TIMES NETWORK'S COMMENTS ON

THE CONSULTATION PAPER ON

"PROMOTING LOCAL MANUFACTURING IN THE TELEVISION BROADCASTING SECTOR"

ISSUED BY TELECOM REGULATORY AUTHORITY OF INDIA ON 22nd DECEMBER, 2021

TIMES NETWORK
NOW OR NOTHING

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(Without Prejudice)

INTRODUCTION

At the outset, we welcome the initiative taken by the Telecom Regulatory Authority of India with respect to seeking stakeholder responses through the present Consultation Paper for taking up the issue of promoting local manufacturing in television broadcasting sector and sincerely look forward to formulation of Recommendations on this subject.

The issue very well goes with the "Make in India" initiative and the "Atmanirbhar Bharat Abhiyan" launched by the Government of India. These initiatives are not only intended to make India a self-reliant country for meeting the demands of its local population but also to make India a global hub for manufacturing with state of the art manufacturing facilities which can adequately compete and stand in the global market. These initiatives if implemented properly have the power to replicate the story of China's manufacturing growth in the last three decades.

The broadcasting sector in India has seen immense growth in the previous two decades and there are over 210 million TV households. India has multiple languages and different cultures. Hence, there are about 900 TV channels catering to the diverse population. TV penetration in India is currently estimated at 60-65 per cent. In addition to the un-serviced homes, the practice of having more than one TV unit in serviced homes will also contribute to higher connections.

Hence, by any yardstick, the broadcasting sector in India is huge and offers immense potential for manufacturing of the broadcasting equipment in India.

However, there have been major shifts in the policy decisions of the Government in the broadcast sector. The DTH was introduced in India which required installation of consumer premises equipments (CPE) like the STB, small sized antenna, LNB equipment etc. in every home requiring DTH connection. There was no thought process at that point of time to promote the domestic manufacturing for meeting this demand due of opening up of DTH services. Though DTH beginning was humble, it gained momentum over the years gaining a large market share. In addition the Digital Addressability System (DAS) in the broadcasting sector in 2012 was introduced without thinking about meeting the hardware requirements for the sector. The DAS also required installation of CPE at viewer home. The policies were focused on meeting the consumption or the demand side ignoring the supply side. Though this approach helped in quicker rollout of the DAS in broadcasting sector, however the growth happened at the cost of domestic industry as the country lost an opportunity to build its manufacturing capabilities in this sector and the foreign companies enjoyed the fruits of the expansion of the broadcasting services in India.

Then, there have been many policy U-turns on the tariff related provisions for import of the broadcasting equipment. For instance, almost all the union budget had a different approach for tariff related provisions for import of STBs. This type of dilly-dallying in approach has not encouraged any local entrepreneur to come forward and set up a large scale manufacturing facility for manufacturing of the broadcasting equipment in India. The foreign manufacturers who have set up bases outside India to meet the huge Indian demand have almost already amortised their capital costs and are in position to compete aggressively on the prices which a new Indian manufacturer will find hard to match. Hence, it is important that the protection is given to the domestic industry through tariff (by imposing higher custom duties on the equipments/raw materials/spare parts etc.) and non-tariff provisions (anti-dumping measures, prohibition of import from certain countries etc.) apart from making the entire ecosystem an enabler or facilitator for local manufacturing which not only meets the domestic demand but will also cater to the demand of other countries specially the neighbouring developing countries of India.

With the above preface, we here in below give our brief comments against the issues for consultation:-

ISSUES FOR CONSULTATION

Q1. What is your assessment in respect of local manufacturing in the television broadcast sector of India? Is there requirement for a focused action in promoting local manufacturing in the television broadcast sector? Please elaborate.

Yes, there is a need for a focussed action in promoting local manufacturing in the television broadcast sector.

The policy makers, the implementation agencies and the entrepreneurs need to come together. The way electronic equipment manufacturing has received the focus of the policy makers, the broadcasting equipment manufacturing should be promoted.

Advantages of promoting local manufacturing :-

1. Saving of scarce foreign exchange
2. Promotion of local industry and employment

3. High quality products with manufacturer accessibility

For example- one of the main issues grappling the broadcasting industry relates to piracy. The Conditional Access Systems deployed by the service providers are sourced from foreign vendors who are not answerable to the Indian authorities and hence any recourse or remedial measure does not yield desired results. If the CAS/SMS systems are provided by Indian vendors, then the answerability can be fixed.

Q2. Do you think there is an adequate opportunity, market, and/or demand for the manufacturing of television broadcasting (headend, back haul transmission, CPE and others) equipment in India? Please provide your comments with supporting inputs and data. What are specific requirements of special interfaces and features needed in transmission equipment used in Television broadcasting sector? Elaborate with respect to specific equipment like headend interface equipment and CPE/STB.

The very large size of the Indian market itself is a strong reason to go for setting up manufacturing hubs in India. The way the EV manufacturing is being envisaged in India before the launch of the Electric Vehicles, the same way it should have been done for manufacturing of broadcasting equipment before roll out of DAS or even at launch of DTH services. However, though India has missed on this opportunity which could have given a big boost to its manufacturing facilities. Still we feel that there is lot of scope to set up Indian manufacturing facility due to following reasons :-

About 100 million homes are yet not connected to the TV.

The strong replacement demand which will start coming in near future.

There will be requirement for upgraded STBs (from SD to HD ; having facility of RPD ; to make it accessible to Persons with Disabilities in form of option of closed captioning etc)

The developments in technology will lead to emergence of new equipment for television broadcasting. Hence, the manufacturing infrastructure should be available to tap on that opportunity.

However, the policy initiatives should be flexible in view of the continuous evolvement of technology and should encourage development of new technologies.

Q3(a). Do Indian manufacturers have adequate capabilities to meet the broadcasting (headend, transmission, CPE and others) equipment demand of the Indian cable television sector?

Yes, the capabilities of the Indian manufacturing sector cannot be doubted and there are many examples of state of the art manufacturing facilities set up by Indian entrepreneurs which not only meets the indigenous demand but also exports their products to various countries. The Indian automobile industry has been successfully exporting a large number of automobiles to various countries including the developed countries which requires the stricter emission norms as compared with domestic requirements.

Q3(b). If yes, then what new measures, if any, are required for the local manufacturing sector to capture a greater market share?

As stated above, the vision of the Indian Government should be clear and the policy measures should be laid out in accordance with such vision. There should be policy consistency and policy predictability. We have seen much dilly-dallying on the policy measures. For example, there have been several occasions wherein the Government of India has taken a complete U turn on policy related to STB imports. There are occasions wherein the STB imports was permitted with zero customs duty and there are periods when STB attracted very high custom duty with a view to promote domestic industry. The same has been due to shift in the thought process. Such shifts has a great impact on the entrepreneurs who have plans to set up manufacturing plants but due to non-consistent policy, avoids making huge investments in setting up the plants.

Any manufacturing unit which needs to be set up has to have an optimum scale without which the entire project will not succeed. Accordingly, such units will require a massive investment. If there is no clarity on the vision of the Government and the related policy measures, no company will come forward and challenge the dominance of the existing foreign manufacturers who have already amortised their plant cost and can now afford to "dump" the products in other countries to oust the competition.

The Government should review its international treaty obligations and the provisions of such treaties which are being misused/ manipulated by certain international players. For eg. The 35% value addition provision for imports from Vietnam/Thailand etc. should be reviewed.

For instance, there has been lot of lobbying from international EV manufacturers to lower the tariffs so that EV can be imported and sold in Indian markets. Like the Government has rightly not acceded to such proposals, it is believed that in the coming years, there are many Indian enterprises which will make entry into this space and hence in the years to come, it will not happen that when there is a shift to EV, it will be dominated by the foreign manufacturers. Hence, the supply side considerations are given their due importance so that the upcoming demand can be met from domestic sources.

Such long term policy consistency should also be made and be visible for the broadcasting sector manufacturing.

Q3(c). If your answer to Q3(a) is negative, then please comment what measures can enable local Industry to consider manufacturing of equipment for broadcasting (headend, transmission, CPE and others) segment? Please provide supporting inputs with relevant details.

Not Applicable.

Q4. What are the reasons for the limited market share of local STBs? Do the local manufacturers face any entry/exit barriers such as, but not limited to cost competitiveness, and/or technology-related issues? Please elaborate with supporting inputs.

The countries like China and Korea had set up large factories sensing the demand of the Indian market. Ideally, DAS should have been aligned to building of Indian manufacturing, however only one aspect of digitalization of TV services was kept in mind that DAS should be implemented within defined timelines while not looking into the fallout of the effects of massive imports on domestic industry.

There are many entry and exit barriers for manufacturing units in India which make both setting up and exiting business difficult for an entrepreneur. There are plethora of laws relating to labour, environments, factories which act more as a barrier than as facilitator. There are innumerous Local/State Government interventions in the manufacturing activities. Though there have been some reforms in respect of having a common Goods and Services Tax, but a lot needs to be done to improve the manufacturing cult in the country. The whole environment is required to be built wherein manufacturing activities are respected as generators of employment and wealth in the society.

Q5. What measures do you suggest for improving the competitiveness of local manufacturers? Please elaborate your comments with supporting inputs and data.

Joint ventures collaboration should be allowed which will help them to adapt the latest global technologies in manufacturing in the country. This will facilitate Indian industry to grow and also tap export markets.

Q6. What other measures can be taken to encourage the adoption/usage of domestically produced STBs and other Consumer Premises Equipment among the distribution platform operators?

The following may be considered :-

Quick product licenses to be offered;

Tax benefits

Land should be made available with ready infrastructure.

The power availability including its quality should be improved. Further the cost of power should be rationalized for industries. There are lot of inefficiencies like T&D losses in the power sector which are passed on to the consumers. This should be checked and there should be fair pricing for industrial consumers.

The labour laws should be reformed and the inconvenience and excessive compliance burden by various departments at state and local level should be looked into and done away with. The industries should be seen as creators of employment and wealth and should be respected.

The high speed rail corridors should be built for faster transportation of the raw materials/finished products from one place to another.

Q7. MeitY supported development of local CAS, which has been available for more than two years. What further measures, if any, should be undertaken to enable increase the market share of local STBs, that are designed in India, running on Indian CAS and made in India? Please elaborate with reasoning.

India has been known for making the highest quality standards IT systems and software. Hence, it should not be difficult for Indian software engineers to build a robust CAS. It is only the lack of conviction that is posing as a hurdle.

With the Indian CAS in place, many issues related to piracy, manipulations in CAS-SMS, under-reporting of subscribers etc. can also be fixed as there will be a responsible entity who will be answerable to the regulatory bodies and the Indian laws.

Q8(a). As per the estimates, yearly broadcasting imports in India amount to more than USD 20 billion. Do you think this market size reflects high potential for local manufacturers for broadcast equipment?

Yes, the market size is big enough which can support the local manufacturing. In addition, there are ample export opportunities available.

Q8(b) If yes, why the television broadcast sector is still dependent on imports for deployment in networks? Please elaborate.

As discussed above, this is mainly due to polices to meet the short term objectives, abrupt shift in policies by the Government, focus on consumption instead of supply side etc.

In case of STB imports, the custom duty is a major factor. There has been several instances wherein the Government took a U turn on its policy for levying custom duty on STBs. Every Union Budget had a different approach for either increasing or decreasing customs duty on import of STBs.

Q9(a). Looking beyond local markets, can Indian industry gear itself to export television broadcast equipment for export markets?

There are many neighbouring countries which are going in for digitization of TV services like Bangladesh, Nepal, Srilanka etc. There are ample export opportunities as we have seen in case of other sectors like motor vehicles.

Q9(b). If yes, what specific measures may be required to enable local manufacturers to compete in global market for television broadcast equipment? Please elaborate with relevant figures and inputs.

There has to be a clear vision for at least 10 years with no dilly-dallying on the import policy.

Land and labour issues needs to be fixed

Transportation and logistics inefficiencies needs to be fixed and the modern systems should be introduced.

State Governments to be made part of the process as it is the state government / local government which requires maximum coordination.

Power and infrastructure should be given due consideration.

Compulsory sourcing norms may be introduced.

An industry level R&D centre needs to be set up.

There should be development of skilled workforce.

The cost of capital should be reduced.

Q10. Is there potential for promoting local manufacturing of all types of broadcasting equipment more specific to television broadcasting equipment, e.g. head-end, transmission, CPE etc. or at this stage the industry should focus on specific segment like Customer Premises Equipment / Set-Top Box? Please specify the segment (if any) and support your answer with relevant market size in terms of value and volume.

With convergence of technology and developments in technology, some kind of equipment may not be required. However, the equipment for content creation, content aggregation and dissemination will have to be kept in focus.

Q11(a). Do the existing policy measures and fiscal initiatives adequately address the needs of the Indian Television Broadcast manufacturing sector?

No. The reasons have been stated above.

Q11(b). If yes, please provide supporting note(s) to your answer.

Q11(c). If the answer to Q11(a) is negative, what policy measures are required to boost local electronics manufacturing in the television broadcasting equipment sector? Please provide details in terms of short term and long-term objectives.

Tariff and non-tariff measures should be clearly laid down for short term.

In the long term, the entire ecosystem for industrialization should be built as stated above.

Q12. Should the government extend the PLI scheme to the television broadcasting sector? Which equipment deployed in the television broadcast network should be covered under the PLI scheme? Please elaborate with supporting note(s).

Yes, the Government should extend the PLI scheme for manufacturing of television broadcast equipment. The PLI scheme is a good incentive scheme applauded by the industry. Some amount of compulsory sourcing norms for sourcing from MSMEs should be prescribed to facilitate growth of MSMEs in manufacturing of television broadcasting.

Q13. There is a need to have a standard understanding of the scope of 'local manufacturing' amongst all the stakeholders to bring uniformity in the consultation. What should be the scope and definition of 'local manufacturing' in the lines of manufacturing vis-à-vis assemblage of the television broadcasting equipment and their core components?

Local manufacturing should not include any assembly. Hence, there should be no preferential tariff and non-tariff treatment to SKD/CKD vis a vis CBU. Unless there is a strong focus on manufacturing, just assembling the parts will not result in growth of Indian manufacturing. In SKD/CKD, the entire dependence is on the foreign manufacturer and the Indian manufacturing adds just a minor value addition which cannot be equated with manufacturing. It also does not result in growth of MSMEs.

Q14. Will a stronger R&D ecosystem enable the growth of local broadcast manufacturing sector? If yes, please suggest steps to promote and incentivize R&D undertaken in India to build domestic capability in television broadcast equipment manufacturing.

R&D is the backbone of any system or manufacturing unit. Without proper research and development, the final product cannot be expected to be up to the mark or compete with international products backed by high R&D. R&D becomes even more important in the ever changing technological era wherein the new technology is disrupting the old ways of doing things. Hence, R&D has to continuously be a part of any manufacturing process.

Q15. In view of the concerns raised about Free Trade Agreements (FTAs) affecting the cost competitiveness of the local products, what policy measures do you suggest to address this issue? Please elaborate with supporting note(s).

The norms such as value addition of 35% to treating the imports from FTA zone should be immediately reviewed as this has been misused by certain countries. The norms should be stricter and benefits should not be given to other countries to exploit the Indian markets. The FTA agreements should only allow such items which are historically/naturally being manufactured in the participating country due to some natural advantages, it should not allow transactions such as some other countries setting up their bases in these countries just to take advantage of such treaties. Hence, due care must be taken by the Government to prevent misuse of such FTAs/Free Trade Zones.

Q16(a). Do you think that there is a cost disparity due to additional expense on infrastructure vis-à-vis competing nations that adds to disadvantage for local manufacturers?

Q16(b). If yes, please elaborate along with supporting inputs and itemwise comparison, such as with reference to availability of power, labour, land, strong supply chain and logistics, etc.

Yes, the cost of Indian products is higher due to many reasons such as :-

Higher compliances resulting into higher costs.

High costs for power and frequent power disruptions and power fluctuations.

High cost of capital.

High transportation and logistics costs.

High internal taxes.

Stringent Labour laws.

Large number of holidays.

High intervention of local / state governments.

Q 17: Please list (item-wise) the cost disadvantages that an Indian manufacturer faces vis-à-vis its international competitors. Please quantify such disadvantages in percentage terms to enable broad estimation.

As stated above.

Q18. Any other issue you may like to raise relevant to the present consultation?

There should be a change of mind set. The business and entrepreneurship should be respected in the society and should be seen as creators of employment and wealth in the country. There is a need for all pervasive reforms in India from vision to implementation. There is a need for faster delivery of justice as business entangled in legal cases waste their valuable resources over the years in protecting their rights. Inspite of having large no. of skilled manpower, the same is not fully absorbed in the Indian industries. All these issues needs focussed attention of the policy makers and their implementers. All authorities under the central, state and local level should be aligned to the same thought process. The Government while regulating the business should act as facilitator.

Thanking you,

Sanjay Agarwal

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