



Confederation of Indian Industry

Subject: Key submissions by members of Delegation from CII National Committee on ICTE Manufacturing

Reference: Meeting with Chairman, TRAI on the 23rd October 2017

TRAI has prepared a consultation paper on 'Promoting Local Telecom Equipment Manufacturing and has hosted the same on their website and comments have been sought. Telecom is an important sub-sector of Electronics industry. The generic issues impacting growth of electronics manufacturing are equally applicable to Telecom Equipment manufacturing.

In order to share the issues and challenges faced by electronics manufacturers in India, a meeting was sought by CII National Committee on ICTE Manufacturing with Chairman, TRAI. Meeting was held on 23 October 2017 at office of TRAI, New Delhi.

A delegation consisting of the following was present in the meeting:

- Mr Sunil Vachani, Co-Chairman, CII National Committee on ICTE Manufacturing and Chairman, Dixon Technologies (I) Ltd.
- Mr Sanjiv Narayan, Chairman, SGS Teknics Manufacturing Pvt. Ltd
- Mr Satendra Singh, Global Head – Operations and Strategy, NSN
- Mr Rajesh Tuli, Managing Director, Coral Telecom Ltd.
- Mr Sanjeev Kakkar, President and CSO, Vihaan Networks Limited
- Mr Rajiv Mahajan, Senior VP, Tejas Networks Ltd.
- Mr Ramesh A Vaswani, Senior Advisor, Intex Technologies (I) Ltd.

The delegation was accompanied by Dr. R C Chopra and Mr H Navneet from the CII secretariat.

Mr Sunil Vachani, Co-Chairman, CII National Committee on ICTE Manufacturing briefed Chairman, TRAI on the broad composition and activities of the Committee and brought the followed issues to his notice:

The ICTE suffers from disability on account of high cost of finance, power and transportation/logistics. The disability increases with value addition (VA) in step with increasing exposure to domestic resources, about 10% at 50% VA and seriously impacts competitiveness.

Following three approaches were suggested for mitigation of the disabilities.

Method I: Through Direct Tax.

(In this methodology weighted deduction in respect of Interest paid, Power cost and Freight in proportion to the disabilities is provided for as a deduction in Profit Before Tax (PBT).



Confederation of Indian Industry

Method II: Through extension of production subsidy

- Production subsidy announced in the revised MSIPS policy (3rd August 2015) be implemented and the scope be broad based to include the entire value-chain. Additional weightage for usage of locally manufactured inputs should be given.
- Since this production subsidy is towards partly mitigation of the disabilities faced by manufacturers in India, its applicability should extend to all existing and new investments. It may be ensured that existing investments are not discriminated against.

Method III: Through GST retention for 7 years

- Allowing GST retention for 7 years across the value chain would mitigate disabilities suffered by the industry.

All these three Methodologies suggested for compensation of disabilities fall under the category of OPEX based value addition indexed incentives. Value addition norms should be based on verifiable data.

- Wherever possible, with due regards to our commitments in the international fora, BCD on electronics products, especially non-ITA-1 be **increased by 10 percentage points**.
- Manufacture of electronics products from component level is considered important. In this context import of Assembled PCB (**PCBA**) be discouraged. It was brought out that import of SKDs has grown @200% p.a. compared to finished product import @ 20% p.a. wherever possible a BCD of 10% be imposed on import of PCBAs. At the same time the entire value of PCB assembled locally using imported components be considered as local (on the lines of PMA guidelines by MeitY for IT products). Once the PCB assembly starts there would be opportunities for replacing imported components with those domestically manufactured.
- To succeed in developing India as electronics manufacturing hub, efforts should be towards localizing manufacture of components. Since there is no manufacturing of semiconductors, focus may be on passive and electromechanical components, metal and plastic parts, wire harnesses.

The PMA policy, a good initiative by Government to encourage MII, has not been well implemented. The policy needs to be strictly enforced in all Central and State Government purchases. Also it was suggested that in the spirit of MII, **all National projects such as Digital India, Smart Cities, BharatNet be implemented with domestically manufactured products.**

The following key points of the **Buy America** policy of the US Government to promote domestic manufacturing were also highlighted.



Confederation of Indian Industry

1. The policy was first implemented in year 1933 and is in force till now.
 2. The policy provides price preference to US companies which is in the range of 6% to 50% over the L1 price of foreign suppliers.
 3. Government of the USA has to report to the Senate on the waivers given in Government purchases where Buy America Policy was not implemented and justification why this waiver was given.
 4. Similar policies are in place in China, Brazil, Russia and many other countries.
- Major users (service providers) of telecom equipment are in the private sector, who are importing their requirements. Domestic users be incentivized to purchase their requirement from domestic manufacturers.
 - Products manufactured in EHTP/EOU/SEZs etc. should be allowed for sale in the domestic tariff area (DTA) without any restriction, **on payment both of duties waived/foregone on inputs as well as all domestic taxes on the output.** This would bring parity in taxation with the units manufacturing in DTA and support the Government's **Make in India** initiative.

Following issues related to SEP and FRAND related to mobile handset manufacturing were highlighted:

- There is no provision in the existing laws for determining essentiality of the Patents.
 - There is no law or guidelines for specific code of conduct to be followed by so called SEP holders to transparently conclude that 'FRAND' terms are being offered.
 - Unwilling Licensee is not defined in any Indian law and is often the grounds for filing an injunction during FRAND discussion/negotiations.
 - There is no independent authority as well as there is no policy of SSO to determine the validity and essentiality of the Patents declared before SSO as essential.
 - TDSI's IPR Policy needs to be changed along lines similar to IEEE, where it is stipulated that Royalty is payable on the Smallest Saleable Patent Practicing Unit (SSPPU).
-