

Issues for Consultation

Research & Development

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

India should emerge as global R&D hub for the world. The focus shall be on

- a. Creating IPRs
- b. Making best of the laboratories available for development and testing
- c. Enabling manufacturing facilities for local production
- d. Certification labs in India which are recognized globally. Products used in India shall be certified by Indian laboratories.

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"

Target should be to achieve

- 1 30% by 2011 end
- 2 50% by 2012 end
- 3 70% by 2013 end

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?

Target for 2012 and 2020 is to achieve

- 1 30% by 2011 end

- 2 50% by 2012 end
- 3 70% by 2013 end
- 4 100% by 2020

3.4 What is the broad level of investment required for this effort?

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. Enable private/public relationship channels which shall meet the financial aspect of the R&D as well as address the Indian market requirements.

3.6 What can be the linkages established with Institutions or Indians abroad? Will this reduce time delays?

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 need 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. For all government projects, preference shall be given to Indian products.

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. Central monitoring body including TEC, ITI, and DRDO etc can be evolved to monitor the usage of funds and utilization of the products developed. This body will lay down national standards/specifications and prepare technology roadmap.

3.9 What could be the fiscal incentives to be offered by the Government? Should such incentives be linked to any outcome? Sourcing of Inputs

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

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

We are of strong view that there should be following percentages mandated for the use of indigenous products:

- 1 30% by 2011 end
- 2 50% by 2012 end
- 3 70% by 2013 end
- 4 100% by 2020

3.12 What, do you think, is the feasibility of setting up of commercially viable fabricating units to manufacture chips, ICs?

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 R&D projects and related components used for development of products in India by Indian company shall be exempted from all duties.

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

For more than a decade, Government deliberations on “Boosting local manufacture of Telecom gear” have been influenced by big Telecom companies, who afford a much 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-sufficient 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 end
- b. 50% by 2012 end
- c. 70% by 2013 end.

3.16 What could be the percentage to be stipulated for both these categories?

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

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.

Incentivizing Telecom Service Providers (Exemption from the Contribution):

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.

Any telecom operator who buys "Manufactured in India" products (as per Appendix-1) will be eligible to a reduced Contribution of up to 1 % in a graded manner on pro-rata basis, getting the maximum reduction of 1%, if he buy more than 75% of purchase value of core telecom equipment.

As per above guidelines, the effective rate of contribution for a service provider will be calculated as per the following formula:

Effective Rate Contribution: $5\% - (X/75)*5\% - (Y/75)*1\%$

Whereas, X = % of Capex on 'Indian Products' and

Y = % of Capex on 'Manufactured in India' Products.

Subject to a maximum incentive of 5% only

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 end
- b. 50% by 2012 end
- c. 70% by 2013 end.

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

Same as 3.14

Setting up of Special Zones or Telecom Clusters

3.22 What, if any, are the advantages of setting up of clusters for manufacture of Telecom equipment within the country?

3.23 What is the investment required for setting up of such clusters?

3.24 How can the financing of such clusters be best done, based on international experience?

3.25 What would be the lead time required for setting up of such clusters?

3.26 What are the considerations for the location of such clusters?

Testing, Standardisation and Accreditation

3.27 What, in your opinion, would be the best agency to set up and manage such a Common facility/ies?

3.28 What would be the facilities and the level of investment required in such a facility?

3.29 How will such an investment pay for itself?