Counter Comment Submission Dated 16th April 2022

To,

Shri Sanjeev Kumar Sharma Advisor (BB&PA)
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan Jawaharlal Nehru Marg, New Delhi 110002

Subject: Counter Comments by VOICE on TRAI Consultation Paper dated 11th February 2022 on 'Promoting Networking and Telecom Equipment Manufacturing in India.'

Dear Sir,

Please find attached Counter comments submission by VOICE (An Association representing Indian companies with domestic designs, R&D & IPR) on the consultation paper dated 11.02.2022 on "Promoting Networking and Telecom Equipment Manufacturing in India".

Thanking you,

Rakesh Kumar Bhatnagar, ITS 1975
Director General, VOICE
+91 90350836103/ 7011550321

Counter Reply on TRAI Consultation Responses by VOICE (An Association representing Indian companies with domestic designs, R&D & IPR) Against Q. No. as in Column 1 of Table and in response to Company as named in Column 2

Q No.	Company Name	Company comments	Counter Reply
1	COAI	Aligning Preference to Make in India (PMI) with PLI:	We believe that PLI and PPP-MII are 2 different policies with different intent. For telecom equipment, PLI promotes "assembly-led" manufacturing versus MII is intended to promote "design-led manufacturing" of Indian products. We strongly oppose this recommendation made and reasons for our objections are as follows: 1. PLI policy is for promoting ASSEMBLY-LED manufacturing (or EMS) with PPP-MII policy is for promoting DESIGN-LED MANUFACTURING i.e., for creating domestic products with Indian IPR, with high domestic value-addition, which is what will create Atmanirbharta and address our security and strategic concerns. Each policy is offering different incentives and getting double the credit for the same activity, is not appropriate, especially since it will come at the cost of depriving the domestic industry for getting fair market access. 2. In the PLI scheme, a company only has to make a FUTURE COMMITMENT over next 4 years to make a capital investment of minimum 100 Cr and the incentives are given based on incremental sales. There is also no mandatory requirement of minimum value addition. In contrast, the PPP-MII policy is designed for companies who have ALREADY DONE the minimum domestic value addition in their products and post which they can claim the benefits of preferential market access. Hence linking PLI export credit for getting preference in domestic procurement (often for strategic/security projects) is not justified. Also, under PLI scheme, any company can back out of

			their future commitment without any penalties, and hence should not be given the benefit of PPP-MII policy. 3. As per independent studies by E&Y, domestic telecom equipment manufacturers face a fiscal disability of up to 29% for high-value added equipment in India. In addition, with tariff barriers reduced after ITA-1, the domestic industry never had an opportunity to scale-up and get global economies-of-scale which is what the PPP-MIII offers. Hence COAI contention of only 6-8% handicap of manufacturing in India, cannot be used to deprive the domestic industry of procurement preference as per MII policy. In fact, if one has to go by COAI logic, then domestic Class-I supplier doing a VA > 50% should be given price preference of 20% rather than purchase preference. 4. The PLI scheme has only one criteria to qualify the company i.e. investment made in India. Any Global company which has a turnover of INR 10,000 Cr can get qualified under PLI by making a promise of investment of only INR 100 Cr. If we give them benefits of PPP-MII scheme, it is possible that such global company can several 1000 crores worth of benefits as class II local supplier, which will come at the expense of depriving domestic companies, who would have invested several 100 crores (much larger amount than the MNC) in doing R&D and creating high-value domestic products. 5. The PLI policy does not give any weightage to domestic value addition and there is no provision to quantify Local Value Add in PLI policy. With only a small value addition (5 – 10%) in terms of Assembly and Testing the product can qualify under PLI. As per DOT PMI policy dated 29th Aug 2018 Table B “In case a system or its subsystem is merely assembled / integrated / tested, then actual Local Content shall be taken as up to 10% only of the cost of system / subsystem.” Hence qualifying the companies as Class I, who intend to make a VA < 10 % is not justified. PMI support must be only given to companies which are truly Domestic and doing substantial Local Value Addition in India. Qualifying a foreign company under PMI as class I or Class II on the basis

			of doing a VA of 5 – 10 % under PLI out of which 4 – 7 % they will take back as incentive under PLI scheme would be a MAJOR STEP BACK against domestic Industry.
	COAI	4 e,f,g,h (MTCTE)	In India we never had any check on the telecom products being used in Indian network which many countries already had in place since many years. MTCTE is the first one initiative which has proven to be very effective in keeping check and balances on any telecom products being deployed in India. India being a price sensitive market, there was mass illegal imports in India from the bordering countries in the form of substandard or e-waste or second hand products. MTCTE has already proven to be a very effective in curtailing these malpractices. Now the only thing which has to be brought in place is enforcement of the policy. TSP/ISP must be asked to submit the report of products deployed by them in last 1-2 years and ensure if they are complying to MTCTE.
1	Broadband India Forum	Reform PMI to boost exports	We completely disagree to the point that ***the market access to local producers/manufacturers of networking and telecom equipment should be equal to all- domestic as well as global OEMs.*** Here we are trying to promote indigenous manufacturing in India and that too design led. As on date the current PMI policy is only limited to assembly of Telecom products in India. It's important to add extra incentive for applicants who do design led manufacturing in India. The Global OEM are only doing captive/out sourced R&D in India and none of the products they are manufacturing in India has Indian IPR. PMI must promote design led manufacturing in India.
			We complete disagree to the points the PMI policy should grant OEMs "points" equivalent to the total value of exports made from the country. The Global players who are doing only <10% Value addition in India are already incentivised by PMI policy. The Indian OEMs who are already struggling and have already have manufacturing disability of 8-10% which majority of the recommendations also admit and if purchase preference in Central Government funded procurement is also taken away, Indian industry will never develop. If not price preference, at least we must give purchase preference to domestic design led manufacturers.
			We completely disagree to the point to adopt the MEITY norms for value addition for Telecom products. The products covered under DOT PMI policy are very security sensitive products and by no means can be compared with MEITY policy dated 07.09.2020. We have just faced a cyberattack by Chinese intruders in our Leh Ladakh region in Power Grid network. Hence by no means, the devices like OTN, DWDM, IP-MPLS Routers in DOT policy which carry lot of sensitive data country wide can be compared with the hand held consumer devices like Mobile phones, Desktops or Tablets.

1	Broadband India Forum	Aligning Preference to Make in India (PMI) with PLI:	We believe that PLI and PPP-MII are 2 different policies with different intent. For telecom equipment, PLI promotes “assembly-led” manufacturing versus MII is intended to promote “design-led manufacturing” of Indian products. We strongly oppose this recommendation made and reasons for our objections are as follows: 1. PLI policy is for promoting ASSEMBLY-LED manufacturing (or EMS) with PPP-MII policy is for promoting DESIGN-LED MANUFACTURING i.e., for creating domestic products with Indian IPR, with high domestic value-addition, which is what will create Atmanirbharta and address our security and strategic concerns. Each policy is offering different incentives and getting double the credit for the same activity, is not appropriate, especially since it will come at the cost of depriving the domestic industry for getting fair market access. 2. In the PLI scheme, a company only has to make a FUTURE COMMITMENT over next 4 years to make a capital investment of minimum 100 Cr and the incentives are given based on incremental sales. There is also no mandatory requirement of minimum value addition. In contrast, the PPP-MII policy is designed for companies who have ALREADY DONE the minimum domestic value addition in their products and post which they can claim the benefits of preferential market access. Hence linking PLI export credit for getting preference in domestic procurement (often for strategic/security projects) is not justified. Also, under PLI scheme, any company can back out of their future commitment without any penalties, and hence should not be given the benefit of PPP-MII policy. 3. As per independent studies by E&Y, domestic telecom equipment manufacturers face a fiscal disability of up to 29% for high-value added equipment in India. In addition, with tariff barriers reduced after ITA-1, the domestic industry never had an opportunity to scale-up and get global economies-of-scale which is what the PPP-MIII offers. Hence COAI contention of only 6-8% handicap of manufacturing in India, cannot be used to deprive the domestic industry of procurement preference as per MII policy. In fact, if one has to go by COAI logic, then domestic

			Class-I supplier doing a VA > 50% should be given price preference of 20% rather than purchase preference. 4. The PLI scheme has only one criteria to qualify the company i.e. investment made in India. Any Global company which has a turnover of INR 10,000 Cr can get qualified under PLI by making a promise of investment of only INR 100 Cr. If we give them benefits of PPP-MII scheme, it is possible that such global company can several 1000 crores worth of benefits as class II local supplier, which will come at the expense of depriving domestic companies, who would have invested several 100 crores (much larger amount than the MNC) in doing R&D and creating high-value domestic products. 5. The PLI policy does not give any weightage to domestic value addition and there is no provision to quantify Local Value Add in PLI policy. With only a small value addition (5 – 10%) in terms of Assembly and Testing the product can qualify under PLI. As per DOT PMI policy dated 29th Aug 2018 Table B "In case a system or its subsystem is merely assembled / integrated / tested, then actual Local Content shall be taken as up to 10% only of the cost of system / subsystem." Hence qualifying the companies as Class I, who intend to make a VA < 10 % is not justified. PMI support must be only given to companies which are truly Domestic and doing substantial Local Value Addition in India. Qualifying a foreign company under PMI as class I or Class II on the basis of doing a VA of 5 – 10 % under PLI out of which 4 – 7 % they will take back as incentive under PLI scheme would be a MAJOR STEP BACK against domestic Industry.
1	MAIT	Aligning Preference to Make in India (PMI) with PLI:	We believe that PLI and PPP-MII are 2 different policies with different intent. For telecom equipment, PLI promotes "assembly-led" manufacturing versus MII is intended to promote "design-led manufacturing" of Indian products. We strongly oppose this recommendation made and reasons for our objections are as follows:

			1. PLI policy is for promoting ASSEMBLY-LED manufacturing (or EMS) with PPP-MII policy is for promoting DESIGN-LED MANUFACTURING i.e., for creating domestic products with Indian IPR, with high domestic value-addition, which is what will create Atmanirbharta and address our security and strategic concerns. Each policy is offering different incentives and getting double the credit for the same activity, is not appropriate, especially since it will come at the cost of depriving the domestic industry for getting fair market access. 2. In the PLI scheme, a company only has to make a FUTURE COMMITMENT over next 4 years to make a capital investment of minimum 100 Cr and the incentives are given based on incremental sales. There is also no mandatory requirement of minimum value addition. In contrast, the PPP-MII policy is designed for companies who have ALREADY DONE the minimum domestic value addition in their products and post which they can claim the benefits of preferential market access. Hence linking PLI export credit for getting preference in domestic procurement (often for strategic/security projects) is not justified. Also, under PLI scheme, any company can back out of their future commitment without any penalties, and hence should not be given the benefit of PPP-MII policy. 3. As per independent studies by E&Y, domestic telecom equipment manufacturers face a fiscal disability of up to 29% for high-value added equipment in India. In addition, with tariff barriers reduced after ITA-1, the domestic industry never had an opportunity to scale-up and get global economies-of-scale which is what the PPP-MIII offers. Hence COAI contention of only 6-8% handicap of manufacturing in India, cannot be used to deprive the domestic industry of procurement preference as per MII policy. In fact, if one has to go by COAI logic, then domestic Class-I supplier doing a VA > 50% should be given price preference of 20% rather than purchase preference. 4. The PLI scheme has only one criteria to qualify the company i.e. investment made in India. Any Global company which has a turnover of INR 10,000 Cr can get qualified under PLI by making a promise of investment of only INR 100 Cr. If we give them benefits of PPP-MII scheme, it is possible that such global company can several 1000 crores worth of benefits as class II local

			supplier, which will come at the expense of depriving domestic companies, who would have invested several 100 crores (much larger amount than the MNC) in doing R&D and creating high-value domestic products. 5. The PLI policy does not give any weightage to domestic value addition and there is no provision to quantify Local Value Add in PLI policy. With only a small value addition (5 – 10%) in terms of Assembly and Testing the product can qualify under PLI. As per DOT PMI policy dated 29th Aug 2018 Table B "In case a system or its subsystem is merely assembled / integrated / tested, then actual Local Content shall be taken as up to 10% only of the cost of system / subsystem." Hence qualifying the companies as Class I, who intend to make a VA < 10 % is not justified. PMI support must be only given to companies which are truly Domestic and doing substantial Local Value Addition in India. Qualifying a foreign company under PMI as class I or Class II on the basis of doing a VA of 5 – 10 % under PLI out of which 4 – 7 % they will take back as incentive under PLI scheme would be a MAJOR STEP BACK against domestic Industry.
1		Build the component ecosystem:	We agree to this point
2	RJIO	1. Although PLI scheme incentivizes manufacturing of listed equipment in the country, we note that **any emphasis on core telecom equipment and networks to be designed and manufactured in India is missing in the PLI scheme**. Additional incentives for manufacturing of NATE with Indian technology or	1. In agreement

		IPR owned by domestic companies will give the needed policy thrust on nationally patented R&D-intensive manufacturing (rather than assembled products), which will develop long-term NATEM capability in the country. 3. Guidelines for PLI scheme caps R&D scheme at 15% of total committed investment. We submit that such restriction will discourage companies who intend to invest in R&D for product development and may incentivize only contract manufacturing or product assembly in the country. We request that **the cap should be increased to 50% for domestic companies to promote indigenous product development.**	3.In agreement with reasoning but suggest that there should be no R&D cap.
11	AIRTEL	Since Telecom is a global industry in nature and TSPs compete globally with the	There is a great national security risk when procuring from foreign sources. Life of the equipment and unpredictability involved when a supporting nation becomes a hostile one, over a period.

		best; we believe no mandates should be prescribed related to procurement of equipment only from domestic sources which could impact the competitiveness of Indian Telecom sector and India itself.	Many countries that were earlier part of USSR are at war now. For the same reason procurement of 'trusted equipment' from trusted sources is always advisable. Clauses 8 on Security conditions from Unified License are reproduced below. How much compliance, inspections and monitoring is practical when equipment are from untrusted sources can be debated but such procurements make us vulnerable on 'security' scenario. At least in USOF award to any service provider, there should be a clear mandate that Public Procurement (Make in India) order will be implemented in true spirit making use of equipment designed and developed by domestic local manufacturers. The USAOF tender should be based on TEC GRs and all equipment to be deployed will meet the national security requirements. Further as per the law of the country, all imports will have to be compliant to compliant to MTCTE as deadline for Phase 3 and 4 comes near. National Digital Communication Policy also is referred which suggests provision of incentives to TSPs if they procure from domestic supplierds.
11	RJIO	We submit that TSPs should be given the freedom to choose the NATE supplier although should be incentivized to prefer the domestic NATE supplier or develop technical collaboration with them.	IN agreement
11	COAI	COAI Response: Point 1 to 8.	We strongly oppose this recommendation made and reasons for our objections are as follows: The whole objective of "Make in India" policy is to revive domestic manufacturing in India and as on date this policy is applicable to only Central Govt Procurement which is not even 5-7 % of the overall telecom procurement in India. The Indian telecom equipment industry sector has all capabilities to make world class products and only thing which is missing for them is market access.

			Using the DPIIT or DOT MII policy they are getting a good support in terms of market access and anyways they are meeting L-1 price which can even be a price of any global OEM. The current MII policy only safeguards them from restrictive condition and gives them no price preference, it only provides them purchase preference. Also DOT/DPIIT policy nowhere asks procuring agency to buy inferior products.
		Comments and Solution:	**Comments against Challenge and Solution:**
		1. An independent study must be conducted to assess the capacity and competition of ICT products and only products with adequate manufacturing capacity, required value addition, and adequate competition (More than 3)	1. We completely disagree to the point there is no capacity of manufacturing telecom product in India. Worldwide the manufacturing of telecom products is done by specialised EMS partners and in India we already have many EMS companies which are capable enough to meet all Indian telecom equipment requirement. Regarding competition for the products which were listed in DOT policy dated 29th Aug 2018, we already have 3 or more 3 OEM in India, however they might not have participated in some of the projects in last few years due to the fact-technical specification restricting their entry, not meeting the eligibility criteria or turnkey tender allowing foreign OEM to participate in the tender because of lack of clarity. We have C-DOT, who is extremely instrumental with a high rate of success in the technology dissemination process. Their TOT partners have already implemented the Bharatnet Project successfully. ToT could be done by DSIR listed Indian companies to other manufacturers who can compete in Govt tenders as an OEM. It is better to create competition within Indian companies rather than importing these equipment from other Countries.
		2. Focus of PMA must start with building capacity and an ecosystem around lowtech, high-volume products, which will not only give India a competitive edge but also result in mass-scale employment	2. We must admit India has best talent and capacity to develop world class products. Indigenous BSNL 4G is one such example. We must have faith in our companies and give them chance, they have full capability to succeed. We must come out from aura of only low-cost and mass-scale employment. Along with that we must also protect brain drain and value creation in India rather than foreign dependence.
		3. In hi-tech, low volume, Indian players must be allowed	

		to support global OEMs, allowing them to build their capacities, test their solutions, and prepare themselves for global competition.	3. Rather than supporting Global OEM which we have been doing since ages we must look forward to create more and more national champions among ourselves which can compete with Global players.
		4. Definition of Local Content under the DoT PMI scheme should be aligned with the definition of Local Content in the MEITY PMI scheme where the non-availability of component eco-system in India at present is considered and SMT manufacturing should be encouraged at a large scale.	4. The products identified by Meity under the said policy dated 07.09.2020 are consumer products, whereas DOT is dealing with telecom products connected to telecom networks. For the sensitive devices which are equivalent to Telecom products as mentioned in DOT policy dated 29th Aug 2018, MEITY has different PMI policy for Cyber Security devices dated 6th Dec 2019. As per definition of this policy clause 3, communication devices must be covered under this policy. The products covered under DOT PMI policy are very security sensitive products and by no means can be compared with MEITY policy dated 07.09.2020. We have just faced a cyberattack by Chinese intruders in our Leh Ladakh region in Power Grid network. Hence by no means, the devices like OTN, DWDM, IP-MPLS Routers in DOT policy which carry lot of sensitive data country wide can be compared with the hand held consumer devices like Mobile phones, Desktops or Tablets. The policy dated 6th Dec, 2019 very clearly defines the definition of local supplier and local product as per clause 4. The important points to be noted as per this policy are as follows: a. The definition of Indian company b. IPR ownership in India c. The revenue from products and IPR must accrue in India d. The local content must be at least 60%
		5. R&D and associated Job creation, export generation should be measured as key criteria for assessing Local Content for a particular company. Job creation in R&D activities is not accounted for	5. Under PLI for the value addition of 6 – 10 % in India which is only assembly work we are incentivising 4-6%. In addition to low cost mass job creation we have to think at employing quality mass engineers in India who can create value for India rather than do a job work for a foreign company. We have to make our PLI as design led and must create value for our nation. By exporting a product which has only a 5% VA in India we are going to achieve nothing w.r.t exporting a product where we do a VA of 60 – 80%. We must promote more and more VA in

		as a parameter currently in the PMI scheme which is not reflecting the true picture of investment and efforts made by companies in India.	India and link incentive of PLI with VA. The companies who do more than 50% VA in India should get more PLI incentive rather than those who are doing the assembly work in India.
11	COAI	Similar schemes like PLI must be introduced for building the component ecosystem, which will enthuse manufacturers to shift manufacturing to India	OK
11	COAI	Deemed Class I	Kindly refer our reply against question no 1 on COAI. Both PLI and PMI schemes are different and have different objectives.
11	COAI	The focus should be on building an R&D ecosystem to develop domestic futuristic solutions. For projects concerning critical infrastructure, financial services, etc. implementation of PPP-MII guidelines should not be stringent.	For the critical and security sensitive infrastructure we should promote more domestically manufactured products. We have already seen several cyberattacks in various institutes linked to Power, Finance, Telecom networks, Govt deptts., hence we must promptly come out with a plan and policy with a support of Govt to only deploy products whose IPR, Source Code reside in India.
11	MAIT	PMA/PMI scheme in its current form comprehensive for promoting NATEM	We do not agree to the points of MAIT. Kindly note our Counter comments to COAI for Q No 11 and Q No 1. Both PMI and PLI have different objective and must be treated differently.
11	US India Strategic Partnership Forum	PMA/PMI scheme in its current form comprehensive for promoting NATEM	We do not agree to the points of USISPF. Kindly note of our Counter comments to COAI for Q No 11
11 & 12	VIL	we recommend that: **a.** There should neither	

		be any policy/provision mandating TSPs to purchase product or equipment manufactured/made in India nor there should be any penalty for non- procurement of any defined value/quantity. **b.** Telecom operators should be encouraged through graded incentives of reduction in license fees, for procurement of domestically manufactured products. **c.** These incentives to telecom operators for procuring domestically manufactured products, should apply equally for Indian suppliers as well as for foreign suppliers.	a) At least in all USOF awards to any service provider, there should be a clear mandate that Public Procurement (Make in India) order will be implemented in true spirit making use of equipment designed and developed by domestic local manufacturers. **The USOF tender should be based on TEC GRs and all equipment to be deployed will meet the national security requirements.** **Further as per the law of the country, all imports will have to be compliant to compliant to MTCTE as deadline for Phase 3 and 4 comes near.** b) It should be as per NDCP policy on incentive provisions if sourced from domestic suppliers c) There is a contradiction. How foreign suppliers can get the benefit of being an Indian supplier.
12	COAI	Whether the incentives to Telecom Service Providers to deploy indigenous manufactured products in their network will be helpful in promoting NATEM in India	As per license agreement for Unified License clause 24.3 “Preferential Market Access for procurement of indigenous manufactured products”, DOT can enforce all private ISP/TSP licensee to buy domestically manufactured products. This is the right time when Govt is looking towards making our nation “Atmanirbhar” we must mandate domestic active equipment procurement for all TSP/ISP. However, they may be incentivized as relaxation in AGR etc. against the same. We must understand reducing imports bills is equally important than increasing our exports. Indian domestic telecom equipment manufacturers are capable enough to deliver world class products, only handholding they need today is in terms of support for promoting R&D and market access. PMI with all private and Govt TSP/ISP will open a big market for the domestic manufacturers and TRAI must continue to recommend the same. We have seen last year lot of relaxation has been

			given to TSP/ISP in terms of redefining AGR, PBG etc. It would have been very prudent for the design led domestic telecom equipment industry if this relaxation would have been linked with domestic procurement. There are more than 1100 TSP/ISP in India and if they are start supporting domestic manufacturing, we are sure we will have our own established domestic telecom equipment Industry shortly making our nation self-reliant for all telecom demands.
12	AIRTEL	TSPs should be allowed to procure/use all products i.e. globally available or indigenous manufactured, so as to have the latest equipment and network system as per technological advancement. While flexibility for procurement of NATE should be remained with the TSPs, government may consider an incentive-based approach to encourage procurement of indigenous NATE by TSPs. In such NATE procurement cases, an exemption of GST on the procurement of NATE may be provided as an incentive.	At least in all USOF awards to any service provider, there should be a clear mandate that Public Procurement (Make in India) order will be implemented in true spirit making use of equipment designed and developed by domestic local manufacturers. The USAOF tender should be based on TEC GRs and all equipment to be deployed will meet the national security requirements. Further as per the law of the country, all imports will have to be compliant to compliant to MTCTE as deadline for Phase 3 and 4 comes near.
12	Broadband India Forum		We agree to the same. However, we should only promote Active design led domestically manufactured products where more than 50% Value addition is done in India.
12	ITU-APT		We agree to the same. However, we should only promote Active design led domestically manufactured products where more than 50% Value addition is done in India.
12	MAIT		It's important for Indian domestic players to look out for Global market but to become competitive economies of scale. India has one of the largest telecom market in the world and it is fair demand

			by domestic players to address the domestic market first and further make them capable enough to compete with established global OEMs.
12	USISPF		It's important for Indian domestic players to look out for Global market but to become competitive economies of scale as desired. India has one of the largest telecom market in the world and it is fair demand by domestic players to address the domestic market first and further make them capable enough to compete with established global OEMs.
12	Jio	5. We suggest that under the incentive based PMA scheme, focus should be to encourage design based manufacturing in the country instead of low value addition components like tower erection, civil work, etc. Incentivizing design based manufacturing will drive development of manufacturing technology by domestic companies.	We agree to this point of Jio and this must be the true definition of domestically manufactured products.
14	Applicable to comments made by almost all companies and associations.		Misdeclaration of HS Codes under head 8517 is a bigger issue as existing HS Codes are obsolete and not in use as a result majority of the imports are happening under "Others". This issue must be immediately addressed. Govt must also ensure there should not be any duty on the components which are not manufactured in India. This will be a great support to both domestic manufactures and other Global players who have already started manufacturing in India. 20% BCD on import of components against 4-5 % PLI incentive is making the scheme less lucrative for many PLI applicants. Inverted duty in telecom manufacturing is important topic and must be addressed.

****