

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

UNSTARRED QUESTION NO:4120

ANSWERED ON:05.09.2012

MANUFACTURING OF TELECOM EQUIPMENTS

Abdulrahman Shri ;Annayagari Shri Sai Prathap;Botcha Lakshmi Smt. Jhansi;Gowda Shri D.B. Chandre;Kodikunnil Shri Suresh;Naranbhai Shri Kachhadia;Owaisi Shri Asaduddin;Rani Killi Krupa;Singh Shri Dushyant;Sugumar Shri K.

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the Telecom Equipment Manufacturers Association (TEMA) has raised security concerns over India's dependence for meeting its domestic demand of telecom equipment through import;
- (b) if so, the details thereof and the preventive action taken by the Government to put a check on imported equipment;
- (c) whether the domestic demand of telecom equipment envisaged Rs. 2,50,000 crore by the end of the Twelfth Five Year Plan;
- (d) if so, the details thereof and the steps taken by the Government to promote Research and Development (R&D) in manufacturing and to meet the demand of quality telecom and electronic equipment domestically;
- (e) whether the Government has made it mandatory or has asked the telecom operators to procure a certain percentage of their telecom equipment from domestic manufacturers; and
- (f) if so, the details thereof and the reaction of the telecom operators in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI MILIND DEORA)

(a) Yes Madam.

(b) The concerns raised by TEMA on national security due to induction of large scale imported telecom equipments in the network, inter-alia include:

The developer/ vendor may have inserted irrelevant software modules in the beginning itself while installing the Communication system maliciously or inadvertently to control the system at a later date.

The network is susceptible to the threats like data mining/harvesting, information leak, service denial and degradation of service, abuse and fraudulent use of telecommunication resources and long term technological dependence.

To address the national security concerns related to telecom and telecom network, Government has issued comprehensive security guidelines by way of license amendment dated 31.05.2011 for Access Service Providers and dated 03.06.2011 for other service providers. The salient points of aforesaid Amendments to various telecom services License Agreement are at Annexure-I.

(c) As per the report of the Working Group on the Telecom Sector for the 12th Five Year Plan, the volume of the business of telecom equipment is stated to be of the order of Rs.2,50,000 crore by the end of 12th Five Year Plan.

(d) to (f) The steps taken by the Government to promote Research and Development (R&D) in manufacturing and to meet the demand of quality telecom and electronic equipment domestically inter-alia includes the following:

(i) 100% FDI is permitted under automatic route for telecom equipment manufacturing.

(ii) No Industrial license is required for the manufacture of telecom equipment. Simple Industrial Entrepreneur Memorandum (IEM) has to be filed with Secretariat for Industrial Assistance (SIA).

(iii) Payment of any technical know-how fee and royalty for technology transfer is under automatic route.

(iv) A weighted deduction of 200% of expenditure incurred on in-house R&D in case of a company engaged in the business of electronic equipment, computers and telecommunication equipment is available under clause (1) of sub-section (2AB) of Section 35 of the Income Tax Act.

(v) With a view to increase share of domestically manufactured Electronic products which includes telecom equipment also, the Government, vide Notification No. 8(78)/2010-IPHW dated 10th February 2012, has laid down the policy for providing preference to

domestically manufactured electronic products in procurement of those electronic products which have security implications for the country and in Government procurement for its own use and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(vi) Department of Telecommunications has set up seven Telecom Centres of Excellence (TCOE) in Public Private Partnership (PPP) mode in seven premier academic institutes of the country.

(vii) The Government has approved National Telecom Policy-2012 (NTP-2012) to address various issues related to telecom sector including telecom equipment manufacturing. The NTP 2012, inter-alia, has following OBJECTIVES on promoting Telecom Equipment Manufacturing:

Create a corpus to promote indigenous R&D, IPR creation, entrepreneurship, manufacturing, commercialisation and deployment of state-of-the-art telecom products and services during the 12th five year plan period.

Promote the ecosystem for design, Research and Development, IPR creation, testing, standardization and manufacturing i.e. complete value chain for domestic production of telecommunication equipment to meet Indian telecom sector demand to the extent of 60% and 80% with a minimum value addition of 45% and 65% by the year 2017 and 2020 respectively.

Provide preference to domestically manufactured telecommunication products, in procurement of those telecommunication products which have security implications for the country and in Government procurement for its own use, consistent with our World Trade Organization (WTO) commitments.