



**VIHAAN NETWORKS LIMITED**  
21B, SECTOR 18, UDYOG VIHAR, GURGAON - 122 015 INDIA  
T: +91 124 265 7600 F: +91 124 410 4766

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Shri Arvind Kumar  
Advisor (Broadband & Policy Analysis)  
Telecom Regulatory Authority of India  
Mahanagar Door Sanchar Bhawan,  
Jawahar Lal Nehru Marg,  
New Delhi - 110002

**Sub : VNL Response to TRAI Consultation Paper on Promoting Local Telecom Equipment Manufacturing**

Dear Sir,

This has reference to TRAI consultation paper on 'Promoting Local Telecom Equipment Manufacturing' issued on 18<sup>th</sup> September 2017, seeking comments from the stakeholders on various issues, we enclose herewith our response on this important topic.

We will be attending the Open House Discussions for further deliberations on this consultation paper, once the date for the same is announced.

We are hopeful that our submissions will be considered positively and suitably incorporate while finalizing the recommendations.

Thanking you,

**For Vihaan Networks Limited**

Sanjeev Kakkar  
President & Chief Strategy Officer

Encl : As above



## **VNL Response to TRAI Consultation Paper on Promoting Local Telecom Equipment Manufacturing**

The telecom sector has seen unprecedented growth in the last couple of decades with over 1210.71 Million subscribers. However, the domestic telecom equipment manufacturing industry could not grow despite of such phenomenal growth in telecom services sector and huge domestic demand.

The reality is that we are nowhere near achieving the targets set by the Govt for the growth of domestic Industry for last many years as well far away from achieving Net Zero Imports as envisioned by the Govt. to achieve by the year 2020.

Somehow whatever policy measures have been taken by respective governments to promote domestic manufacturing have not helped the sector achieving its objectives and hence required a radical shift in the approach to correct the anomalies.

Our inputs on the issues raised in the consultation paper as below:

**Q.1 Large number of initiatives have been taken by the government to promote electronics manufacturing, while these initiatives have succeeded in attracting significant investments in other sectors like LED, consumer electronics, mobile handsets, automotive electronics etc., they have failed to attract investments in telecom equipment sector e.g. PMA has worked very effectively in LED sector but did not work so effectively in telecom. Please enumerate the reasons with justifications for the poor performance of local telecom manufacturing industry in spite of numerous initiatives by the government/ industry**

### **VNL Response:**

#### **1. Preferential Market Access (PMA) policy**

Dynamics of Telecom manufacturing are much different from Consumer IT industry.

The Electronic sector which includes LED, Consumer Electronics, Automotive electronics mobile devices etc., are basically high volume and low complexity products. They can be easily localized because of comparatively low value addition activities involved in the assembly / manufacturing of these products. For success of such operations, lower operating cost, with right financial incentives and proximity to the large customer base are major success criteria.



On the other hand telecom infrastructure products primarily goes into the carrier grade networks of the service providers or are used as high end enterprise solutions. Products are complex and require high level of domain expertise for their design, development and manufacturing. Technical competence in evolving domains, strong R&D and Innovation capabilities as well as large capital investments to support long gestation period are critical for the design lead manufacturing of telecom products.

If we look at the global scenario, for each of major product category, there is dominance of few companies. In Telecom mobile products & solutions category, there are only two Major European players (Ericsson, Nokia) and two Chinese (Huawei, ZTE). IPRs of the products are owned by the respective company, only for the sourcing the components and assembly of the product, the manufacturing setups of China and other cost competitive geographies are utilized by these companies. Major value creation and returns on the IPR are accrued in the countries of origin of these organisations.

Major objective of the PMA policy in telecom sector was to promote, progressively increasing value addition based domestic manufacturing in the country. PMA is not meant and suitable to incentivise low value addition scale up assembly / production activities in the Telecom sector.

There has to be strict enforcement so that its real objective to encourage design led high value addition based manufacturing is achieved and is suitably rewarded.

**There have been lacunas which have restricted its rightful impact.**

- a. PMA policy has shown some marginal positive impact in the manufacturing sector. However, this is not being enforced strictly in all Public procurement per the laid down guidelines of the policy, which is one of the major issues.
- b. It is not enforced in many of the State entities, PSUs and central Govt funded projects where large procurements happen.
- c. There are instances where the procurement agencies include some restrictive clauses in the specifications of the product or qualifying criteria **which limits participation of domestic suppliers in the tenders**. Some examples are inclusion of requirement of Gartner Quadrant & IDC ranking (international ranking) of vendors, enforcing technical specifications based on a particular Global vendor, artificial barriers being created with requirement of scales, turnover, requirement of certification from a foreign agencies etc.
- d. As per the existing PMA policy, there is a provision for the domestic bidder to match the L1 price, if their bid is within 20% of the L1 bid. By increasing the limits will provide better flexibility to domestic players to match the competition.



- e. With all disabilities faced by domestic industry, PMA policy in present form is not a very effective way to revive design lead manufacturing of telecom equipment in the country. Despite of best of technology skills and competitiveness, domestic players some time can't compete with the Global manufacturers, because of their Global economies of scale, financial support from their Governments, predatory pricing etc.

**Rather PMA policy shall be suitably amended to provide Price preference of about 20% to domestic players to overcome above disabilities.**

- f. The policy envisages self-certification by the vendors on the compliance to actual domestic value addition accomplishment. This has serious limitations. We understand there were instances of making false claims.
- g. In our response to Q.9, we have proposed some measures to be taken for making the PMA more effective.

## **2. Information Technology Agreement (ITA):**

The signing of ITA-1 has impacted the domestic manufacturing in the country severely.

The domestic industry suffers fiscal disability on account of high cost of financing, deficient infrastructure, high cost of transportation / logistics etc. The disabilities increase with value addition with increasing exposure to domestic resources, which seriously impacts the competitiveness of domestic product against free imports.

Also as a signatory to ITA-1, somehow India had been permitting blanket zero-duty imports of several categories of high-value telecom equipment under the HS code 8517 irrespective of whether they were explicitly covered under ITA-1 or not. This has further impacted the domestic industry catering to products under this code.

Because of this anomaly most of the new generation telecom products which never existed at the time of signing of ITA-1 (1997) are still getting imported in the country at zero duty, which is seriously compromising the competitiveness of domestic industry and putting on risk of the huge investments being done by domestic industries in these evolving areas. There are not enough safeguards.

Since we are at the cusp of a wireless/broadband and IT revolution today, we should not repeat the mistake by signing ITA-2 with expanded product coverage. Such agreements will further severely impact the domestic manufacturing industry aiming to invest in high value add product manufacturing of evolving broad range of product portfolio outside the ITA-1 coverage

In our response to Q.7, we have raised the issues under ITA need to be addressed for making the local telecom manufacturing more competitive and robust.



**Q.2 What policy measures are required to be instituted to boost Innovation and productivity of local Telecom manufacturing in our country? Please provide details in terms of Short-Term, Medium-Term and Long-Term objectives.**

**VNL Response:**

India has failed to achieve required success in innovation and manufacturing of high technology telecom products in the country and still heavily dependent on its imports, increasing trade deficit poses a serious challenge for the economy.

More so growing use of ICT in critical infrastructure creates new vulnerability and opportunities for disruption. Their effects carry significant risks for the security of the nation. The country's ability to fortify its security depends on the degree to which it is able to strengthen self-reliance in critical technologies and products to be deployed in the core telecom infrastructure.

There are mine fields of internal vulnerabilities in such equipments that a country cannot even begin to address unless it has some control on the design and manufacture of ICT technology.

**This required a strategic policy intervention from the Government for the sector deemed of national importance.**

It is imperative that Research & Development in this sector needs to be encouraged and strongly supported by the Govt., which will only lead to IPR creation and building competence in system design knowhow in core areas of interest.

R&D in high-technology needs to build sustainably high skills, massive investments, to face formidable competition from near monopolies and is a very risky challenge to take on.

The fact remains that in the global telecom wireless market space there are only two equipment manufacturers i.e., Nokia and Ericsson in Europe and Two in China, i.e., Huawei & ZTE. They share the major chunk of supplies to various telecom networks globally. The technological areas involved are complex and require sustained funding for long term survival. It is an established fact that success of these companies, especially in China, was made possible because of all-around support by their Governments in terms of funding, assured domestic market access, restricting imports through non tariff barriers etc. They have supported them on each of these critical issues including IPR negotiation & protection etc. The efforts on the part of Indian Government support are no-where near the same to build even one national champion in the sector.

**Presently Most of the funding from the Indian Government flows to academic institutions, which is normally research oriented. What is missing is the funding to the industry to support R&D and Innovation to design & develop telecom products which are required in our domestic market and meets the specific requirements and price aspirations of the masses and do the social good.**



**Existing policy framework can't break the well orchestrated monopoly of dominant global players.**

**Suggestions:**

1. The present Defense Procurement policy (DPP 2016) considers self reliance in Defense manufacturing as a vital strategic and economic imperative and places emphasis on utilizing the emerging dynamism in the Indian industry by leveraging domestic capabilities that enables design & development of required equipments, components by Indian industry, R&D organization or their combination.

*In defense procurement policy, under "Make" categorization it aims at developing long term indigenous defense capabilities. Under one of the category design & development of the equipments; necessitating harnessing of critical technologies which involves large infrastructure investments are involved and development period is large, Government ( MOD ) funds upto 90% of the project cost and remaining 10% is borne by the selected industry partner.*

2. In line with defense Procurement policy, Government (DOT) must fund major telecom infrastructure / technology development requirements, which have long gestation period, need high investments and meets **Medium and Long term national telecom network roll out requirements.**
3. While domestic Industry faces serious disabilities, also there are serious security vulnerabilities/ threats country faces because of the **core telecom infrastructure products. In view of the same government must consider self- reliance as vital strategic and economic imperative and define critical infrastructure segments under telecom sector as a strategic / core segment and to take some drastic policy steps to support the sector with suitable policy initiatives which are within the framework of WTO.**
4. It is suggested to promote domestic manufacturing under these segments differently based on real value addition with IPR creation performed locally. Suitable incentives/ measures are to be taken so as to build the domestic ecosystem and restrict import of the products.

**Once defines as requirement under Strategic core segment, Basic Customs Duty (BCD) shall be imposed on import of fully finished / traded products (which includes foreign technology/System software supplied through Indian entity in garb of domestic IP) of about 35%.**

**Also, to introduce an appropriate differential Tax structure on the assembly of product in the country, through import in SKD with tax disadvantage of about 25 %.**

**High value addition manufacturing shall continue to be covered under present Zero (0%) Duty on the import of components/ inputs only for the products being manufactured locally with value addition criteria's as per the PMA guidelines.**

5. Presently there is no telecom specific R&D/Innovation scheme for funding. Telecom Equipment Manufacturing Council (TEMC) formed by Government in year 2013, in its recommendations on R&D, IPR and Standardization, had recommended creation of new funding schemes for telecom sector, i.e., Telecom Entrepreneurship Promotion Fund (TEPF), Telecom Research & Development Fund (TRDF) and Telecom Manufacturing Promotion Fund (TMPF) with total outlay of Rs 17,500 Crs, as recommended in the 12th Five year plan. These have not been implemented and need to be implemented fast.

6. We need to identify some of the core technological areas in the evolving trends and specific to long term Indian deployment needs. To promote companies who have requisite technological competence to develop and commercialise world-class products in these areas. Our endeavour should be to identify some of the frontrunners and aim to create national champions in each of these areas besides new entrepreneurs, who display promise to contribute in this field.

We must work out a strategy for Government partnership in such core areas so as to provide long term funding and requisite policy support to nurture these companies and create National Champions in telecom sector, such as matching grants / soft loans for R&D and new product development, Commercialization support in form of assured business in government funded projects etc.

7. **Short and Medium term** focus shall be to encourage and support design & development, manufacturing of products that can be commercialized easily, as required in Indian telecom networks. Govt shall fund such industry led initiatives liberally and support them for market access to ensure their success.

8. **Major portion of the Government R&D grants should be allocated to the Industry driven R&D project for product development.**

9. Academia should provide academic inputs / research support to industry or contribution towards IPR creations towards evolving standards, with very clear objective targets.

10. **Suggestion for suitable modification of existing supporting mechanism :**

a. M-SIPS scheme has attracted large number of proposals, which includes big ticket projects from large global organizations. It is understood that government has limited funds under the scheme.

For its wider benefits, it is proposed that the scheme shall be extended further at least five more years and to ensure that the limited funds extends its benefits to maximum number of small and medium domestic industries, cap of funding may be restricted to say Rs 200 Crores to one company / one brand.

- b. Further, under MSIPs, it is a known fact that a significant part of the R&D costs is spent on manpower/salaries. Hence in order to make the MSIPS policy pragmatic, it is important that the staffing costs should be enhanced to upto 75% from the present 15% cap.
- c. Export incentives for high value-added telecom equipment products under HS codes 8517 (85176100, 85176260, 85176270, 85176290, 85176930, 85176950, 85176990, 85177010 and 85177090) also should be rolled back to 5% from the current reward rate of 2%.

**Q.3 Are the existing patent laws in India sufficient to address the issues of local manufacturers? If No, then suggest the measures to be adopted and amendments that need to be incorporated for supporting the local telecom manufacturing industry.**

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**Q.5 Please suggest a dispute resolution mechanism for determination of royalty distribution on FRAND (Fair Reasonable and Non Discriminatory) basis.**

**VNL Response:**

Existing patent laws are not protecting the interests of the domestic manufacturers. Also Patenting is an extremely cumbersome and costly affair because of which most of the domestic companies are not encouraged to invest their time and money.

Telecom products are primarily based on global standards. Standard Essential Patents (SEPs) are the patents which are essential to standards. For widespread adoption of the SEPs, their availability on FRAND terms is critical.

The issue of SEP and its availability on FRAND terms became critical now especially when there has been great interest and investments in India under Government's ambitious 'Make in India' program to develop and manufacture broad range of telecom products based on the Global standards.

There is a serious need to curtail the anti-competitive behaviour and potential abuse of SEP ownership by patent holders which is serious to impact the domestic industry adversely.

**Key issues are:**

1. Royalties payable on IPR / SEPs is one of the major hurdles and bottleneck for local manufacturing.
2. Once local manufacturer achieves some level of commercialisation, several SEP holders start asking royalties and manufacturer does not know how to respond.
3. There is no provision in the existing laws for determining the essentiality of the patents that are being forced on the Indian domestic manufacturer.
4. There is no authority, who confirms that what patent is considered as SEP. As a result, any patent holder starts claiming his patent as SEP and starts demanding royalty which leads to legal battle.
5. Further, same is the case with Royalty rates, where again no authority to ascertain in India or abroad what royalty rates to be paid on the IPRs. There is no sanctity of FRAND. The patent holder, citing the confidentiality clause, does not disclose the rate of royalties decided in the past for the IPR.
6. At present, as a thumb rule, royalties are claimed on the entire cost/sale price of the product. If you make a high level of integration in the product meeting the local aspiration of Indian user, you have to pay the addition royalty because of high selling cost of the product because of the multitude of functionalities.
7. There is no single window like structure in place which can provide clarity in terms of various issues related with the licensing requirements at the time of commencement of manufacturing activities.

**Suggestions:**

1. It is suggested to set up a Government entity, under Department of Telecom, which shall be an independent body to look into all issues related with SEPs, including Essentiality, License fee, Royalty, Injunctive Reliefs, mandatory negotiations, patent hold-ups, Supra FRAND terms, Super natural profiteering etc.
2. This entity with right involvement of domestic industry, academia, and DoT should vet and approve Essentiality of all SEP patents and licensing charges involved.
3. This entity to negotiate for IPR royalties for India as a whole for manufacturing and then applicable to all manufacturers, as done by China.

4. Logically royalty should be on the cost of component/part on which patent holder have IPR. As a prevailing rule royalties are claimed on the entire cost/sale price of the product. Legal battle in this behalf remains unsolved and is decided by negotiations. As such this is another unknown liability and must be suitably addressed. Suitable provision in the national IPR policy may be incorporated so that SEP Royalties are payable on the cost of components having IPR and not on the entire sale cost of product.
5. Currently, the Indian Patent Act mandates all patent holders to submit relevant information on the working of their patents in the territory of India by submitting a special Form 27 every year once the said patents are granted. A modified and longer version of Form 27 (Form 27S) may be designed for SEP holders that should apply right at the filing stage. There is a need to amend the existing Patent Act to include Standard Essential Patents (SEPs) and bind all SEP holders and implementers to the office of Controller General of Patents.
6. It is also critical to include SEPs within the Competition Act to enforce non-discriminatory behavior by all interested parties in the larger public interest.

**Q.4 Is the existing mechanism of Standardisation, Certification and Testing of Telecom Equipments adequate to support the local telecom manufacturing? If not, then please list out the short-comings and suggest a framework for Standardisation, Certification and Testing of Telecom**

**VNL Response:**

There is lack of clarity in this regard. Major IT/Telecom products being used across markets are primarily based on global standards. For example, mobile / broadband devices and network infrastructure products are based on global standards like GSM, LTE, Wi-Fi etc. Harmonization of standards to work across networks is important.

It is critical to understand here that India has peculiar requirements emanating because of demographic, infrastructure challenges, climatic conditions, paying capacity of masses and other socio-economical factors.

Therefore, it is necessary that India specific requirements / specifications are also incorporated considering our local needs. In view of the same, need for domestic specification factoring these requirements in the national standards becomes critical.

In this regard, TEC, being the technical arm of Dept of Telecom, is already mandated to formulate and release the Generic & Technical specifications of all kinds of telecom & IT equipment used in a telecom network through their GR/IR documents.

The challenge is that presently there is no mandate to do public procurement of Telecom products based on these GRs. In absence of the same in most of the RFP /RFQ, functional requirements, specifications, features and other frivolous condition based on an MNC's product are imposed. This restricts the eligibility of most of the domestic players even to participate in the tenders.

This is one of the major impediments for creating a level playing field for the domestic players against established Global players.

Non-following of National standards and their compliances/ certification in the country also pose serious threat to the national security.

Globally Countries like China and Brazil enforce local certification of all foreign products at affiliated test agencies in their country before it can be offered for sale in the local markets. The certification process is very expensive, extremely stringent and takes a long time to complete. Only suppliers with certified products are permitted to participate in local RFPs.

A similar system should be established in India as well. TEC can be the central testing and certification agency for the telecom sector.

### **Suggestions:**

1. For procurement of all telecom products, compliance to national standards (TEC GR) should be made mandatory for all procurements, especially in Government / Government funded projects. This will enable the innovator and domestic manufacturers to know against which specific requirements/ standards, Government is intending to make procurement. This will help bring transparency to the procurement process and standardisation will also help replicate across country and help reduce the cost by creating volumes. Strict product testing & certification against these standards shall also be mandated.
2. Government of India should implement stringent pre-market testing and security certification of imported telecom products from foreign manufacturers especially from China. In this regards Department of Telecom, vide its notification under PART XI TESTING AND CERTIFICATION OF TELEGRAPH vide definitions (No. 528) – it notifies that “Any telegraph which is used or capable of being used with any telegraph established, maintained or worked under the licence granted by the Central Government in accordance with the provisions of section 4 of the Indian Telegraph Act, 1885 (hereinafter referred to as the said Act), shall have to undergo prior mandatory testing and certification in respect of parameters as determined by the telegraph authority from time to time” .



3. Only TEC or any other Government accredited lab in India shall be allowed for the above certifications. Strict enforcement of the same in time bound manner is most critical.
4. Certification from any foreign certification shall not be permitted.
5. Government must make capital investment in creating such National Testing infrastructure. Till the time the Labs are created with full infrastructure in the country, Test equipments of the suppliers / Vendors can be used for testing and verifications of the products.

**Q.6 Are the current fiscal incentives sufficient to promote the local telecom manufacturing? Please suggest the fiscal incentives required to be instituted along with the suitable mechanism for implementation of these incentives?**

**VNL Response:**

1. Currently incentive on R&D deduction for tax purposes is 150% weightage. Considering the importance of large investments required in domestic R&D in the telecom sector, for its sustainability, the incentive should be restored to 200% for the next 5 years as was prevailing earlier.
2. The current MSIPS policy of MEITY should allow R&D expenses (including manpower) to be up to 75% of the project cost. Currently this is limited to 50 % of the project cost.
3. Studies shows that cost of doing manufacturing in India is about 15% as compare to global references, because of factors like High Interest on borrowed finance, deficient infrastructure, high cost of logistics etc. This shall be compensated to create a level playing field.

**This will need substantial fiscal support to domestic manufacturers if trend has to be reversed. Marginal changes or support will not yield results. This can be achieved by providing a 25% production incentive to domestic design and manufactured products.**

4. All incentives shall be linked with the compliances to the Value Addition criteria as per the prescribed in the PMA policy.



**Q.7 Are there any issues under ITA which need to be addressed for making the local Telecom Manufacturing more competitive and robust**

**VNL Response:**

India has signed ITA -1 agreement in 1997, which covers large number of IT and Telecom products with zero duty imposition on import of these products. The signing of ITA-1 has impacted the domestic manufacturing severely.

As a signatory to ITA-1, somehow India had been permitting blanket zero-duty imports of several categories of high-value telecom equipment under the HS code 8517 irrespective of whether they were explicitly covered under ITA-1 or not.

Post ITA -1 signing, there has been technology advancements, product evolution and convergence of multiple technologies, many new products or portions of many new products are not covered under ITA-1. Hence the new products can be treated as non-ITA1 which can now be subjected to import duties without infringing on our WTO obligations.

India adopted the Customs Notification No 11/2014 that raised a basic customs duty of 10% ad valorem for a few product categories which did not exist when ITA-1 was signed. Since the fiscal disability faced by the domestic industry in high value-addition telecom products is of the order of 25%, the existing duty should be further increased to 25%. Moreover the list should be further expanded to include new product categories including evolving mobile technology products including 4G, 5G, Broadband systems, Software Defined Radios, 100G/Greater-than 100G DWDM, GPON, IoT, switches , routers etc. to make it more inclusive and broad based.

The HS Code classifications had undergone changes/enhancements after India signing ITA-1 in 1997, with the advancement of technologies, evolutions of new products/functionalities. One of the important item code on which a number of countries have imposed Basic duty is products falling under HS code “85176990 – Others” Presently most of the new technology products are getting imported under “Others” classification.

**Thus it is proposed that highest rate of BCD, say 25%, should also be imposed on entire 85176990.**

Since we are at the cusp of a new wireless/broadband and IT revolution today, we should not repeat the mistake by signing ITA-2 with expanded product coverage. Such agreements will also severely impact the domestic manufacturing industry aiming to invest in high value add product manufacturing of evolving broad range of product portfolio outside the ITA-1 coverage.

**Q.8 Should an export oriented/promotion approach be adopted in the telecom equipment manufacturing sector? If yes, Please suggest the steps to be taken to create suitable environment to attract foreign investment players for setting up establishments which in turn can result in technology dissemination, innovation, generation of jobs, skilled labour force, etc.?**

**VNL Response:**

In our responses above, a detailed assessment of the reasons / challenges involved with the design, development & manufacturing of high-technology telecom products has been elaborated.

For any large investment by the domestic players in such high technology complex product manufacturing to be successful, it is most critical that they successfully commercialize their products in the domestic market.

This may be appreciated that the export can be achieved only when we have proved ourselves and have substantial base of supplies in the domestic market.

So the promotional approach cannot be purely on export focus, most critical is the providing domestic market access to the local players.

**Suggestions:**

Following are some of initiatives suggested to help promote export.

- a) The new MEIS policy announced by the Government of India curtailed the total export incentive on telecom products (wireless, optical and data networking equipment) under HS codes 8517 from 5% to 2%. This may be restored back to 5%.
- b) Under all LOI/Grants being announced by the government, it should be made mandatory to buy domestically manufactured telecom products complying with PMA guidelines.

**Q.9 Does the existing PMA policy require any change? If yes, then please provide complete details with justifications.**

**VNL Response:**

While response above brings out various issues hampering the growth, following are inputs for refinement of the PMA policy further and for its strict implication.

1. Strict enforcement of PMA policy is very critical to ensure the desired objectives of the policy are met in its true letter and spirit, especially at a time, when the Government has notified through DIPP, Public Procurement (preference to Make in India), Order 2017.

2. One of the major impediments in the successful implementation of the existing PMA policy is inclusion of restricted clauses especially in the specification / functionalities of the products by the buyers in the tender, which makes the domestic players ineligible to even participate.

It is critical to ensure that in order to have a fair, open and competitive environment for all participants including domestic players, there should be standardization of product specification as per national standards in all procurements.

**It should be made mandatory to comply with the respective product GR as per TEC/ DOT guidelines.**

3. All procurements of the telecom products shall be made as per respective TEC GR for all Network products or GR. Under no circumstances, the buyer shall specify product specifications / specific features which are not part of the respective TEC GR. For large projects which have countrywide requirements like Smart cities, Safe Cities, Digital Villages, Surveillance, SWANs etc TEC shall make a consolidated GR which shall become the specification of these projects. This will ensure that all states, cities countrywide will follow same specifications and dependency on external consultants will get eliminated to ensure better transparency
4. The new Public Procurement Order of DIPP envisages its applicability across all procurements including government PSUs for its requirements. It implies that BSNL & MTNL are required to comply and give preference in their procurements to domestically manufactured products.

In view of the above and to have broader coverage of its applicability, all Government Licensees (private operators) should also be brought under the purview of PMA policy.

It is also proposed to introduce an additional R&D Cess of 2% on the mobile service providers and they may be suitably incentivized on procurement of domestic products complying with PMA policy.

5. A nodal officer in one of nodal Ministries addressing key government policies may be designated with full mandate to ensure Make in India is happening. Industry can look forward to the official whenever any non-compliance is to be escalated i.e. in all cases where the tendering agency or concerned department doesn't follow PMA policy despite formally highlighting the same. Non-compliant clauses (if any) should be tracked and modified before the tendering date.

6. In case the equipment is merely assembled in India i.e., local assembly of subsystems and testing is done in India, then actual value addition may amount to a maximum of 10% of the cost of system. Such Assembled products shall not qualify under the PMA.
7. Verification of the Local Value Addition: For ease of business, the policy envisages self-certification by the vendors on the compliance to actual domestic value addition accomplishment. This has serious limitations. We understand there are instances of making false claims.
8. In order to safeguard from such false claims, it is suggested that there should be very strong objective guidelines to be incorporated for providing supporting documents in support of claims including that of local R&D / IPR claims which are reconcilable with the books of account of the supplier.

**Q.10 Any other relevant issues that needs to be addressed to encourage local telecom manufacturing in our country.**

**VNL Response:**

**Opening of Additional Spectrum**

Opening up the more unlicensed band spectrum and reservation of small chunk of frequency band for development and commercialization of new generation telecom application including IOT for captive uses is very essential.

With the advent of new technologies, enormous new products and services are going to evolve in near future. IOT will be requiring mix of wireless solutions for connecting millions of devices for the varied industrial applications.

More of unlicensed band shall be made available to cater to such large applications. License free band will open up enormous opportunity for innovation in domestic industry.

Also the traditional mobile infrastructure being deployed by the mobile operators has its limitations for providing a quality coverage and capacity inside the buildings, which impacts the quality of service. As per the provisions NFAP 2011, IND-50 and IND 55), a small chunk i.e., 2-3 MHz in GSM bands and suitable for 4G may be allocated for in-building, in-campus applications.

We envisage huge demand of mass market products in the domestic market for IOT and above applications. Development & manufacturing of such products will provide major impetus to the growth of domestic products under Make in India.