convenience of the trainee.

Building a Global Enterprise

Harvard Business School, in conjunction with the Harvard Business School (HBS) India Research Centre (IRC), will offer sessions on Building a Global Enterprise in India (BGEI), an executive education programme. The programme, which will be held in Mumbai in January 2009, will have new case studies taught by HBS senior faculty.

BGEI 2009 marks the next phase in HBS' global strategy in India, with a portfolio of programmes held in India over the course of 2009, including the South Asia Real Estate Seminar, Negotiating and Decision Making and Agri-business. The programme will address the global economic downturn and its implications for companies doing business in India.

"The new version of BGEI will focus on emerging challenges in the Indian business landscape, including elements to help executives and businesses in India weather the challenging global economic climate", said Professor Krishna Palepu, the School's Senior Associate Dean for International Development.

(BL, 30.09.08)

* Chennai-based management consultant. The article appeared in the Hindu Business Line, July 07, 2008.

Academic Lecture

Dealing with Abuse of Dominance and Cartels

CUTS Institute for Regulation & Competition (CIRC), in collaboration with Society of Indian Law Firms (SILF) organised a talk with Prof Allan Fels, Dean of the Australia and New Zealand School of Government and former chairman of the Australian Competition and Consumer Commission (ACCC) in New Delhi, on July 07, 2008.

The three-hour talk began with the Chair, Pradeep S Mehta, Director General, CIRC welcoming all in attendance and introducing Professor Allan Fels to the audience. Mehta spoke highly on his commendable term as a Former Chairman of ACCC. The talk proceeded further with a welcome address by Amit Kapur, Partner J. Sagar Associates, India who was also representing SILF.



Prof. Allan Fels delivering the lecture

Professor Fels began his lecture by pointing out that competition law in itself involves a paradox; it aims at establishing free economies but at the same time need government’s intervention to achieve it.

Speaking about cartels, Fels said that it is not just limited to price fixing but covers a wide range of other forms of anti-competitive behaviour such as bid rigging, market sharing etc. He quoted a few examples and gave reasons behind its existence, despite having laws/statute in place to deal with such market behaviour.

On abuse of market power, Fels mentioned that monopoly or dominance *per se* is not the focus but the abuse of such dominance. He also set forth few examples on abuse of market power.

The talk concluded with remarks and vote of thanks from Mr Mehta with the hope that the participants would have benefited from the lecture.

Detailed report and presentation slides can be accessed at <http://circ.in/ALS-09.htm>

Forthcoming Publication

Policy Document Souvenir

CIRC is preparing a Souvenir, which would be released at the conference to be held in New Delhi, on January 16, 2009. It would be a collection of articles/essays written by eminent experts based in India and abroad. It offers the readers a thorough, comprehensive and candid analysis of how the infrastructure sector is imperative to achieve economic growth.

The proposed Souvenir would target policy makers, media, academia, civil society organisations (CSOs), consultants, infrastructure and other companies, both within and outside the country.

Calendar of Events

A Roundtable Conference on ‘Developing Infrastructure through an Ideal Regulatory Framework’ in New Delhi, on January 16, 2009 to progress the debate on a consensus on an effective regulatory regime in India so as to attract the required huge investment in the infrastructure area.

Sources: BL: Business Line; BS: Business Standard; ET: The Economic Times



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