



Cellular Operators Association of India

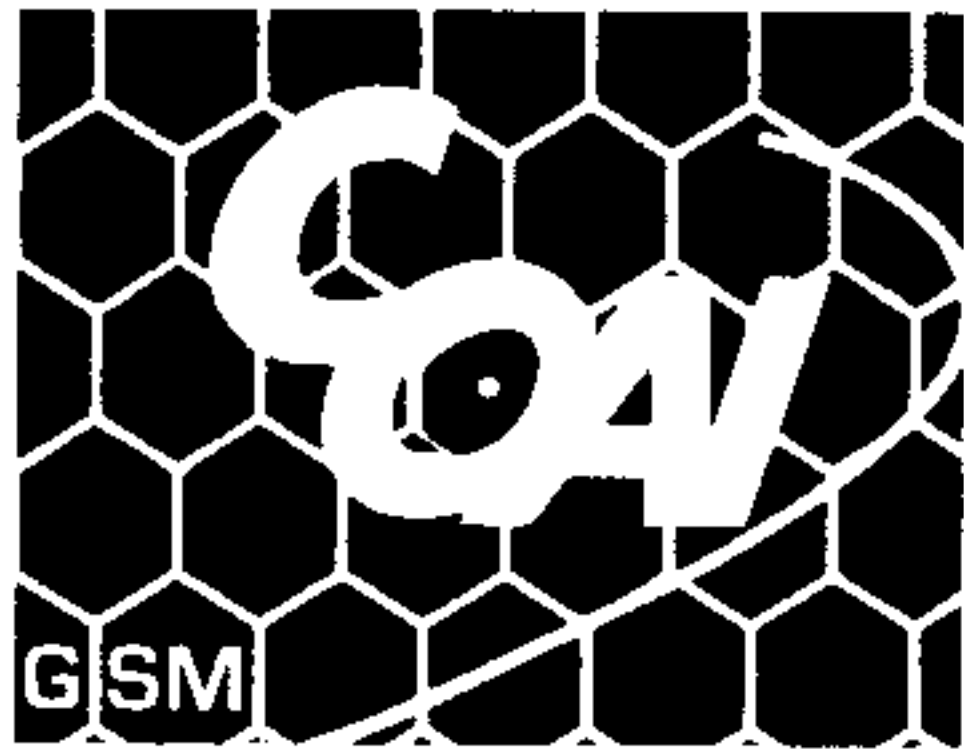
RSM/COAI/041
March 15, 2012

Shri. R. Chandrashekhar, IAS,
Secretary, DoT & Chairman, Telecom Commission,
Department of Telecommunications
Sanchar Bhawan, 20, Ashoka Road
New Delhi-110001

Dear Sir,

Sub: Telecom Equipment Manufacturing Policy – Developing an Actionable Roadmap

1. This is with reference to the proposals for enabling telecom manufacturing in the country. As you are aware a number of policy measures have been announced by the Ministry of Telecommunications and IT in the “TRIAD of Policies to drive a National Agenda for IT” , for Draft NTP 2011, for the 12th Five Year Plan proposals and for the TRAI recommendations on “**Encouraging Telecom Equipment Manufacturing in India**”.
2. At the outset we would like to mention that COAI and its members support measures required to enhance telecom equipment manufacturing in India, and are committed to the overall vision of the Government in making India a center for telecom equipment manufacturing. The progressive policies that that have been announced will certainly benefit the country and as is well known, access to cost effective IT and telecommunication services translates directly to economic growth and enhancing the quality of life of the common man.
3. The matter of Telecom Manufacturing in the country has been debated in various forums and it is evident that several actions are needed to support this vision. For India to become a center for telecom equipment manufacturing, there are many issues that need to be tackled realistically. The government will have to holistically promote the overall eco-system within the country which has to be plugged into the global supply chain.
4. In this regard, COAI had commissioned a study with M/s. Booz and Company to better understand the requirements based on the proposals by the Government (referred in Para 1 above), and present a report on “**Telecom Manufacturing Policy – Developing an Actionable Roadmap**”. This Report is based on detailed analysis of the domestic and international telecom markets, extensive and in depth discussions with all stakeholders in the Government, regulatory bodies, industry, academia and companies who are manufacturing in the country. This actionable roadmap is to assist all stakeholders to work towards making India a center for telecom equipment manufacturing. It highlights the challenges on the supply side and demand side that need to be addressed by the industry and the government. The report emphasizes that it is critical to understand the global ecosystem in telecom



equipment manufacturing, how this relates to the goals of manufacturing, innovation and security. This will help us to design an actionable telecom manufacturing policy that is robust for the country, suggests measures that will need to be taken to make this a reality, is sustainable, is least market distorting and is consistent with national requirements as well as our international commitments.

5. The report also recommends areas where the government can support the industry in this critical national requirement. The salient features of the report are enclosed as **Annexure –1**. We are also enclosing a copy of the detailed report for your consideration. An electronic soft copy will be sent separately.
6. At COAI, our efforts are directed towards working closely with the Government on policy issues, synergizing the efforts of all stakeholders towards harnessing and leveraging the needs of the country to enable effective outcomes. We believe that the Government and the industry can work together to develop a realistic actionable roadmap for making India a center for telecom equipment manufacturing.
7. We hope that this Report will be useful to shape and guide the efforts of both the Government and industry for this important national purpose.
8. In this regard, we would also like to make a presentation to you at a date and time as per your convenience.

Looking forward to a positive response.

Kind regards,

Rajan S. Mathews
Director General

Enclosures: As above.

CC : Ms. Sadhana Dikshit, Advisor (F), Also acting Member (F), DoT
: Shri. S.C. Misra, Member (Services), DoT
: Shri. S. R. Rao, Additional Secretary, DoT
: Shri. J.K. Roy, Advisor (T), DoT
: Shri. R. Gopalan, Secretary – Finance
: Ms. Sudha Pillai, Member Secretary – Planning Commission
: Shri. R.P. Singh, Secretary – Industrial Policy & Promotion
: Shri. R.K. Pathak, DDG (IP), DoT



Key Points of the Report on

Telecom Equipment Manufacturing Policy – Developing an Actionable Roadmap

1. Manufacturing

- a. India will account for ~ 3% of the global market by 2020 (~USD 17 bn). Self-reliance is not a viable tool to drive globally competitive economies of scale; further, no country is wholly self-sufficient in such a technologically complex industry. Further, Indian manufacturing would require to grow by ~ 100% CAGR over the next 5 years to meet TRAI mandates.
- b. Kick starting local manufacturing – aimed at global markets- calls for developing specialized telecom clusters while addressing infrastructural, fiscal and legal issues, including labor laws.
- c. Fiscal initiatives are key for accelerated development. Currently, the lack of a local cluster imposes an effective ~ 3% higher end cost on account of freight etc.; government may wish to consider a time bound (5 years) incentive to overcome this and kick start the coalescence of a cluster in India.
- d. Without local IC fabrication facilities, not more than ~15-20% value addition is possible in India even over the next 3-4 years. To go beyond that figure requires for India to promote the entire electronics cluster.
- e. PMA mandate should be consistent with WTO guidelines. To the extent applicable, government may consider revising its PMA guidelines for 'value addition' to incorporate substantial transformation to recognize transformation activities and make policy more implementable.

2. Innovation

- a. Encouraging foreign investment is key to transferring know-how and developing capabilities to enable end-to-end product development. Need to strengthen IP protection and infrastructure to facilitate this.
- b. Initiatives providing seed funds and infrastructure for early stage ventures need to incorporate global best practices.
- c. Lack of comparable commercial financing options costs local small players significantly in the market. This gap needs to be plugged from both supply and demand perspective



- A fund which allows local players to offer competitive contract financing options to buyers should be established
 - Operators may be incentivized via license fee rebates
- d. To build the ecosystem, we need three or four independent mission mode taskforces to foster partnership between Government, industry & academia and focus on developing commercializable technologies

3. Security

- a. Local manufacturing does not necessarily have any correlation with security. Government needs to develop a comprehensive CIIP framework across all networks under threat – financial, utilities, government etc. classifying action by critical services sought to be protected.
- b. Basic manufacturing threats and operational attacks can be mitigated by a comprehensive certification and testing program (e.g., Common Criteria) which by design needs to run across all networks of all makes