

USISPF Submission on the TRAI Consultation Paper on Promoting Networking and Telecom Equipment Manufacturing in India

Members of the U.S.-India Strategic Partnership Forum (USISPF) welcome the opportunity to comment on the Telecom Regulatory Authority of India (TRAI) consultation paper on Promoting Networking And Telecom Equipment Manufacturing (NATEM) in India.

Q11. Is the PMA/PMI scheme in its current form comprehensive for promoting NATEM? Are there any suggestions for modifications? How can the challenges associated with implementation of PMA/PMI be addressed? Please elaborate.

India contributes 3% of the global manufacturing output across all sectors. While this number has grown over the years due to increased FDI, India still trails behind other Asian economies such as China and Japan. With respect to telecom manufacturing in particular, India has a manufacturing disability of 6-8%. Stringent implementation of preferential market access policies has presented certain challenges for companies involved in NATEM. Please see a summary of the key challenges and our recommendations below.

- A wide range of products mandated under the Public Procurement (Preference to Make in India) Order, 2017 (PPP – MII) limit competition in public procurement. ICT equipment varies extensively with respect to its functionality (hi-tech, low-tech) and demand (low-volume, high volume). Given this variance, it is not feasible for companies to invest extensively in hi-tech, low volume products. Further, given that the low demand for such products, several companies fail to manufacture such products.

To overcome this challenge, we suggest that the Government of India should: (i) undertake an independent study to assess the manufacturing capacity and competition in India of ICT products (i.e., understand the actual manufacturing capacity and value addition and identify if there is adequate competition (i.e., more than three)); (ii) focus the preferential market access policies on building the capacity and ecosystem around low-tech, high-volume products, which will give India a competitive advantage and enable large-scale employment; (iii) in the case of high-tech, low volume products, Indian players must be permitted to support global original equipment manufacturers (OEMs) by allowing them to build their capacities, test their solutions and prepare themselves for competition.

- Due to the nascent telecom equipment manufacturing sector in India, most components are not locally produced. Most of the components manufactured in India belong to the plastic and material category. Additionally, the bulk of the components in the electro-mechanical category and all the components in the semi-conductor category are not manufactured in India. This indicates a tremendous opportunity for India to grow its supplier ecosystem and ensure local production of components. Therefore, given that access to quality and secure components is an ongoing challenge, the Government should focus on building and incentivising the component ecosystem in India, which will encourage manufacturers to shift manufacturing to India. If there is a focus on building the component ecosystem, there will be a natural increase in value addition of domestic manufacturing as it will be cost efficient for manufacturers to source locally.
- With respect to the methodology for calculation of local value addition, we request that the DoT methodology for calculation be aligned with the methodology adopted by MeitY as this standardisation will enable parity across products.
- In contrast to manufacturing other commodities, telecom products are unique to manufacture as thousands of product IDs are custom made in accordance with a customer's specific requirements. Given

the infancy of the telecom equipment manufacturing sector in India and the requirement for customisation of components, most components are not locally produced. Therefore, until the telecom sector's component ecosystem matures in India, it is not possible for companies to meet the local value addition requirements currently mandated under the PPP – MII order. Accordingly, we request TRAI to recommend that the Government of India should provide PMI points equivalent to 75% of the commitment of goods or services manufactured in India for domestic consumption or to be exported from India. OEMs or their contract manufacturers may then utilise such points to qualify as 'Deemed Class 1 Local Supplier' for products not manufactured in India.

- PPP-PMI guidelines limit innovation in ICT solutions, thereby impacting the deployment of advanced and futuristic products. Given the evolving nature of technology, we recommend that there should be an increased focus on building an R&D ecosystem to develop domestic futuristic solutions. In order to achieve this, implementation of PPP-MII guidelines should not be stringent in certain projects such as those focused on critical infrastructure and financial services.

Q12. Whether the incentives to Telecom Service Providers to deploy indigenous manufactured products in their network will be helpful in promoting NATEM in India? Please justify with reasons. What incentivization model is suggested?

USISPF commends the Government of India's efforts to prioritise the "Make in India" initiative and supports the steps taken to transform India into a global hub for manufacturing. The National Policy on Electronics (NPE) sets out India's vision to increase exports to 60% of domestic production by 2025. However, to achieve this goal of *Atma Nirbhar Bharat*, *Atma Vishwas* is essential i.e., the confidence to not just cater to our needs but become a critical part of the global supply chain. The key to making this a reality is to make India globally competitive.

As the government is actively promoting the Digital India vision across the country, an increase in domestic demand is expected. However, the domestic demand only stands at 3-5% of the total global demand. Therefore, while formulating policies, the Government should cater not just to the domestic market, but should consider exporting to the global market. Policies that are restricted to capturing the domestic market will neither help global investments nor catapult domestic players to become a part of the global supply chain.

To be both cost & talent competitive, we encourage the Government to focus on building India's domestic capacities. India can support its domestic companies by incentivising R&D, obtaining global certifications, adhering to global standards and promoting domestic companies in global markets through G2G engagements.

Further, as India prepares to become a global hub for electronics and telecom manufacturing, it must demonstrate its capability to build secure and future proofed technology. Conflating domestic manufacturing with security and future-proofed technology will limit India's aspirations.

Q16. Whether the existing incentives/policies issued by DoT and MeitY do meet the requirements for the growth of telecom software products? What additional policy initiatives and enabling regulatory measures are suggested to facilitate integration of telecom equipment and software products that are made in India? What measures are required to enhance exports of such products? Please justify your response.

India is expected to have 1,900 Global Capability Centres (GCCs) employing 2 million people and generating a revenue of USD 58-61 billion by 2025 as per a recent NASSCOM report. Such GCC's typically have multifunction portfolios and are focused on setting up Technical Centres of Excellence (CoEs). A significant number of multinational companies have also set up R&D centres, in India, which focused on innovation in telecom hardware and software.

The jobs generated by such GCCs require highly skilled professionals, at par with global capabilities, However, given the global atmosphere of protectionism, there is a greater challenge for India to attract investments and jobs to India.

Additionally, supply chains of software development are generally spread across multiple geographies. Typically, they involve resources from the product company, its subsidiaries specializing in R&D and third-party service providers to whom certain services are outsourced. With multiple multinational and domestic GCCs present in India, our geography plays a pivotal role in the global outsourcing supply chain.

In these circumstances, GoI should not take GCCs for granted. We recommend that India should reverse their position and support the continuation of the WTO Moratorium on imposing customs duties on electronic transmissions to demonstrate its support for global iterative design and look to other policies, such as government procurement to ensure it is supporting the global nature of software design.

Q17. Stakeholders are also requested to comment on other relevant issues, if any.

To enhance the ease of doing business for companies in the telecom equipment manufacturing sector, we would like to suggest the following improvements to the existing system of Wireless Planning Commission (WPC) and other licenses/clearances/certificates. Please see our suggestions below.

- **Dealer Possession License**

The Dealer Possession License (DPL) is renewed every calendar year. As per the existing renewal process, DPL holders are required to submit a stock register for the complete year while filing the renewal application. Given that the validity of DPL expires on 31st December each year, license holders end up having to apply for renewal a month in advance (i.e., by 30th November). As a result, the stock register submitted with the application does not reflect the details for the month of December. Given that a complete stock register can only be provided by January, there is always a gap of at least 10 to 15 days between the expiry of old the DPL and its renewal for the next year. This has presented certain practical difficulties.

Since the introduction of “simplification of WPC import license for domestic OEM” (vide office memo “R11018/06/2019-PP” dated 27 July 2019), DPL holders are allowed to import via undertaking instead of obtaining an import license for each shipment. However, to obtain import clearances against the undertaking, details of a valid DPL need to be provided to release shipments. In such cases, the 10-15 days gap during the DPL renewal process causes disruption by delaying import clearances and interrupting the flow of supplies to customers. To overcome this practical difficulty and ensure the ease of doing business, we recommend that a DPL license should be issued for a period of five years instead of one year. DPL data may be submitted every year to the relevant authorities.

- **Details of valid Frequency allotted to Telecom Service Providers by Department of Telecommunications**

As per the WPC guidelines (vide office memo “R11018/06/2019-PP” dated 27 July 2019), DPL holders are required to ensure that radiating equipment is supplied to Telecom Service Providers (TSP) having valid frequency issued from the Department of Telecommunications (DoT). However, the DoT portal does not disclose a list of eligible TSPs as a point of reference to validate this. Accordingly, we request TRAI to recommend that DoT should publish allotted frequencies to TSPs on a public portal for both backhaul and access spectrum. If such details are made publicly available on the portal, OEMs may access such details (along with the time, date and stamp) for DPL audit purposes.

- **ATA Carnet Import:**

WPC import licenses or NOCs have not been required for customs clearance of ATA Carnet shipments (i.e., shipments that are temporary time-bound imports into India, which are exempted from customs clearance under ATA Carnet). However, we understand that in practice, customs officers have started requiring a WPC Import license or NOC (in the absence of a license) when shipments are examined for customs clearance. This requirement is neither specified in the customs rules nor the WPC guidelines. Given that there is no official notification from WPC authorities confirming that temporary import is exempted from WPC license/ NOC requirements, it is likely that businesses will face challenges related to customs clearances going forward. Companies often import products under ATA Carnet for testing /trials/demos for a short duration. To avoid any disruption to this process, we request TRAI to suggest that DoT grant a general exemption for ATA Carnet shipments.

- **Experimental License - Demo and Testing:**

We recommend that DPL holders should be exempted from the experimental license (non-radiating type) required for in-house demo and testing purposes (especially, for business locations covered under the license). Under the existing DPL rules, DPL holders submit already submit these details at the time of the annual DPL renewal in Form 5.

- **Integration of WPC tool with ICE gate:**

We recommend that the WPC portal should be integrated with the ICE gate portal of the customs authorities. This will facilitate customs authorities to validate licenses online during the shipment assessment, which is a part of the customs clearance process.

- **BIS referring CRS scheme:**

BIS is issued to the manufacturing unit (India/overseas) rather than a brand. Therefore, obtaining BIS details from overseas suppliers is time consuming and often challenging for import clearance. Accordingly, we recommend that BIS data related to CRS should be made available online and integrated with the customs portal for speedy and smooth clearance.