



Submission No 41

Inquiry into Australia's relationship with India as an emerging world power

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Dear Dr Kerley

**UPDATE ON DEVELOPMENTS: Inquiry into Australia's relationship with
India as an emerging world power**

Thank you for your letter to my colleague Danny Kotlowitz dated 24 July 2008.

Telstra provided a detailed written submission on 2 June 2006 to the inquiry into Australia's relationship with India as an emerging world power ("the inquiry") being conducted by the Parliamentary Joint Standing Committee on Foreign Affairs, Defence and Trade ("the committee"). Subsequently, Mr Kotlowitz appeared together with Jane Drake-Brockman of the Australian Services Roundtable and Russell Lee of the Cox Group at a public hearing held by the committee in Sydney on 20 September 2006. Mr Kotlowitz provided a further update to the committee in a letter dated 9 October 2006.

In the lengthy hiatus since that material was provided by Telstra, there have been some positive developments in regard to the concerns raised by Telstra about access to the Indian telecommunications market. For example:

- technical restrictions previously imposed on the International Long Distance ("ILD") licence (see section 8 of Telstra's June 2006 submission) have been somewhat ameliorated. As a result, several international telecommunications carriers have applied for and been awarded the ILD licence;
- the issue of access to cable landing stations (see section 10 of Telstra's June 2006 submission) has finally been addressed by the Telecommunications Regulatory Authority of India ("TRAI"). Indian telecommunications companies that control this key bottleneck infrastructure are now required to provide access to other carriers in accordance with a Reference Interconnect

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Offer approved by the TRAI.¹ Although the process appears to be rigorous on paper, implementation will need to be tested over time before the problem can be regarded as solved; and

- the Access Deficit Charge, a longstanding distortionary impost on voice traffic, is being abolished.²

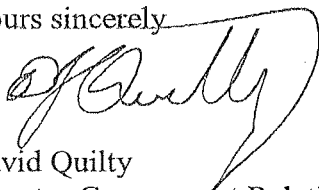
While these steps are positive, there remain many concerns about licensing arrangements for international services into India, as well as behind-the-border regulation in that country. For example, the fee merely to acquire an ILD licence remains extraordinarily high, at more than \$600,000. The licensing and security clearance process is tedious, delaying the commencement of new entrants' operations for up to a year or more. Security monitoring obligations continue to be far more burdensome and costly than necessary, particularly since the full gamut of these obligations is now also imposed on internet service providers. Officials of the DoT's "Vigilance and Monitoring Cell" routinely conduct inspections at the premises of corporate end-users and issue threatening notices which presume services are being supplied illegally unless proven otherwise. There are many more examples that can be cited of both structural impediments to entry, and needless day-to-day bureaucratic meddling by the authorities.

Indian suppliers in the Australian market face no such barriers, nor should they: by making entry into and participation in the Indian telecommunications services market so difficult, the Indian government is ultimately harming the interests of its own consumers and businesses.

Therefore, Telstra reiterates its request in its June 2006 submission that the committee should note the difficult entry and operating conditions for foreign telecommunications operators in India; that this has a direct impact on the costs and quality of telecommunications services required by all Australian companies that do business in India; and should recommend a redoubling of effort by the Australian government to enable Australian suppliers to enjoy the same level of access to the Indian telecommunications market, that Indian-owned suppliers enjoy in Australia.

Best wishes for the final deliberations of the committee, and Telstra looks forward to the release of the committee's findings.

Yours sincerely



David Quilty
Director Government Relations

¹ See Telecommunications Regulatory Authority of India, "International Telecommunication Access to Essential Facilities at Cable Landing Stations Regulations, 2007 [5 of 2007]"; <http://www.trai.gov.in/trai/upload/PressReleases/469/regulation7june07.pdf>

² Telecommunications Regulatory Authority of India, "Telecommunication Interconnection Usage Charges (Ninth Amendment) Regulations, 2008", 27 March 2008.