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**Association of Unified Telecom Service Providers of India**

B-601, Gauri Sadan, 5, Hailey Road,  
New Delhi-110 001  
Tel: +91-11-23358585/8989  
Fax: +91-11-23327397  
Email: [auspi@auspi.in](mailto:auspi@auspi.in)  
Web: [www.auspi.in](http://www.auspi.in)

**Cellular Operators Association of India**

14, Bhai Veer Singh Marg,  
New Delhi- 110 001  
Tel: +91-11-23349275  
Fax: +91-11-23349276/77  
Email: [contact@coai.in](mailto:contact@coai.in)  
Web: [www.coai.in](http://www.coai.in)

JAC/2013/007  
January 24, 2013

**Shri. R. Chandrashekhar, IAS  
Secretary, DoT**

Department of Telecommunications,  
Sanchar Bhawan, 20, Ashoka Road,  
New Delhi -110001.

Dear Sir,

**Sub: Inputs on Draft List of Security Sensitive Telecom Products  
for Preferential Market Access(PMA)**

- Reference:**
1. Joint industry letter no. JAC/2012/081 to DoT dated November 23, 2012
  2. COAI letter no. RSM/COAI/143 to DoT dated July 12, 2012
  3. COAI letter no. RSM/COAI/144 to DoT dated July 12, 2012
  4. COAI letter no. RSM/COAI/225 to DoT dated November 2, 2012

1. This letter is in reference to the Draft List of Security Sensitive Telecom Products for Preferential Market Access (PMA) by Government Licensee circulated via e-mail by Shri. R. K. Pathak, DDG (IP), DoT on January 11, 2013, and "Draft List of Security Sensitive Telecom Products for Preferential Market Access (PMA) by Government Licensee - for stakeholders' consultation" posted on the DoT website.
2. It has been stated by us several times, at various forums and meetings, that there is no correlation between mandating Preferential Market Access (PMA) and security of telecom networks and services. The draft Notification and the list posted on the DoT website wherein comments have been requested by January 24, 2013 does not clarify this aspect and leaves considerable scope of "interpretation" by individuals to arbitrarily specify an "anticipated" security concern without a transparent statement of requirement based on a mutually accepted threat analysis. It simply states the need for PMA for equipment having security concerns; however, there is no depiction of how a product has been categorized as security sensitive for enabling decision making. We re-emphasize that security concerns need to be clearly articulated and then linked to the product (in the list), and concerns such as vulnerability, malware, spyware, threat producing concerns be linked to the network element/device even

before the list of equipment is even arrived at. However, despite understanding that there is no connection between security and place of manufacturing, proposed instructions such as this Draft and the list posted on the website continue to be processed.

3. As you are well aware, private licensees are already required to provide security on the network in compliance to DoT License Amendment dated 31<sup>st</sup> May, 2011. This amendment has clauses whereby all equipment in the network has to comply with “Safe to Connect” and international standards certification, requirements. These itself, take care of all the aspects of security related to various equipment in the telecom networks. We believe that the attempt to link the local manufacturing to security consideration is inappropriate as security cannot be addressed simply by requiring equipment to be manufactured in India through a mandate of PMA. Indeed, it is not where but how a product is manufactured that matters
4. Besides the point mentioned above, we believe that until Value Addition (VA) is defined to internationally accepted norms, it is not possible to arrive at VA figures. In this regard, DoT is requested to clarify- if the manufacturers have to manufacture every item mentioned in the list(posted on the website) or one out of that particular row and in that we have to arrive to the proposed VA.
5. In so far as Government Procurement is concerned, we suggest if security was the concern of the Government, it should have taken the VA at a network level in the configurations as would be deployed in the network or its segments rather at element or subsystem levels. In such a case , it would leave too many calculations open and the procurement entities will find it very difficult to ensure if they meet the PMA requirement or not. However, we have suggested that security should be delinked from PMA. Hence focussing on PMA and to bring more clarity in calculations ,we would like to suggest the following:
  - a. VA should in this case may be at equipment level. Once the equipment meets the stipulated criteria (using the formula, as and when it is clarified), it may be taken as local equipment.
  - b. Meeting PMA should be at overall aggregate level. To elaborate further, total value of the equipment, that meet the local VA criteria, should be added. As long as this total value of equipment is equal to or more than the stipulated PMA percentage of the total network value, it should be acceptable.
6. The above is also illustrated with an example stated below:
  - a. Customer buys 1000cr worth of “2G, 3G, Transport and other category equipment” from vendors in a particular YEAR. Equipment includes BTS, Microwave, HLR, SDH, GPoN, and some other equipment.
  - b. If the BTS and SDH meet the stipulated VA as per the proposed table, it is taken as local equipment. Assume other equipment are not meeting the local VA.
  - c. Total value of the BTS and SDH in the order is Rs. 650 Crores. Assume - PMA requirement for the year is 50%. In this case the local procurement should be taken as 65% (650 / 1000%) and hence, PMA condition of 50% is met and should be acceptable.

- d. If the value of BTS and SDH was Rs. 350 Crores, then the PMA procurement is 35 % and hence it would not meet the PMA criterion, then another Rs.150 crores worth of equipment would have to be made in India to meet the local VA criterion.
7. Notwithstanding the aspects mentioned above, we once again emphasize that there is no linkage between domestic manufacturing and security. Further, to the extent that the government wishes to provide incentives of local VA applicable, may we submit that any such calculations for VA be done at an aggregate level for each network system (e.g., Wireless infrastructure, Wireline, Transport Infrastructure, SIM cards etc.) rather than at any individual element as is currently proposed. VA shall also capture
- a) Material sourced from local suppliers
  - b) Full value of PCB Assembly, in case it is done in-house with SMT/ soldering/process/testing. )

Our suggestions on grouping are enclosed as **Annexure – 1**.

8. Also, as mentioned in our letter dated July 12, 2012, we reiterate that PMA should not apply to the private service providers. We reiterate that there is no correlation between security and manufacturing and therefore we strongly believe that PMA should be consistent with WTO guidelines.

WTO Compliance for Commercial Procurement: Relevant Clauses from GATT are as follows:

*Paragraph 1: The [Members] recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.*

*Paragraph 5: No contracting party shall establish or maintain any internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no contracting party shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1\*.*

*Paragraph 7: No internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount or proportion among external sources of supply. We suggest that this should be initially implemented with the Government's procurement requirements and not for private industry*

9. We once again request the DoT to sincerely address the various issues we have raised on numerous occasion, in conclusion :-
- a. We support Government of India's objective on setting up manufacturing but strongly believe a strategy of creating conducive eco-system coupled with incentive schemes is the



way forward and not PMA. We are for encouraging manufacturing in India but the Government needs to create an enabling environment for manufacturing in India and make telecom equipment manufacturing in India sustainable and economically viable.

- b. Security and Manufacturing are distinct topics, efforts to mix the two is misleading. Clearly there is no co-relation between mandating Preferential Market Access (PMA) and security of telecom networks and services. Indeed for security alone, it is not where but how a product is manufactured that matters (Like, ISO 27001 environment etc.)
- c. Applying the PMA to private sector procurements constitutes an unprecedented interference and significant disruption in the global telecommunications marketplace and will impose further breaks on an already beleaguered Indian telecom industry. The Telecom industry humbly requests the Government not to proceed further on this proposal for PMA.
- d. Consider the list of Equipment with the VA to be calculated as given at **Annexure 1 (attached)**.

We hope our submission will merit your kind consideration.

Regards,

**Ashok Sud**  
Secretary General-AUSPI

**Rajan S. Mathews**  
Director General-COAI

**CC: Shri. J. K. Roy, Member (T), DoT**  
**Shri. R. K. Bhatnagar, Advisor (T), DoT**  
**Shri. R. K. Pathak, DDG (IP), DoT**  
**Shri. Anil Kaushal, Sr. DDG, TEC**

**ANNEXURE 1**  
(Refers to para 7 & 9 (d)  
of our letter no.  
**JAC/2013/007**  
dated January 24, 2013)

**SUGGESTED GROUPING OF TELECOM PRODUCTS**

<b>S. No.</b>	<b>Category</b>	<b>Telecom Equipment to be grouped</b>
1	2G (GSM, CDMA) wireless access system	2G (GSM, CDMA) wireless access system comprising of Base station and associated circuit core/packet core elements & network management system. Any ancilliary and support subsystems may be part of this grouping .
2	3G (WCDMA) wireless access system	3G (WCDMA) wireless access system comprising of Base station (NodeB) and associated circuit core/packet core elements including network element management system and CNMS Any ancilliary and support subsystems may be part of this grouping
3	4G (LTE)	4G (LTE) wireless access system comprising of Base station (eNodeB) and associated circuit core/packet core elements including network element management system and CNMS & network management system Any ancilliary and support subsystems may be part of this grouping
4	WiMAX	WiMAX wireless access system comprising of Base station and associated core elements including network element management system and CNMS & network management system Any ancilliary and support subsystems may be part of this grouping .
5	Others	Wireless PABX/ EPABX, RF repeaters, DAS
6	Enterprise	Enterprise routers, Enterprise switches, Wireline IP PABX/EPABX, All types of Firewalls . including network element management system and CNMS & network management system. Any ancilliary and support subsystems may be part of this grouping
7	Transport	Microwave Radios (IP/Hybrid) DWDM transmission, Cross connects, optical repeaters, SDH/MUX, Carrier ethernet, IP/MPLS routers, Carrier grade switches, Copper Access (DSL, DSLAM), GPON WiFi Access points, Routers, Modems Gateway, set top boxes etc.), Digital cable equipment ,CMTS etc. Including network element management system and CNMS & network management system Any ancilliary and support subsystems may be part of this grouping
8	SIM cards	All SIM cards personalisation including operating system
9	Satellite communication	Satellite based system-voice, broadband, disaster management including ancillaries
10	Encryption platforms	Encryption/UTM platforms (TDM &IP). The list may please be clarified and domestic supplier list be provided