

“India’s Promise” Series—Nightly Business Report (PBS)

Segment #1: India’s Land Development Boom Broadcast: May 21, 2007

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: There is a new sense of confidence-- some would say euphoria-- in India right now. After decades lagging behind the rest of the world, India is sprinting ahead. So all this week we'll examine India's promise beginning with the people who are building the new India.

To understand just how fast India is changing, you really need a wide-angle view, which is why I asked developer Surendra Hiranandani to take me up to the roof of his office building and show me around.

SURENDRA HIRANANDANI, MANAGING DIRECTOR, HIRANANDANI CONSTRUCTION: Here what you're primarily seeing are the residential buildings.

GERSH: Over the last 15 years, Hiranandani and his family have built all this: a new Mumbai suburb with homes for 4,000 families. There's also a hospital, named for Hiranandani's father, a hotel, a KFC, even a go-cart track. It is a modern version of a traditional Indian village.

HIRANANDANI: You create an environment. You want to make a livable environment, you have to have the gardens, the parks, the school.

GERSH: India is now one of the fastest growing economies in the world, expanding more than 9 percent a year. And it's not just software and offshore services. Manufacturing is growing 12 percent a year. That explains why the apartments Hiranandani sells go for \$350,000 and up.

There are still another 1200 homes to build here. Another one and a half million feet of office space is on the way. And if this isn't impressive enough, down the road you'll find Hiranandani estates. Not far from that, there's Hiranandani Meadows. The Hiranandani's are planning more communities like this in Bangalore and Chennai. Financial deregulation, the booming offshore industry and a government ramp-up in spending on roads laid the foundation for this building boom. S. Srinivasan runs one of India's first private equity funds focused on real estate. He says what's happening here is the same thing that happened in the 1950s after the United States built its interstate highways.

S. SRINIVASAN, CEO, KOTAK REALTY FUND: And that had its own domino effect of communities spreading out. And when communities spread out, you have neighborhood shopping centers that came up. You had large logistics and warehousing, parks that came up.

GERSH: Sometimes it seems like everything is coming up all at once in India. Six hundred new shopping malls are sprouting across the country. Rent for prime retail space has quadrupled in the last few years. Home prices have risen so fast that India is beginning to feel like the U.S.

housing market just before the bubble burst. The real estate market in India is so hot that in some parts of Mumbai, you'll pay more to buy a place like this than to buy a condominium in Manhattan. Many economists worry India is overheating. Inflation is hovering near 6 percent. The central bank is raising interest rates to cool off mortgage lending. Finance Minister P.

Chidambaram concedes real estate may be growing too fast, but he says other sectors remain strong.

P. CHIDAMBARAM, INDIAN FINANCE MINISTER: Certainly, if the infrastructure sector grows at a clipping pace or if sectors like steel and mining and petroleum grow at a clipping pace, there's a much higher rate of growth of credit to these sectors, why should anyone call it overheating? These add to capacity, these add to production, these add to jobs. There's no reason to call that overheating.

GERSH: But just consider what is happening with hotels. There are close to 6,000 new rooms under development in Bangalore alone. Some analysts predict short-term pain when those rooms are ready for occupancy, but remain confident.

HIRANANDANI: Now obviously in that particular year when 20 hotels comes up, it will seem like there is a softening, but it's only a matter of time. I mean that kind of bunching and timing is bound to happen. But to say that an additional 10,000 rooms is enough for that city for the next 10 years? No, I think you need another 10,000!

GERSH: In search of cheaper land and higher returns, investment pros like Srinivasan are now looking beyond major cities like Mumbai. Their goal is to continue generating returns of over 20 percent a year for clients, including U.S. pension funds. Srinivasan says that means a police officer in Oregon, for example, will be banking on the Indian economy to provide a piece of his or her retirement income.

SRINIVASAN: As the rest of the world ages, the world's workforce will be in India. I have definitely faith that we are definitely in a growth trajectory of eight to nine percent for the next 10 years.

GERSH: India has been poised for a takeoff before only to head back to the gate. And there are many problems to overcome. Farmers have launched violent protests against what they see as land grabs for industrial development. Businesses complain about the slow pace of economic reform. But many say the difference this time, is that the Indian people are driving growth, not the government Susie.

GHARIB: Very interesting report Darren. A question for you though, everybody compares India and China. You've been to both countries now. What's the big difference between the two in your view?

GERSH: Well, look, China is much richer. They are three times richer than India and they're growing faster. But the interesting thing that the Indians told me is they say that look, we are where China was 10 years ago and we're going to gain fast.

GHARIB: This was your first trip to India. What surprised you the most Darren?

GERSH: It's really surprising how young and dynamic the country feels. It is a very young population as we mentioned. About half a billion people under the age of 25 and when you get back to the U.S. and you sit on the metro here, you realize they really have a young population. The key question is, can they put together the kind of educational infrastructure to tap into that youthful population and that's the story we're going to get to later in the week.

GHARIB: And we look forward to that Darren. Thank you so much for today's report and we are looking forward to the rest of his reports all this week and the Memorial Day special that he's put together also called "India's Promise." NBR's Washington bureau chief Darren Gersh.

**“India’s Promise” series -- Nightly Business Report (PBS)
Segment #2 India’s Next Crisis: Water Broadcast May 22, 2007**

GHARIB: For centuries, Hindus of India have believed in the holy and healing powers of water. From bathing in the Ganges River to tossing sweets into the waters of the Yamuna, India's rivers are at the center of its holiest rituals. But now water has also become a part of a ritual of survival and the source of anxiety for millions. Tonight, as we continue our series "India's Promise", Darren Gersh looks at how water has everyone from villagers to businessmen wringing their hands.

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: Every day in this Delhi village begins with a trip to the local well. It is a time-consuming task.

TRANSLATION OF: UNIDENTIFIED FEMALE: I have to come here every day early in the morning and to fill my water, it takes me over an hour.

GERSH: It is also unsafe. The water is supposed to be used only for washing, but it isn't.

TRANSLATION OF: UNIDENTIFIED FEMALE: What can a poor person do? Where are we going to get special water from? Whatever we get we will drink.

GERSH: Not everyone is fortunate enough to have a well. In the slums, where almost half of Delhi's population lives, water may never flow at all. There's no plumbing in this slum. Water is tanked in sometimes. Rama Devi has lived here for 14 years. She uses this water to bathe and wash her dishes. The wastewater drains out here and ends up in open sewers. But Rama says water is hard to come by in the summer.

UNIDENTIFIED FEMALE: Four months problem. One day water come in, two days no come in.

GERSH: Around the corner from Rama's house, this man is trying to find out when the next shipment of water will arrive. But there's no answer. This tanker has been sitting here empty for

more than a day. Last night's shipment never showed up and it doesn't look like one will show up this morning. In the summer, the people here say they can wait as long as a week for fresh water. And when it does finally show up, the fighting here can get so bad, that the police are often called in.

Bringing safe water to India is Duane Dunk's business. He works for Halosource, an American water purification company. Dunk says even in middle class neighborhoods like this one, water is piped in only two hours a day. That wouldn't be a problem, except the old water pipes were laid next to the sewage pipes, and the pipes leak.

DUANE DUNK, DIRECTOR OF DRINKING WATER, HALOSOURCE, INC.: And so here in this neighborhood, I have people tell me they have fecal matter-- sewage-- in their tap water.

GERSH: Backed by funding from Unilever and the Mars food company, Halosource has developed a patented technology to bond chlorine or bromine to plastic beads. The result is a cartridge that purifies water, killing bacteria and viruses. The technology is now being tested in a child's sports bottle. So this is a filter?

DUNK: Yes.

GERSH: And this kills the bugs.

DUNK: That's correct.

GERSH: So the idea is, if the kids get to school and the water is bad there...

DUNK: They can refill it then. They're not out of luck when they run out of water, they can still drink more.

GERSH: This product is good for a year and will retail for around \$10. In a nation of one billion people, you can see why Halosource considers India the best market in the world for water.

DUNK: We got to find a better way than just relying on infrastructure and big government to solve our problems. What Halosource is about is empowering people to be able to take control of their water supply, look after their own family and do so affordably.

GERSH: Bad water also takes a toll on India's economy. PS Printing uses water at every step of its production process, from washing printing plates to thinning inks. The company uses water from its well and also trucks in water. But the quality of the water is poor and damages the equipment. Company manager Manjeet Bedi says better quality water from the city is in short supply.

COL. MANJEET BEDI (RET.) GENERAL MANAGER, PS PRESS SERVICES: They are just about meeting the drinking load of the city, so that takes a priority over the industry. Drinking water has to be given.

GERSH: The World Bank has warned India will face a severe water crisis in the next two

decades that could derail its economy. After the Yamuna River leaves Delhi, it is so polluted, the water is considered untreatable. Montek Singh Ahluwalia is deputy chairman of the government's planning commission. He says water is an even more serious problem than India's infamous energy shortages.

MONTEK SINGH AHLUWALIA, DEPUTY CHAIRMAN, INDIA PLANNING

COMMISSION: We've known about the energy crisis for a long time. People are rational about energy pricing. People recognize that energy is expensive. We import the energy from outside. We know what it costs abroad, so while there is some feeling that energy for certain targeted groups needs to be subsidized, in general, people recognize that you got to pay for energy. I don't think people feel that about water. There's a sort of presumption that water is a gift of God.

GERSH: And a gift from the state, which delivers water almost free of charge, leading to widespread waste. It's beginning to seep in for many Indians just how bad the water situation is.

AHLUAWALIA: People are much more aware now that there is a problem, but it's only seen as a problem. We haven't yet gotten around to working out what's a practical way of solving the problem, basically.

GERSH: If India does not act soon, a nation that worships its rivers may soon find it is dying of thirst. Darren Gersh, NIGHTLY BUSINESS REPORT, Delhi.

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Segment #3 Dalits and India’s Affirmative Action Program Broadcast May 23, 2007

KANGAS: India's caste system dates back thousands of years and rests on a social hierarchy tied to ancestry and traditional jobs. As India modernizes, some argue caste identity is becoming less important. But many of India's untouchables disagree. Tonight, in our series "India's Promise," Darren Gersh explains why some Indians say it's time for an aggressive dose of affirmative action to right old wrongs.

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: Raju Kumar is an MBA student about to launch a career in India's booming economy. All he has to do is finish a 200-plus-page case study on Adidas's marketing strategy. Raju is also a Paswan, one of India's caste of untouchables, the lowest caste in the ancient Hindu social hierarchy - dalits, as they are called here.

RAJU KUMAR: That is the name of my family for very long. It's going generation by generation.

GERSH: For centuries, dalits were forbidden to take up a trade or start a business. Dalit intellectuals say that discrimination persists. Not a single top Indian model, leading Bollywood actor or major newspaper editor is an untouchable. Raju has gone to the best schools in India, but even he says caste is a concern, especially for people who have not had the same opportunities he did.

KUMAR: Caste system, yeah, it is important, in the sense that people from the backward family who wanted to rise themselves need reservations. So that is what India is going all about, reservations, anti-reservation.

GERSH: What Indians call "reservations" Americans would call "quotas" and India has a lot of them. Almost half of all government jobs are set aside for untouchables and other victims of historical discrimination. It is the world's largest experiment in affirmative action. In a nation with more diverse religions, languages and cultures than all of Europe put together, India is struggling to find a way to bring opportunity to everyone. Government plans to establish reservations in university admissions are tied up in India's supreme court. Now the debate is shifting to the private sector. Commerce Minister Kamal Nath says Indian companies need to fight caste discrimination.

KAMAL NATH, INDIAN COMMERCE MINISTER: There has to be social justice as much as there's going to be all-inclusive growth, and if the private sector does not address this issue themselves, then government has to step in.

GERSH: JJ Irani is leading the industry effort to head off a reservations mandate. Instead, Indian industry is proposing a voluntary plan similar to affirmative action in the United States.

JAMSHED IRANI, CONFEDERATION OF INDIAN INDUSTRY: Indian industry has finally woken up and has, in fact, even hinted that there will be positive discrimination in favor of these people, which means that all things being equal, if there is one from these castes, we will give him the job.

GERSH: Industry is also pledging scholarships for dalit students and funding for dalit entrepreneurs. But Raju Kumar says voluntary action may not be enough to overcome the preference for hiring upper caste Indians.

KUMAR: They have advantage. (INAUDIBLE) The people from same caste meets and they will take him as compared to others.

GERSH: Irani says industry will fight any attempts by the government to impose mandatory reservations on the private sector.

IRANI: And the attention that we are paying now from the point of view of education, employability, entrepreneurship, all these things we are encouraging amongst these castes, that attention will be taken up from those programs to go to lawyers and fight it. It will become a legal issue.

GERSH: Even if reservations were imposed, industry argues there are not enough skilled dalits to fill the jobs set aside. But as Raju scans the want ads preparing to enter the job market, he says the only thing lower-caste people need is an opportunity.

KUMAR: I can say that backward class people are not bad. They are also talented. They can also give a good output. So I don't think there is an issue.

GERSH: The debate over reservations in the private sector is in its early stages. But in the caste-dominated politics of modern India, political scientist Pratap Bhanu Mehta says private sector reservations could drive a wedge between the haves and have nots in India.

PRATAP BHANU MEHTA, PRESIDENT, CENTRE FOR POLICY RESEARCH: I think the worry is that reservations are a cheap substitute for not doing the things that really empower people which is ultimately money and skills. And those are two things government is not willing to provide.

GERSH: Which may be why many lower caste Indians are beginning to demand a place in India's booming private sector. Darren Gersh, NIGHTLY BUSINESS REPORT, Delhi.

**“India’s Promise” series, Nightly Business Report (PBS)
Segment #4 Indian Education and the Skilled Labor Shortage
Broadcast May 24, 2007**

GHARIB: Paul, Indian businessmen tout their country's vast pool of young workers as one of its greatest assets and a key reason India will become an economic superpower. But the country faces a major challenge: educating those people so that they are employable. As we continue our series "India's Promise," Darren Gersh explains why a country of more than a billion people is facing a talent shortage.

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: This is what a one-room school house looks like in India, two blackboards, three teachers, four walls, no roof. Latif Bux teaches 89 students here. What do you do when it rains?

UNIDENTIFIED MALE: This is holiday.

GERSH: Holiday? Here in Agra, not far from the Taj Mahal, poor planning has left the government without enough room to build schools. This space is rented for \$2 a month and these students are lucky. At other schools, the children meet under a tree. School attendance is still a new habit here in India. The government has had some success improving attendance by offering a free mid-day meal. The question is whether the students are learning enough once they get here. Madhav Chavan says the answer is no. Chavan runs Pratham, a non-profit group teaching children across India.

MADHAV CHAVAN, DIRECTOR, PRATHAM: Everybody was talking numbers of children who go to school (INAUDIBLE) access and nobody was talking about learning outcomes. Now that India has turned that corner and said OK, look, we've got 93 kids percent enrolled in school, everybody is saying let's have quality. It also happens to coincide well with the economic growth and the challenges that that is throwing at us.

GERSH: The poor quality of most Indian schools means the country is in danger of losing its greatest resource. Almost one in three children drop out before finishing eight years of school. In Agra, thousands of boys like these leave school every year to work in the local shoe industry. Of those who do make it to fifth grade, half cannot solve a simple division problem.

CHAVAN: Many skills are just not taught, for example English. We don't have enough English teachers and we don't know what to do with it.

GERSH: Failing schools are a costly problem for Indian businesses. Software giant Infosys screens almost a million-and-a-half resumes a year to find 25,000 new hires. Infosys human resources director TV Mohandas Pai figures just one in 10 18 to 24 year olds are actually employable.

T V MOHANDAS PAI, DIRECTOR HUMAN RESOURCES, INFOSYS: What does it mean? It means that people go through an educational experience and then people like us have to spend enormous amount of time and money training them up to what we need. All over the country, it's the same challenge.

GERSH: You can see that challenge here. These students have just taken the entrance exam for one of India's prestigious institutes of technology. But just one in 50 will get in. The rest must choose among colleges of widely varying quality. The spotty record of the Indian educational system is one reason businesses complain about a skills shortage. It's estimated only a quarter of the 400,000 engineers India produces every year receives an adequate education. That why salaries for skilled workers are rising 12 to 15 percent a year. In a country of a billion people, Microsoft India Chairman Ravi Venkatesen says that's hard to explain.

RAVI VENKATESAN, CHAIRMAN, MICROSOFT INDIA: Why did I call it a paradox? Because on this one hand you've got this huge pool of people who are all desperate to enter the workforce and gain employment. On the other hand, industry is really starving to find the right kinds of talent. We got this massive amount of pressure building up.

GERSH: It's not just software engineers. There is a shortage of trained plumbers and electricians. Small technology players and traditional manufacturers are hit hardest because they can't compete with high-tech giants like Infosys, IBM and Microsoft. To ease the skills squeeze, Microsoft is launching Internet-based training programs where potential workers could earn certificates proving their employability.

VENKATESAN: So do we have a huge crisis? Absolutely so. And things are likely to get more severe before they get better. But the promise is there that in about five years, we would have dramatically expanded both the capacity of the educational system and addressed some of the quality issues.

GERSH: Indian parents, including many of the poor, are not waiting. They're sending their kids to private schools, which now enroll one out of every six students here. Government leaders like Montek Singh Ahluwalia say those who want a higher standard of education should be able to buy one.

MONTEK SINGH AHLUWALIA, DEPUTY CHAIRMAN, PLANNING COMMISSION: My view is that we need to do a lot to improve the public school system, but we need to allow the

private school system to expand also. And therefore, I would leave it to market forces to determine the mix.

GERSH: But for now, Indian schools, private and public, are failing the future and leaving India short of the skilled workers it needs to fully realize its economic promise. Darren Gersh, NIGHTLY BUSINESS REPORT, Agra.

**“India’s Promise” series, Nightly Business Report (PBS)
Segment #5 “Skyping”: The New Offshoring Broadcast May 25, 2007**

PRATT: India's large pool of inexpensive, English-speaking labor has fueled an explosion in business services outsourced to that country. Customer service call centers used to be the emblem of India's outsourcing boom. But these days, the sector is growing in new and surprising directions. Tonight, Darren Gersh wraps up our series, "India's promise" with a look at how India is beginning to challenge the limits of what can be done remotely.

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: On a rainy Sunday morning, 17 year old Austin Cohen likes to relax at home by playing his guitar. After that, he might settle in at the computer and get a little help with his homework from halfway around the world.

VEENA KESHAV, MATH TUTOR: Hello, Austin?

GERSH: Ten time zones away from Austin's home in Virginia, Veena Keshav fields math questions from her home in Bangalore.

AUSTIN COHEN, STUDENT: Don't you take out two twos and multiply the other two and then multiply the other two?

KESHAV: This part is right.

GERSH: They use conferencing software to share the same screen over the Internet. But to protect Austin's privacy, there's no video. Tutoring Americans at night allows Veena to spend time during the day with her newborn baby. She's also enjoying learning American slang.

KESHAV: Cool, awesome and all that.

GERSH: And Veena gets to know students in a country she will most likely never be able to visit.

KESHAV: They are very enthusiastic, they are outgoing. They are not, like, shy.

GERSH: Are they good students?

KESHAV: Most of them are.

GERSH: Austin likes working online because he doesn't have to travel to a tutor and it's almost like playing a video game. Kind of cool using the Internet like this?

COHEN: Yeah, I think it's great. It saves me the embarrassment of facing the person if I get the problem wrong, also. I mean, the guy's half a world away.

GERSH: Veena's actually a woman.

COHEN: Oh. In general.

GERSH: Veena works for Tutor Vista. Company founder Krishnan Ganesh was looking for opportunities to start a business providing offshore services in health care or education. Then he saw this cartoon of an American father telling his daughter, "no, you may not outsource your homework to India." So, you were inspired by this? So, almost literally, this company began as a joke.

KRISHNAN GANESH, FOUNDER, TUTORVISTA: As a joke, yeah, yeah.

GERSH: It's not just tutors in India who are using this system. Tutor Vista is hiring people in Mexico to teach Spanish. Tutors in Hong Kong might chat with students in Houston in Mandarin. It's a new global delivery system for education. Economists say this wasn't supposed to happen -- jobs providing face to face services would never be off shored. But as Internet phone calls and video-conferencing get better, Indian entrepreneurs are transforming tutoring from a \$60 an hour service to something more like a \$99-a-month cable bill. Austin gets unlimited help and never has to leave the house.

COHEN: I get to sit here and drink my coffee while taking tutoring classes. It doesn't get more comfortable than that.

GERSH: And as technology improves and bandwidth expands, Ganesh expects more face-to-face, business-to-consumer services will be provided like this.

GANESH: Counseling, nutrition, dietitian service, anything that you want. You should be able to get it at an affordable cost from somewhere in the world. Somewhere in the world, somebody has got broadband Internet (INAUDIBLE) that service and is willing to provide that service from the comfort of their home.

GERSH: Instead of face-to-face, analysts now say physical presence is the limiting factor when it comes to off shoring. But even that may be changing. At Indian IT giant Infosys, software engineers are experimenting with a tracking technology called radio frequency identification or RFID for short. Using a cheap silicon chip, it's now possible for someone in Bangalore to take inventory for a store in Boston. Infosys CEO Nandan Nilekani says RFID will make corporate supply chains much more efficient.

NANDAN NILEKANI, CEO, INFOSYS: So the fact that you can trace things through the entire life cycle at a very minute, granular level opens up a lot of opportunities, both in optimizing the

supply chain while you make it, while you sell it and while it's being used.

GERSH: And Nilekani says the uses of technology are limited only by imagination.

NILEKANI: And it's important to imagine looking at the trends. It's to be able to say, the way technology is moving today, five years from now, this will be so powerful or this will be so cheap or this will be so fast. And, therefore, is there something that we can do five years from now using the power of this which we can't do today?

GERSH: Does this mean more American jobs are headed for places like India? Yes. But Ganesh says new American jobs will also be created.

GANESH: Just as it creates opportunities for people in some other parts of the world, it creates opportunities for people in the U.S. to service other parts of the world.

GERSH: And, oh yes, Tutor Vista and many of the other off shoring shops in India, they're owned by American investors. That is a comforting thought, unless you happen to be a math tutor.
Darren Gersh, NIGHTLY BUSINESS REPORT, Bangalore.