



India In A Class Of Its Own

While India's IT prowess is indisputable today, the country is also a victim of its own success as it faces wage inflation and competition from Eastern Europe and China.

According to a recent industry report by India's National Association of Software and Service Companies (Nasscom), maturing socio-political attitudes and an appreciation of the proactive efforts by key stakeholders to further strengthen India's value proposition are helping to reinforce its position as the IT outsourcing destination of choice.

Nasscom is confident that India will remain an integral part of any major global sourcing strategy even as businesses around the world are exploring alternate destinations such as Eastern Europe to enhance their multi-country delivery capability. The reasons for Nasscom's optimism: the growing impact of technology-led innovation, and the increasing demand for global sourcing as more companies choose to focus on their core competencies. And it is confident that India will achieve its target of US\$60 billion in IT exports by 2010.

While India is uniquely advantaged to best address these opportunities, they are not lost to others. Timely, coherent and continued action is needed to ensure that India makes the most of these opportunities and maintains its lead, Nasscom noted.

In an interview with ZDNet Asia, Kiran Karnik, president of

Nasscom, noted that the availability of well-educated engineers has been instrumental to India's IT success. "The large number of smart people educated in the right discipline has been the single most critical factor."

Nasscom estimates that about 19 million students are currently enrolled in high schools and 10 million students in pre-graduate degree courses across India. While nearly 3 percent of them find jobs in other fields, the rest opt for employment in the IT industry. By 2008, there will be an estimated 17 million people available to the IT industry.

More importantly, India's high level of English proficiency has helped the country open doors to outsourcing deals from English-speaking countries. In addition, Karnik said in the 1990s, the Indian diaspora in the United States and the United Kingdom has also "acted as a very good bridge between those countries' markets and India".

Strong government support in the form of policies that encourage the growth of the Indian IT sector has also been a key push driver, Karnik said. This includes easing foreign ownership restrictions for local companies, a move that has helped India attract key IT investments. "The government also had a good long-term vision by putting in place a 10-year plan in 1999, where tax relief is given to export profits," Karnik added. "This gives companies assurances in planning their cash flow and business models."

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decision will ultimately fall to President Gloria Macapagal Arroyo. With control over the ministries and widespread support in the House of Representatives, any changes to EPIRA must receive her consent.

On the one hand, siding with Meralco's critics and the senators who favour regulatory change could be seen as a step backwards by investors and the private sector. On the other hand, favoring Meralco and the foreign chambers of commerce is expected to be politically difficult. Both parties have been vilified in the press and are not particularly popular among the masses. Compromises in such politically charged cases are difficult but may prove to be the only way forward.

Source: www.oxfordbusinessgroup.com, June 12, 2008

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Philippines: Energised Debate

Over the past several weeks a battle has been brewing in the Philippine press over who is to blame for the country's high-energy prices. The dispute, which began as an argument over energy-pricing policies, has evolved into a power struggle over the future ownership of the country's largest power distributor, Meralco.

The government, led by the Government Service Insurance System (GSIS), argues that they are in a better position to manage Meralco than its current owners. They contend that the Lopez family, who narrowly control the Meralco board, has evaded government rules that are intended to keep rates down and cap the company's profits.

These rules stipulate that power companies such as Meralco must charge their customers a similar price to the rate at which the energy is purchased on the spot market. In theory, this protects the consumer from gouging and limits the industry's profits. In practice however, pricing policies are significantly more complex.

Aside from the spot energy costs, Meralco also charges its customers fees for administrative duties and systems' loss -energy that is lost to pilfering or technical inefficiencies. This grey area in pricing policies is the primary target of the government's recent crackdown.

When asked what he would like to see changed at Meralco, Winston Garcia, the chairman of the GSIS, told OBG that administrative bureaucracy and system loss had to be better controlled.

"It's too top heavy and something has to be done about it. Ac-

ording to reports that we have received, there are more supervisors and executives than rank-and-file [employees]. This is something that has to be addressed." Garcia went on to say that the firm had done nothing about its system loss levels, which he estimated at above 10%.

Other complaints include conflict of interest issues involving energy and equipment supply contracts with other Lopez-owned firms. Of particular concern to the government is a P12.99bn (\$296m) "take or pay" contract that Meralco signed with the Lopez-owned First Gas Corp in 2000. Such contracts have provisions obligating the buyer to pay for a predetermined volume of electricity regardless of whether it is actually delivered or used. In this case, Meralco paid for 1000 MW of energy but was only delivered 300 MW.

While the fact that 2 Lopez-owned companies exchanged money for goods that were never delivered may raise eyebrows, the Meralco management team claims that nothing the firm has done is illegal or irregular. Jose Soler, a utility infrastructure specialist at Solerex, told OBG, "Take-or-pay contracts are essential to doing business in the utilities industry. These contracts insure investors, who often have huge upfront capital costs, a steady stream of revenue. Without such contracts, no investor or bank would finance the building of any power plant or water treatment plant."

Similarly, passing on administrative and systems losses to customers is routine. This is particularly true in emerging markets, where energy pilfering is rife and traditional collection methods are ineffective. Of particular importance to Meralco's case is the fact that the Energy Regulatory Commission (ERC) specifically approved all of Meralco's major supply contracts and its overall pricing mechanism.

Several prominent senators who had previously blamed Meralco for the nation's

high-energy costs are now turning their anger against the regulators and regulatory framework.

"The ERC is sleeping on the job. It has not been proactive in its role of protecting the consumers," Senate Minority Leader Aquilino Pimentel Jr told the local press last week.

To address such issues, Pimentel and many of his colleagues in the senate are pushing for legal changes that would strengthen the government's hand in the sector.

Such a move, however, would directly conflict with the current regulatory framework laid out in the Electric Power Industry Reform Act of 2001 (EPIRA). These reforms, which are just now bearing fruit, were meant to vastly reduce the government's role in the energy sector, increase competition, and encourage private investment.

An open letter signed by the Joint Foreign Chambers of the Philippines (JFCP) argued, "Amending EPIRA will result in a highly unstable legal framework for the industry and investors. Further, such action would impact on the credibility of, and put at risk, the ongoing power sector reforms."

Instead of debating the legal changes on the senate floor, the foreign chambers and the private-sector parties they represent would rather see the EPIRA reforms to their completion. This would involve a 70% decrease in the government's direct ownership of power production and the creation of a well-functioning spot market to dictate prices.

With strong forces on either side of the issue, many believe the

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Biometrics In Asia Yet To Hit Sweet Spot?

The outlook for biometrics is rosy in Asia but challenges in the deployment of the technology need to be overcome before mainstream adoption takes place, according to industry observers in the region.

Navin Rajendra, senior research analyst at consulting firm Frost & Sullivan, told ZDNet Asia that the region's market for biometric technology "has seen a slow and steady growth". Biometrics, he said in an e-mail, has been applied to a variety of applications such as banking, e-passport, consumer electronics and enterprise security.

"Although the rate of adoption has not been as high as previously anticipated, the entry of biometrics across these applications is just an indication for the pending high growth to take place soon," noted Rajendra.

Rajendra pointed out that the Asia-Pacific region has shown "great potential" for government identity and e-passport programs. With full-scale implementation of such projects, biometrics would see a growth in other applications as well," he added.

E-passport uptake is ongoing in the region, reported Hewlett-Packard. HP's public sector sales director for Asia-Pacific and Japan Tan Poh-Chuan said the company is working with authorities in South Korea and Taiwan to roll out biometric passports.

According to Mike Weber, Asia-Pacific director for Enterprise Security Initiative at Unisys, momentum for biometric deployment is increasing, from "the level of interest in trialing and implementing biometric solutions" in both the public and commercial sectors.

On the commercial front, the financial services industry is one of the verticals tapping on biometrics.

Abhishek Kumar, senior research analyst at IDC-subsidary Financial Insights, noted that there has been "a lot of push" by the financial services industry in implementing biometrics at the retail banking level. Over the last two years, banks in Australia, India, Indonesia and Singapore have made plans or carried out such implementations.

However, many of the biometric initiatives are still in the pilot phases as the logistics of such endeavors are "quite complex", said Kumar. It is not uncommon for financial institutions in more developed countries to implement biometrics

for physical security purposes in data centers and core technology centers, he added.

Industry observers say, however, that obstacles are still in the way for biometrics to go mainstream.

Frost & Sullivan's Rajendra said lack of standards and high implementation costs still hinder deployment of biometrics. Standardization of the technology is in progress, he noted.

"Industry participants are realizing the benefits of biometrics and it is only a matter of time before the benefits of biometrics are able to outweigh the costs involved in implementation," said Rajendra. "Currently, privacy issues are also a concern in Europe and North America, while in Asia, privacy issues have not been found to be a major deterrent."

Financial Insights' Abhishek also expressed concern at the lack of standards, particularly for biometric authentication algorithms and devices. "As these algorithms are often patented by vendors, financial institutions are forced to heavily rely on them. As seen with Citibank Singapore, this reliance can often lead to negative results."

Trust is another issue, said Unisys' Weber.

"Consumers have shown they want new and convenient services, but that they also expect security and privacy as a fundamental part of any service requiring them to provide personal information," Weber pointed out. "Misuse or theft of personal information remains the area or security with the greatest level of concern across all countries where the Unisys Security Index [is conducted]."

Organizations that offer or intend to offer customers services that utilize biometric identifiers, should seek to address security concerns in order to create trust, he added.

"Ultimately, outside public sector security uses, the adoption of biometric technologies will be driven by the value of the services they deliver to the consumer, rather than by the technologies themselves. And this adoption must be built on a platform of trust with regards to security and privacy," said Weber.

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Solar System : The State's Commitment To Renewable Energy Companies Pays Off

Even in the wide-open western U.S., finding a suitable 100-acre (41-hectare) site can be a challenge. In fact it was the biggest challenge facing Schott Solar's expansion into the U.S. The company is a subsidiary of Mainz, Germany-based **Schott AG**.

"There were not a lot of 100-acre sites out there that met our criteria," says Mark Finocchiaro, president and CEO of Schott Solar. "We started with 75 sites after we narrowed it down to five states. Proposals were submitted and many were disqualified because they did not meet our operational requirements. We probably looked at 25 sites, maybe 30."

But the best site soon became apparent in Albuquerque's Mesa del Sol master-planned community, which is quickly becoming the state's solar manufacturing cluster. **Advent Solar**, a manufacturer of advanced solar cells and modules, opened a manufacturing facility there in February '07.

Schott Solar is investing US\$100 million to build a new solar energy technology production facility that initially will manufacture receivers for concentrated solar thermal power plants and 64 MW of photovoltaic modules. Breaking ground on the 200,000-sq.-ft. (18,580-sq.-m.) facility in February, Schott expects to move into the building in November with the first products coming off the line in March 2009.

The factory will initially employ 350, but Schott has ambitious plans to grow much larger, ramping up to 1,500 employees and 800,000 sq. ft. (74,320 sq. m.) with a total investment of \$500 million by 2012.

New Mexico emerged as the winner in what began as a 12-state contest for the project. Site analysis whittled the list to five states and then to four. Locations in the northwest and northeast, plus another southwestern state, were also in contention, says Finocchiaro.

We started the process by doing an analysis of regions where we thought we would want to locate the business," he explains. "That quickly factored to states within each region with an initial macro-economic analysis, and New Mexico passed. As we went through subsequently more stringent filters along the way, they survived every step of the way, taking into account overall business environment and work-force availability.

"New Mexico has been friendly towards companies that are environmentally friendly like us," he says, "and has been very aggressive in trying to attract renewable energy companies."

Solar's Silicon Valley

One of the solar sector's leading trade associations believes the Schott project will spur even greater growth in New Mexico.

"Solar manufacturing is definitely an economic engine," says Monique Hanis, director of communications for the Solar Energy Industries Association. "We have seen growth across the country in states where there have also been additional incentives.

"What is great about the Schott project is it demonstrates not only that development can occur in states that have very high solar resources where you would actually locate a large utility-scale plant, but that there are also opportunities for manufacturing to support that industry," she says. "New Mexico has the potential to become a Silicon Valley for solar. The state can become a hotbed in terms of job generation, especially if government policy continues to support renewable energy in this country in the form of investment tax credits."

Source: John W. McCurry, www.siteselection.com