



# NEW TELECOM POLICY TO BE RELEASED SOON

[Home](#) → [New Telecom Policy to be released soon](#)

**June 2011**

## **New Telecom Policy to be released soon**

The new telecom policy is expected to be released by the end of this year. This policy will divide mobile permits into two categories, Network Service Provider (“**NSP**”) and End User Service Provider (“**ESP**”). NSP to provide all infrastructure for communication and broadcasting services while ESP to provide voice, data and broadcast services to the consumer. It may also do away with the existing rules on infrastructure sharing so that telcos can share hardware, software and even spectrum. The policy will replace the existing policy of 1999. The internal committee framing the policy has rejected the concept of allowing telcos to trade airwaves with other and said that government must be the final authority of awarding, selling and taking back airwaves. It has also proposed that a spectrum fund be set up to bear costs of farming of airwaves and compensating incumbent non-commercial users like government departments, police, para-military towards moving to more efficient bands.

**PSA view** – The move is aimed at bringing in much-needed consolidation in the hyper-competitive 14-player telecoms market. The new policy will delink the allocation of telecom licenses from mobile spectrum which will be a good move. The new policy may also set targets for rural telephony and also ensure that broadband connections are available with all panchayats at village level by next year which will ensure greater telephone penetration.

## **New Security framework for equipment companies**

DOT unveiled a new security framework last week that did away with many existing controversial clauses such as mandating foreign equipment companies to put their software in the equivalent of a sealed envelope and submit it to the government and payment of penalties of 100% of the contract value on vendors if any spyware or malware is found in the imported equipment. Now, any security breach will invite a huge penalty of INR 500 million and criminal proceedings as well. The new policy will do away the regulation to employ only Indian engineers to maintain the networks of local mobile phone companies and now only top personnel need to be Indians whose names will have to be cleared by the telecom and home ministries prior to their appointment. The new policy also mandates that mobile phone companies must only appoint Indians as chief technical officer, chief information security officer or as nodal executives for handling monitoring and interception functions across mobile networks.

**PSA view** – Presently, India has two separate policy guidelines for import of telecom gear: (I) The July 2010 guidelines which the Chinese vendors such as Huawei and ZTE follow, and (II) the policy issued in late 2009 which the western gear makers such as Ericsson, Nokia Siemens and Alcatel-Lucent continued to follow, after they refused to operate in India under the July rules. These changes are pursuant to the demands raised by the western vendors. Finally, the new security norms will bring all these vendors under a common security framework.

### **TRAI's recommendations on Telecom Equipment Manufacturing Policy**

TRAI has released its recommendations on “Telecom Equipment Manufacturing Policy” which propose policy targets, measures to achieve the targets, plan of action, financial implications of the measures proposed and benefits of the policy. Despite the high demand for telecom equipment, the domestic telecom equipment manufacturing industry has not been able to keep pace. The contribution of all domestic products towards meeting the country's demand for telecom equipment has only been 12-13% in 2009-10 while Indian products could meet just 3% of the Indian demand. Much of the equipments used for expansion of the Indian network were imported. The proposed policy aims to significantly enhance the share of the domestic manufactured products which can be either Indian Manufactured Products (“**IMP**”) or Indian Products (“**IP**”) based on where the IPRs resides. While for the IMP, the IPRs resides outside India, for the IP, IPRs resides in India. The following fiscal incentives have also been proposed: (i) The total excise duty and VAT to be limited to 12%, (ii) CST of 2% on domestic manufactured product to be removed or an equivalent tax/Duty to be imposed on imported products, (iii) For mobile handset industry, comparative tax disadvantage to be removed for domestically manufactured products by reducing VAT and placing tax/Duty equivalent 2% on imports, (iv) Exemption to be given in the handset manufacturing industry, from countervailing duties on imported capital equipment and excise duty, (v) Deferment of excise/CST/VAT/GST for a period of 5 years at nominal interest, to domestic manufactured product manufacturers with total turnover of less than INR 10,000 million, and (vi) A 10-year income tax holiday for manufacturers of domestic manufactured telecom products with annual turnover less than INR 10,000 million. Exemption would also be from the minimum alternative tax obligation.

**PSA view** –The setting up of a Telecom Standards Organization is a welcome step which will help India in driving international standards and drawing up specifications of the equipment to be used in the Indian telecom networks, including security standards. From the industry data, it is clear that the telecom ecosystem has so far failed to adequately spur the manufacturing segment and as a result, the domestic telecom equipment manufacturing segment has not been able to meet the demand forcing the telecom operators to import most of the required equipment. The policy has certain expected benefits as: (A) It would provide necessary stimulus to the struggling domestic telecom equipment industry. The industry would be put on a high growth path and would pay back rich dividends in terms of increased production, value addition and exports, (B) The industry would be geared up to meet the demand for 5 billion connected devices by the end of the year 2020, (C) Increased production would result in increased contribution of telecom manufacturing to the GDP, (D) The policy would result in increased earning of foreign exchange from exports, (E) Increased R&D and manufacturing would lead to improved supply of domestic telecom equipment to the strategic sectors like Defence and Space, (F) Increased domestic manufacturing would mitigate strategic security concerns that go with the imported equipment, (G) The available manpower would get their technological skills enhanced through training and experience, (H) Increase in production would give rise to employment

for hundreds of thousands of people of different skill-sets and educational background, and (I) India would not only achieve greater self reliance but would also become an important source of new technology equipment.

By:

Neeraj Dubey



[SITEMAP](#) | [CONTACT US](#)

PSA © 2021 | Developed by iNFOTYKE