

**Australian Industry Group**  
**Annual National Forum 2005: 'Rethinking Business'**  
**Session Five: 'Rethinking World Industry'**  
**India**  
***Dr Jamshed J Irani***  
***Chairman, India-Australia Council & Director, Tata Sons Ltd***  
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**KERRY O'BRIEN:** Thank you, Yogi Deveshwar. Can I just remind you again, be working on some questions, because we're not going to have a lot of time. I'd like to get straight to them. I can ask questions on your behalf all day, but they might not be the questions you want asked.

We are also fortunate to have with us today another outstanding business leader from India, Dr Jamshed Irani, Director of Tata Sons Limited and Tata Steel. As Managing Director of Tata Steel in the '90s Dr Irani is credited with making that company one of the lowest cost steel producers in the world with one of the world's most modern steel plants. He's also Chairman of the India Australia Council. Will you welcome Dr Jamshed Irani.

**MR IRANI:** Thank you, Kerry. Ladies and gentlemen, when we were invited by our host, the Australian Industry Group, yesterday to attend this session we were told that, "Your presence would be required after lunch, but you can stay on in the morning session, if you wish, to learn something about Australia". I agree, we did accept that invitation, and I can say that we have learnt much more about China than about Australia. Because obviously China is in the forefront, as far as your industrial thinking and

business is concerned just now, and I only hope that five years down the road you will be speaking with the same value and the same interest about India as you are now doing about China.

China has not remained unnoticed by India. We had a military confrontation with them in the early 1960s. It seems then we have improved our relationships and also our defences. And now, of course, we do look upon them with some, shall we say, awe, as far as manufacturing is concerned.

But in the last five years there has been a lot of co-operations between our two countries also, and we know the advantages of doing business in China. And, in fact, I'm the chairman of a company which is just now considering putting up a manufacturing unit in China itself.

But in India in general and Persia in particular we talk about India and China. We don't try to draw a parallel between India or China, or India versus China. It is India and China. And there are several areas in which we have got unique advantages, and we accept the fact that China has advantages in certain areas.

My friend Yogi, President of CII has already spoken to you about the specific developments that have taken place in India, and I will just try to give you a few snapshots or what has happened in one industrial group, which is the Tata Group, with which I am associated, and which accounts for about 2% of India's GNP. We have about 30 operating companies from steel to watches, to tea to power across the whole spectrum of the economy. And last year, as a group, we progressed by 20%, both top line and bottom line.

So that was not too bad. And this year again we are moving, shall we say, with the same velocity.

I will just give you a few examples of how things have changed in India. You have 50 years back, the perception that in India we don't design things, we copy things from outside. That is the perception. The reality is that 50 years back one automobile company from the UK, Morris Motors, brought an automobile, Morris sent down to India, designed in UK, manufactured in UK, sold in India. And then they finally put up a plant also in India to sell it, and it has sold as well for almost 50 years. Within those 50 years, in the last five years an India company, Tata Motors, designed a car entirely in India. The whole design was made in India. No copies from anyone. No collaborations with anyone, not even with Japanese companies. And put it on the Indian market at half the price. That car today costs in India the equivalent of about US\$6,000. And it has been a great success. And now that same car has been taken to the UK, and it is being sold in the UK under the brand name of City Rover. So after five years the cycle has been totally turned around.

Somebody mentioned in the morning that a Romanian car costing \$6,000 is being sold somewhere in the world. Our next project is to make a car costing not more than US\$3,000, and it will be in the market in India in the next two years. And it will not be made by under-paid and exploited engineers. It will not be made by - made from steel which is subsidised by another Tata company, Tata Steel. And it certainly will not be made against any regulations concerning the environment or safety. It will meet all of the safety and environmental standards and it will be priced at under US\$30,000

on the road in India. And a commitment has been given to that by our chairman, Mr Ratan Tata who Yogi just mentioned.

There is also a perception that in India our IPR is not protected. And apparently there have been one or two cases which have been highlighted around the world. The fact is, the reality is, that yes, there were problems with regard to IPR, particularly in the pharmacy industry and in some aspect the in the software industry. But India has signed the WTO agreement the on IPR and from April this year we have fallen in line and there will not be - once an agreement is signed we always observe it.

In fact, in passing, I should mention, that India has not gone back on one single international agreement - one single international contract, whether it is in the financial area, whether it is a Kyoto commitments with regard to environment, whether it is with regard to WTO. Any of our major companies have taken loans or whatever. In fact, when India took a loan from the IMF in the early '90s we paid back the loan with full interest ahead of schedule. And India, at that time, had a rather, shall we say, negative foreign exchange balance. Now that foreign exchange balance is over US\$140 billion, and in some ways it is proving to be an embarrassment of riches because we have not yet found the means to use these resources effectively and quickly.

Coming back to the Tata Group, I think, because it was already mentioned that Tata Steel reached in 1991 was a lumbering giant, rather inefficient. Once the duties on steel were lowered - duties on steel at one time in 1991 were 100% if you wanted to import steel into India. Today they are a

maximum 5%, and most of it is duty free. Against that background we have built up an industry which is probably one of the lowest cost producers of steel in the world, and very recently we have entered into an agreement with your own Blue Scope, who manufacture a particular variety of steel in India. And the company has been expanded from 5 million to 7 million. We bought knight steel in Singapore, and we intend to carry on with such acquisition until we reach a capacity of about 15 million tonnes in five years from now.

Other companies in the group, we have the world's largest tea company which bought Tetley, but brand from the UK about three, four years ago. Tetley is the second largest tea brand, I'm told, in the world. In hotels, we have got a chain of hotels in India. And now we have recently bought over one of the most prestigious hotels in New York, and we have built facilities in places like Maldives, Marishes, Seychelles and so on, exotic holiday locations.

DCS Tata Consulting Services is India's largest software company. It has a foothold in Australia also, and the person who looks after that, Rick, is very much with us today. I'm told we have a head count of over 200 in Australia looking after the software work. And we are into telecommunications. We have bought over recently, beside our own local companies, we have bought over Tyco and we have bought over TeleGlobe, and we have bought over one of the largest cable networks in the world, including undersea cables, and we are expanding very quickly in that area.

So as far as our country is concerned, we are not worried about China. We

know China is a force to be reckoned with, but we think that we can live with China, so we are always planning our moves, shall we say, not in accordance with, but in the areas where we have certain unique strengths. And as far as the economy is concerned, our president has already given the summary of what we have achieved. I will only say this in conclusion, that in the past the Indian economy always suffered when we had a bad monsoon. You know, when God didn't give us the rains our agriculture suffered and as a result of that the economic growth suffered. We also suffered because of an increase in oil prices. And we suffered because of national calamities, like floods and typhoons and storms which the Indian coast is always ravaged with.

Last year, 04/05, we had all three. We had a bad monsoon. We had a natural calamity, which was the tsunami, and we had a fantastic increase in the oil prices. But the Indian economy sailed through all of those and it was not even the slightest flutter. So at least my conclusion, after seeing the Indian economy operating for over 30 years, is that we have arrived - and China or not - we are going to succeed. Thank you.

**KERRY O'BRIEN:** I'm going straight to the audience. We are on borrowed time. Let me see if the questions come.

**QUESTION:** As a manufacturer in India and an importer into India and an importer in China and a soon to be manufacturer in China, I just welcome the comment from the panel - it is a more mundane issue - but the need to handle indeed corrupt practices to do business in each of those countries. I would be interested in your comments on that, thank you.

**MR DEVESHWAR:** I don't understand English outside of India.

**MR IRANI:** May I comment on that. I was willing to say that Tata has never given, because we believe for every hand that receives there has to be a hand that gives. So we are told, whether it is government representatives or politician, whoever, that we will not give. And I must admit that on some occasions we have lost, we have suffered. But largely we have gained. And the type of growth figures which I just quoted shows that you can get on without having to pay. And the encouraging thing, there is the good news and the bad news. First, the bad news. The bad news is that yes, there are politicians in India, there are others also who expect craft. The good news is that the country is getting resistant to such politicians and such seekers of craft and there are many, many others beside the Tatas who have said they will not give and they have succeeded.

So the moral for all those who want to come into India is that find a good partner, do your due diligence and don't give.

**KERRY O'BRIEN:** Richard, do you have anything to add for China?

**MR MARTIN:** No.

**MR DEVESHWAR:** I have understood the question. I run a professionally managed company and it is part of our ethics not to give in to any of these. India is a very diverse society and an emerging economy, so you will find practices of all kinds. But I can only tell you that you can get away with

practising the highest standard of ethics that you would be anywhere in the world, and it will stand new very good stead. Our companies also - last year we grew a top line of 25% and the bottom line of a similar amount. And I was envying him when he was giving that advertorial talking about his company, I must say I complement you. But he has the unique privilege, because he is the chairman of the India Australia Council and he is entitled to speak about his company more than India/Australia relationship.

I think it is not to be denied that there are some malpractices that are obtaining in our country, as indeed they do even in the developed world. And what we saw in the United States incorporate America. But equally, things are on the mend and there are good examples that can be followed. And you will get equal national treatment as is given to Tatas or as is given to ICC Limited in India, and it will not be a drag on your performance.

**KERRY O'BRIEN:** Do we have one more question? Yes.

**MR PEDORS:** My question is to Richard. This morning we heard the Prime Minister talk about free-trade agreements and then we heard in your presentation in regard to China that who will do best in China and you said "not manufacturing". You mention a number of other industries; transport, logistics, raw materials, energy suppliers and so on. So from a manufacturing standpoint, for those of us here today, what is the benefit of having a free-trade agreement with China?

**MR MARTIN:** On the issue of the flow of goods across borders the FTA is not going to make the difference that you will notice. Although, there has

been studies done by reputable people in Canberra and elsewhere, who would have toted up several billions of dollars that think will improve the economies on both sides. Because the process that is going on in China and the WTO profit are the things that are changing the landscape that are already at work. And the FTTA will smooth the flow of goods by dealing with how the goods are defined and health standards and those types of things and they might (indistinct) it a little bit.

As far as Australia is concerned, I don't think you will see a significant difference. If you are an Australian manufacturer and you are looking at this issue, sometimes I listen to Australian manufacturers who seem confronted by this, you know "what on earth do we do?" I say, the story that you hear from India and China is a fantastic story from an Australian manufacturer. Because you just need to think of what is the value we bring to the global market broadly defined? And understand that value isn't necessarily defined absolutely by the manufacturing component. It might be defined by the technology, the ability to work with the customer, the ability to put the whole chain together. And what these countries are doing, China and India, is giving you the scope to tap into a whole new level of cost you would never have reached in Australia but you go out for the global market. So, as an Australian manufacturer, yes, you still have to go out into these markets to work. To get to that low point on the global cost curve you have to figure out how to do it. It might be China, it might be India that is going to get you there. It's got to be part of the plan. But I'd say the way you approach it is one of "my goodness, look at opportunities this is going to open up for us". Please catch me afterwards, I'm trying.

**QUESTION:** Today we've heard an awful lot about industry from a range of countries, but the only country that raised the issue of sustainability and sustain development, the impact on the planet has been India. I am very interested in that. I know the environment is a huge issue for China, but I am quite interested what the CII is doing in terms of promoting environmentally friendly development in India because I think it is a very important issue for manufacturing world-wide.

**MR DEVESHWAR:** I'm glad you ask the question. This year the thing for CII is sustainable development and inclusive growth. This is basically because of the type of challenges that India faces. Firstly inclusive because, as you have heard, that although there is going to be a young population, but there is a challenge of 10 million people coming to the job market every year. So, therefore, India's strategy, business strategy, has to be such as to get competitiveness in those areas that have a multiplying effect on livelihood. So that is one part of the sustainability in terms of our social well-being.

The other part, of course, is that if India were to get the same per capita incomes of the OECD countries, then half the global emissions will be accounted for by India by virtue of its total potential size of the economy and the size of energy that it would consume. So we basically are beginning to get our membership aware of the need of fashioning their business models that are friendlier both to the environment, to contribute not only to minimise the impact on the environment but also contribute to its nurturing and development. And similarly, in the case of social capital, not only should it be nurtured but add to the social capital. So this is what we are

doing, my company is actually sponsoring a centre of excellence for sustainable development with CII. Where we would get the capacity building done for our membership, whether they are from the small enterprises, medium enterprises or large enterprises, and be aiming to create a sort of a sense of competition and also encourage excellence in this area. And we will set out the examples for people, reward such people to recognition, and of course ultimately we believe that we need to educate investors and consumers because they must begin to differentiate those companies that are contributing to long-term sustainable development of society. And only when the investors and consumers make that choice in buying products and services, or investing in those companies that are contributing to the social capital and ecological capital as they fulfil their commercial objective, then the society will have sort of a longer-term sustainable development with care for the planet.

**KERRY O'BRIEN:** I think that's not a bad positive to end that session on. I'd like you to thank each of our three speakers in the session, Yogi Deveshwar, Jamshed Irani, and Richard Martin. Could you please thank them.