**A Production Linked Incentive (PLI) scheme for Telecommunications consistent with Atmanirbharta/ National Security**

Email from Smita Purushottam: A Production Linked Incentive (PLI) scheme for Telecommunications consistent with Atmanirbharta/ National Security

[From:**Smita Purushottam**<chairperson@sitara.org.in>](https://am2.myprofessionalmail.com/appsuite/)

**To** [psnsa@gov.in](https://am2.myprofessionalmail.com/appsuite/) **Copy** [pksinha.pmo@gov.in](https://am2.myprofessionalmail.com/appsuite/) [and 11 others](https://am2.myprofessionalmail.com/appsuite/)

Dear Sir,

We understand that the Government is proposing to issue a Production Linked Incentive (PLI) scheme for the Telecommunications sector.

Telecommunications, which forms part of the ICT ecosystem, is a critical horizontal underlying every aspect of national activity. As such, it is imperative that (i) it be accorded the status of Critical Information Infrastructure (CII) to ensure National Security -- as is the case in the US and other advanced countries, and (ii) incentives comply with Atmanirbhar Bharat.

**Prime Minister’s far-sighted Atmanirbhar Vision**

The Prime Minister’s esteemed Office has already acknowledged the foundational importance of **Telecom** S**ecurity**. The re-tendering of the BSNL tender (which was biased in favor of Chinese equipment vendors), DPIIT’s Preference for Make in India Order and the Telecom Security Directive are heartening indicators of Government’s resolve to enter the 21st century with a sound, advanced, indigenous and protected ICT infrastructure.

At the same time - in the wake of the advent of hyper-speed communications technologies – India must ensure domestic design, ownership, development, and manufacturing of current and next-gen ICT equipment, on which nearly all technological advances depend, from quantum technologies, to robotics, to nano and biotechnology, to AI.

**Hence, the Telecom PLI scheme must be coordinated with the excellent guidelines laid down by PMO/NSA, who are in charge of protecting India’s integrity and national security, transcending narrow departmental vision and concerns.**

**Need to promote Design-in-India along with Make-in-India**

The financial incentives under the Production Linked Incentive (PLI) Schemes are substantial. It is therefore essential that apart from promoting Telecom/ICT manufacturing and investments in India, the Scheme boosts **domestic design and specifically domestic manufacturing** – ***in line with policies already adopted by Government***.

Eligibility must not be confined only to cumulative incremental investment. **As we have pointed out - tendering practices have been heavily biased to exclude domestic manufactures, whose revenues have therefore shrunk pitiably, severely hindering their investment and R&D capacities**. Only MNCs and FOEMs - which have already profited from biased procurement orders – will be able to make high incremental investments and thus monopolise the bulk of the incentives, ***further marginalizing domestic production and innovation in Critical Information Infrastructure, which Indian National Security simply cannot afford.***

**Recommendations**

**The critical areas where the scheme can be bolstered to achieve stated aims are:**

**(a) Target the bulk of incentives (80%) to domestic companies, with maximum weightage assigned to indigenous design and development of own products.**

**(b) Link the rest of the incentives to local development and domestic value addition.** Merely asking for production targets without local development **will only encourage temporary assembly of equipment in India, which too will end when the labour differential tilts in favour of even cheaper countries or the incentive ends. While there may be short-term spikes in employment, there will be no lasting advance towards domestic high-tech development.**

**(c) A special effort needs to be made for domestic 5G development. Weightage for R&D/ local value addition linked incentive for specific deliverables like RAN and components not yet being developed or manufactured in India - can be increased as they will bring the highest value to the Nation.**

**Need to make the Telecom PLI scheme compatible with PM’s Atmanirbhar objectives**

(d) Given the scale of investment, the telecom rollout will always have strategic/ security/ defence implications, apart from the positive socio-economic impact. Therefore, the policy must be made compatible with the DPIIT’s Market Preference policies for indigenous Atmanirbhar companies, State-owned entities (BSNL e.g.) and in specific geographies (Delhi-NCR, North East, border areas etc.) where exclusive procurement of domestic equipment must be explicitly stated. The Telecom Security Directive will hopefully ensure overall National Security is maintained in other networks for the time being.

**Unless the market is reasonably assured, merely incentivising production will not yield optimal results and will have serious implications for National Security, which your Office is dedicated to ensuring. Domestic procurement and PLI incentives must go hand in hand, with market assurances explicitly stated and the PLI not used to undermine domestic companies.**

**Urgent need for transparency and public consultation**

The Telecom PLI scheme is too important to be decided behind closed doors. **We request that DOT/ the issuing-drafting authority be instructed to place it in the public domain to take on board patriotic and domestic industry inputs. The incentives must be used as strategic force-multipliers to kickstart the domestic innovation and R&D ecosystem for Telecom / ICT products in India.**

For a greater focus on Atmanirbharta, it is additionally recommended that GoI Specialist groups (CDAC Mission Mode Group on 5G, C-DOT, Delhi/ Mumbai/ Hyderabad/ Madras IITs etc) be involved from the initial stages of formulation.

**The final scheme must be approved in PMO/ NSA’s office to ensure a Whole-of-Government approach so that sectional/ departmental interests do not prevail and your priorities - National Security and Atmanirbharta do.**

With respectful regards,

Smita Purushottam

Chairperson SITAR



The science, indigenous technology & advanced research accelerator

Thursday, January 7, 2021

**Production Linked Incentive (PLI) scheme for Telecommunications consistent with Atmanirbharta/ National Security**

Dear Sir,

We understand that the Government is proposing to issue a Production Linked Incentive (PLI) scheme for the Telecommunications sector.

Telecommunications, which forms part of the ICT ecosystem, is a critical horizontal underlying every aspect of national activity. As such, it is imperative that (i) it be accorded the status of Critical Information Infrastructure (CII) to ensure National Security -- as is the case in the US and other advanced countries, and (ii) incentives comply with Atmanirbhar Bharat.

**Prime Minister’s far-sighted Atmanirbhar Vision**

The Prime Minister’s esteemed Office has already acknowledged the foundational importance of **Telecom** S**ecurity**. The re-tendering of the BSNL tender (which was biased in favor of Chinese equipment vendors), DPIIT’s Preference for Make in India Order and the Telecom Security Directive are heartening indicators of Government’s resolve to enter the 21st century with a sound, advanced, indigenous and protected ICT infrastructure.

At the same time - in the wake of the advent of hyper-speed communications technologies – India must ensure domestic design, ownership, development, and manufacturing of current and next-gen ICT equipment, on which nearly all technological advances depend, from quantum technologies, to robotics, to nano and biotechnology, to AI.

**Hence, the Telecom PLI scheme must be coordinated with the excellent guidelines laid down by PMO/NSA, who are in charge of protecting India’s integrity and national security, transcending narrow departmental vision and concerns.**

**Need to promote Design-in-India along with Make-in-India**

The financial incentives under the Production Linked Incentive (PLI) Schemes are substantial. It is therefore essential that apart from promoting Telecom/ICT manufacturing and investments in India, the Scheme boosts **domestic design and specifically domestic manufacturing** – ***in line with policies already adopted by Government***.

Eligibility must not be confined only to cumulative incremental investment. **As we have pointed out - tendering practices have been heavily biased to exclude domestic manufactures, whose revenues have therefore shrunk pitiably, severely hindering their investment and R&D capacities**. Only MNCs and FOEMs - which have already profited from biased procurement orders – will be able to make high incremental investments and thus monopolise the bulk of the incentives, ***further marginalizing domestic production and innovation in Critical Information Infrastructure, which Indian National Security simply cannot afford.***

**Recommendations**

**The critical areas where the scheme can be bolstered to achieve stated aims are:**

**(a) Target the bulk of incentives (80%) to domestic companies, with maximum weightage assigned to indigenous design and development of own products.**

**(b) Link the rest of the incentives to local development and domestic value addition.** Merely asking for production targets without local development **will only encourage temporary assembly of equipment in India, which too will end when the labour differential tilts in favour of even cheaper countries or the incentive ends. While there may be short-term spikes in employment, there will be no lasting advance towards domestic high-tech development.**

**(c) A special effort needs to be made for domestic 5G development. Weightage for R&D/ local value addition linked incentive for specific deliverables like RAN and components not yet being developed or manufactured in India - can be increased as they will bring the highest value to the Nation.**

**Need to make the Telecom PLI scheme compatible with PM’s Atmanirbhar objectives**

(d) Given the scale of investment, the telecom rollout will always have strategic/ security/ defence implications, apart from the positive socio-economic impact. Therefore, the policy must be made compatible with the DPIIT’s Market Preference policies for indigenous Atmanirbhar companies, State-owned entities (BSNL e.g.) and in specific geographies (Delhi-NCR, North East, border areas etc.) where exclusive procurement of domestic equipment must be explicitly stated. The Telecom Security Directive will hopefully ensure overall National Security is maintained in other networks for the time being.

**Unless the market is reasonably assured, merely incentivising production will not yield optimal results and will have serious implications for National Security, which your Office is dedicated to ensuring. Domestic procurement and PLI incentives must go hand in hand, with market assurances explicitly stated and the PLI not used to undermine domestic companies.**

**Urgent need for transparency and public consultation**

The Telecom PLI scheme is too important to be decided behind closed doors. **We request that DOT/ the issuing-drafting authority be instructed to place it in the public domain to take on board patriotic and domestic industry inputs. The incentives must be used as strategic force-multipliers to kickstart the domestic innovation and R&D ecosystem for Telecom / ICT products in India.**

For a greater focus on Atmanirbharta, it is additionally recommended that GoI Specialist groups (CDAC Mission Mode Group on 5G, C-DOT, Delhi/ Mumbai/ Hyderabad/ Madras IITs etc) be involved from the initial stages of formulation.

**The final scheme must be approved in PMO/ NSA’s office to ensure a Whole-of-Government approach so that sectional/ departmental interests do not prevail and your priorities - National Security and Atmanirbharta do.**

With respectful regards,

Smita Purushottam

Chairperson SITARA