



## Press Release

### COAI response to TRAI Recommendations on “Telecom Equipment Manufacturing Policy”

COAI welcomes the objective of the TRAI Recommendations included in the “Telecom Equipment Manufacturing Policy” including the various fiscal incentives which have been announced by the Authority to promote domestic manufacturing such as limiting the incidence of excise and VAT to 12%, providing tax holidays, setting up of Telecom Manufacturing Fund (TMF) for providing soft loans etc. The need for increasing Indian IP rights in the area of hardware and software included in manufactured equipment is laudable.

COAI encourages these initiatives, and eagerly looks forward to the Government to come out with a comprehensive electronics manufacturing policy which takes into account all aspects of electronics manufacturing that will also include and enable telecom manufacturing. The Government should also ensure that such proposals do not run afoul of relevant clauses of international treaties such as WTO and GATT that India has entered into. We believe the best policy is that which provides the proper environment for Indian manufacturers to flourish in the context of well regulated free market conditions. Over the past 40 years we have learnt the painful lesson of well intentioned national policies that have ignored this principle at the expense of increased costs, limited choice, indifferent quality products to the citizens of India and a beurocratic web that encourages graft and corruption.

**Mr. Rajan S. Mathews, Director General, COAI** stated that, “Indian service providers already monitor closely and deploy domestically manufactured telecom products and are enthusiastic supporters of world class Indian manufacturers However, mandating the use of “Domestically Manufactured Products (DMP)” is contrary to the NTP which provides for technology neutrality, flexibility of choice and openness to provide the best of telecom services using state of the art equipment. Such mandatory requirements may also put service providers at risk of not meeting quality of service requirements mandated by TRAI, equipment obsolescence and open the networks to other security risks if such products are not of world class quality. When Indian manufactured products are of world class quality and standards, we see no reason why service providers would not purchase such equipment. “

He said that, “Institutions such as the BEL, ITI, CDoT, CDAC, and TEC have been present in the telecom manufacturing and standards domain and have considerable in-house expertise and existing infrastructure. The Government should consider the functioning and strengthening of these prior to setting up of any new institutions such as the TRDC, TSO, as proposed. This will help optimize scarce public funding as is envisaged in these proposals”

These recommendations need to be more carefully evaluated by the Government as it may not meet the stated purpose and can actually work against the growth and quality of domestic equipment manufacturing, which is best achieved by providing an environment and infrastructure for healthy competition and the dictates of market forces rather than

by providing preferential access that violates these principles. If the government believes that mandatory quotas are a proper policy initiative, then COAI strongly recommends that this be applied to the PSUs (MTNL, BSNL) where government has a significant ownership interest and leave the private service providers to follow market forces which have served so well in increasing affordable telecommunications teledensity in India.

**Mr Mathews further added that while**, some empirical studies suggest that restricting competition (grant of 'Protection') may work well during the initial stages of development, the Indian telecom sector has come a long way since NTP 99 and India has emerged as the second largest wireless market in the world. And hence 'Protection', 'Preferential Access' and 'Mandating' use of domestic green energy solutions may not be the proper policy tools to enhance the growth of Indian domestic manufacturing.

The global giants who have set up manufacturing facilities in India or are thinking of investing are concerned with the recommendations for [preferential market access for IP \(Indian Products\) products which have local IPRs vs the IMP \(Indian Manufactured Products\)](#). Manufacturing is a very capital intensive sector and such recommendations may get in the very way of encouraging manufacturing in India, sending wrong signals to the investors community.

**About COAI:**

The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non-governmental society dedicated to the advancement of communication, particularly modern communication through Cellular Mobile Telephone Services. With a vision to establish and sustain a world-class cellular infrastructure and facilitate affordable mobile communication services in India, COAI's main objectives are to protect the common & collective interests of its members. Prominent private service providers and the infrastructure vendors are members of COAI, and work closely on various Industry issues.

More about COAI at: (<http://www.coai.in>)