



TRAI PROPOSES TO MAKE QUOTE TO PROMOTE LOCAL EQUIPMENT

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In a bid to promote the domestic equipment manufacture, the TRAI has recently announced that it plans to provide a rebate on the telecom licensee fee. The TEMA has approached the TRAI to put in place a mechanism requiring operators to procure a minimum of 30% of their equipment requirement from local manufacturers. According to TEMA, this will help the local manufacturers come up to standard and compete with international equipment manufacturers. Opposing the TEMA's demands, the Cellular Operators Association of India ("COAI") on the other hand says that such a requirement will in fact make the local manufacturers complacent and they will be under no obligation to improve quality, however has expressed that the TRAI could incentivize procurement of locally manufactured equipment by providing a rebate on the license fee. Though the percentage of the rebate has not been announced by the TRAI yet, however it is determined to increase local equipment manufacture and procurement by telecom companies from 13% for FY 2009-2010 to 30% by FY 2012-2013. In order to thwart the practice of importing goods in semi assembled condition and just assembling the same in India to make it seem like manufacture, TRAI is looking at applying a value addition criteria. Under this, the TRAI will prescribe the percentage of the cost of the equipment that has to be procured from India, including raw materials and intellectual property. Any operator which does not fulfill the criteria of procuring a certain percentage of equipment from India will be required to pay the shortfall into a research fund or equipment manufacturing fund for the telecom sector.

PSA view – This move by the TRAI follows a series of pleas from the association of telecom equipment manufacturers in India. While the revenue of operators offering telecom services has rocketed, the domestic equipment manufacturers are still not able to compete with foreign imports. Though the TRAI is stuck between the demands and requirements of equipment manufacturers and cellular operators, it has correctly decided to consider providing a rebate on the license fee to operators who do procure locally manufactured equipment. However the TRAI must consider the impact of such a protection offered to local equipment manufacturers and ensure that it does not act contrary to its expectations of elevating the equipment manufacturing industry to self-sustenance and internationally competitiveness.

TRAI releases recommendations on "Telecom Equipment Manufacturing Policy"

TRAI has released its recommendations on "Telecom Equipment Manufacturing Policy" proposing policy targets, measures to achieve the targets, plan of action, financial implications of the measures proposed and

benefits of the policy. Currently, the contribution of all domestic products towards meeting the country's demand for telecom equipment has only been 12-13% in the year 2009-10 while Indian products could meet just 3% of the Indian demand. The proposed policy aims to significantly enhance the share of the domestic manufactured products i.e. products manufactured by companies registered in India. They can be either Indian Manufactured Products or Indian Products based on where the IPRs resides. In order to achieve this objective several incentives have also been proposed which includes preferential market access and subsidies for equity capital and working capital.

PSA view – The release says that the devices connected to global telecom networks are projected to grow to 50 billion by the year 2020. With the growth rate that India currently enjoys and also assuming that India would have among the largest share of non-telephony connections, it would be fair to assume that India would have at least 10% or 1.5 billion connections by 2015 and 5 billion connections by the year 2020. This would necessitate expansion of telecommunications networks and increase in demand for various types of telecom equipment. With this projection the potential for India to become a manufacturing hub for export is also bright.

Setting up of National Mission for Electric Mobility

The union cabinet has proposed on March 31, 2011 to set up a NCEM to promote electric mobility and manufacturing of electric vehicles in India. The proposal approved setting up of a National Board for Electric Mobility ("NBEM") by the Department of Heavy Industry. The NCEM will be the apex body for making recommendations in these matters. Once formed, the National Automotive Board will be the technical advisor and secretariat for both the NCEM and NBEM. This will be an enabling, empowered, fast decision and policy making structure. The promotion and manufacturing of electric vehicles is being taken up on a mission mode approach as "National Mission for Electric Mobility."

PSA view – The automobile industry worldwide is gradually shifting to more efficient drive technologies and alternative fuels including electric vehicles in wake of the fast dwindling petroleum resources, growing concerns on the impact of vehicles on the environment and climate change. Accordingly, world over major investments, incentives and policies are being introduced to propagate the development, adoption of EV and their manufacturing. At present, the barriers to greater adoption of EVs include higher cost of EVs, challenges in battery technology, limited range of EVs, lack of infrastructure, consumer mindset and inadequate government support. In order to resolve these barriers and for electric mobility to take off it is essential that continued government intervention/support, high level ownership, adoption of mission mode approach for fast decision making, collaboration amongst various stakeholders, long term commitment with clearly defined short term and long term objectives and a synergized – holistic approach is essential.

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