

Encouraging Telecom Equipment Manufacturing in India

Issues for Consultation

Research & Development

3.1 What should be the objective and focus of the R&D effort for 2020?

The growth of electronic manufacturing industry depends a lot on R&D activities. The investment in such activities will make India self-reliant and also generate income in years to come. So, the objective should be to make India a global R&D hub for the world. The focus shall be on

- a. Indigenously design and develop complete range of telecom/IT infrastructure products.
- b. Making best of the laboratories available for development and testing
- c. Certification labs in India which are recognized globally. Products used in India shall be certified by these laboratories.
- d. Creating IPR

3.2 Flowing from the above, what should be the objective and focus of the R&D effort for 2015?

All telecom operators and government agencies must be encouraged to use Indian Products. It should be made mandatory through license condition to use INDIAN PRODUCT

The target should be to achieve

- 1 30% by 2011
- 2 50% by 2012
- 3 70% by 2015

It is allowed under international trade also, because the security of the country is, otherwise compromised.

3.3 What is the level of Indian Products that we should attempt to achieve at the end of 2015 and 2020?

The target level for Indian Products is to achieve

- 1 30% by 2011
- 2 50% by 2012
- 3 70% by 2015
- 4 100% by 2020

3.5 Which Institutions, whether in the Public or private sector, are best suited to carry out this effort? And why?

Public / Private institutions which have focus on R&D and have the capacity to fund R&D shall be promoted. Also, enabling private/public relationship channels is required to meet the financial aspects of the R&D and address the Indian market requirements.

3.7 What should be the role of the Government and the Industry in regard to the R&D effort? In particular, what should be the investment, if any, by the Government?

Government needs to evolve policies which shall promote Indian manufactured products in the country. It must provide exclusive funds to the R&D and manufacturing organizations to develop technology and related products to meet the Indian and global market needs.

3.8 Should an R&D fund be set up? If so, how can the fund be managed effectively to meet its objectives?

R&D fund shall be setup to enable IPR creation and innovation in the country. A central monitoring body can be established to monitor the usage of funds and facilitate R&D along with indigenous manufacturing. This body will lay down national standards/specifications and prepare technology roadmap.

3.10 What are the components that can be manufactured in the country with due consideration to commercial viability?

List of Identified Products that need to be supported

- a. IP based new generation soft-switches/routers, L2 and L3 switches, data networking equipment copper/optical consumer and carrier grades, for public and private networks
- b. Transmission systems IP and Cellular backhaul, Carrier Ethernet
- c. Cellular technology GSM, CDMA, 3G, LTE, Wi-MAX, Wi-Fi, RF-ID and other BWA technologies, especially small capacity systems for rural areas
- d. Equipment related to security and surveillance (particularly for the state surveillance which is in the interest of the national security), processing of speech, data, image, video
- e. Customer Premises Equipment (CPE) PBX systems, DSL modems, 3G Routers, VoIP gateways, Residential gateways, Access points, Routers, Broadband CPEs, Mobile handsets, Set-top boxes
- f. VSAT based systems Broadband, Disaster management
- g. Non-conventional energy sources, portable mechanical chargers for handsets, computers
- h. NMS/OSS/BSS systems for all above SNMP/Openview/CORBA

3.11 What should be the degree of indigenous manufacture of components that we can reasonably achieve a period of 5/10 years?

The degree of indigenous manufacture of components in the next 5/10 years:

- 1 30% by 2011
- 2 50% by 2012
- 3 70% by 2015
- 4 100% by 2020

3.13 Is the Duty on components currently being levied high? If so, on what components can the duty be reduced? What are the financial implications and the corresponding benefits?

All the research & development activities and related components used for indigenous product development shall be exempted from all duties.

3.14 Should electronic Manufacturing service companies be incentivized? If so, how?

Over last decade, Government deliberations on □Boosting local manufacture of Telecom gear□ have been influenced by big Telecom companies, who have a larger visibility. They have been able to influence decision makers since 1998 □ 99 into opening up of economy faster than our international commitments.

Also they have been able to divert focus from real ground level issues to talks on:-

1. Creating large Ecosystems,
2. Semi conductor foundry,
3. Centers of Excellence,
4. Big R&D budgets and
5. Infrastructure in port & highways to support domestic telecom manufacturers

These firms have ensured that □Indian Products□ are not allowed entry in the telecom networks (because of the very close global relationships foreign vendors have with the telecom operators). The foreign vendors are taking away Billions of \$ worth of 100% business from telecom operators. Also, the investments made by them are in the assembly factory, where the value add is less than 5% and not in the total system/product design where the value add more than 40-60%.

Thus simply promoting □Manufactured in India□ will not serve the purpose. Government must support R&D activities along with the local manufacturing by Indian firms to make India a self-reliant country in electronic products.

The visibility of Indian manufacturers may be lower on account of small size & marginal fiscal resources but they can deliver on all expectations and support all Government initiatives. It is now for the Government to ensure that Indian

manufacturers get the required support to develop a strong base immediately in the national interest.

The Government must hand hold and support products that are designed by Indian entrepreneurs and create a sustained market pull for Indian products. A few suggested steps are:

- a. All components used in the EMS facility should be exempted from all duties
- b. Products manufactured in India and further used in India shall be subsidized
- c. Government should give land in special economic zones to establish EMS houses

Manufacturing of equipment

3.15 Should the concept of mandatory use of Indian products/Indian manufactured products be introduced in the Indian context? If so, can this be introduced immediately or should it be introduced at a later date? If so, by what date?

It should be immediately made mandatory through license condition to use INDIAN PRODUCT by all licensed telecom & IT operators.

Following are the dates, which should be effective immediately:

- a. 30% by 2011
- b. 50% by 2012
- c. 70% by 2015

3.17 What should be, if any, the incentives to be given to individual service providers for use of Indian equipment?

The government should charge additional 5% R & D Cess from all licensed telecom service providers & than give concession to those who buy INDIAN PRODUCTS .

All licensed telecom service providers should pay 5% of their AGR as contribution towards R&D Fund.

Giving incentives to Telecom Service Providers:

Any telecom operator who buys □Indian Products□ will be eligible to a reduced Contribution of up to 0 % in a graded manner on pro-rata basis, getting the maximum reduction of 5%, if he buys more than 75% of purchase value of core telecom equipment.

3.18 Likewise, what could be the disincentives, if any, for use of imported equipment? This is compatible with international agreements?

The suggestion above is an incentive for using □Indian Product□ & also a disincentive for not using an □Indian Product□.

This is complied with all international agreements.

**3.19 What could be the duty structure to be imposed on imported goods?
Promoting Domestic Manufacture**

There should not be any duties levied on imported goods, as we are bound by WTO rules. But anti-dumping duties should be imposed on all telecom & IT products, sub-assemblies, manufactured, assembled & shipped from neighboring countries.

3.20 Should a percentage of the Indian market be reserved for the Indian manufacturers? If so, what should be the percentage?

It should be immediately made mandatory through license condition to use □INDIAN PRODUCT□

Following are the dates, which should be effective immediately.

- a. 30% by 2011
- b. 50% by 2012
- c. 70% by 2015

3.21 What, if any, could be the implications of such a step?

Same as 3.14