

U.S. Industry Interests in the
U.S.-India Information and Communications Technology Working Group
TELECOMMUNICATIONS SECTOR

Overview

U.S. industry supports the United States's and India's expanded economic dialogue and inclusion of the information and communications technology (ICT) working group, which was announced in July 2005 by Indian Prime Minister Manmohan Singh and U.S. President George Bush. We recognize India's progress in unilateral liberalization of the telecommunications market and encourage further liberalization to spur investment in ICT, expand universal access, speed the development and adoption of new technologies, and promote multilateral collaboration. Toward these goals, U.S. industry supports the ICT working group to have meaningful discussions on these key issues.

- **Advanced Wireless Services** – U.S. industry believes that further opening up of spectrum for advanced wireless services will enable the deployment of technologies to rural areas and further encourage investment. We hope to emphasize the following points, which would benefit Indian industry interests as well:
 - More spectrum is necessary;
 - Spectrum should be released as soon as possible;
 - Spectrum should be assigned in a manner that fosters sustainable business models; and
 - Details on the release of the spectrum, terms of licensing for advanced wireless services, and timing of any future action should be distributed as soon as possible.
- **Internet Protocol (IP)-Enabled Services (Voice over IP, IP Telephony)** – VoIP policy changes took effect as of January 1, 2006, to ensure companies are able to maximize the uses of available technologies. We understand there are still issues in implementation, and would like to have further clarification. This is important because the use of VoIP networks ensures that enterprise users are able to take advantage of the most efficient deployment of communications infrastructure.
 - VoIP public managed networks that can connect to the Public Switched Telephone Network (PSTN) eliminates the requirement of users to have a dual investment in infrastructure in the form of premises wiring and customer equipment (one for PSTN and the other for VoIP);
 - Enterprise users realize enormous savings in the cost of moving telephones or adding telephones, because a VoIP telephone simply plugs into any enterprise Internet connection, while PSTN telephones require the service provider to perform moves or additions; and
 - Company investment in Internet communications realizes higher return because more applications can be managed on a single infrastructure.
- **Bandwidth Restrictions** – India's Telecom Disputes Settlement Court's upholding the Telecommunications Regulatory Authority of India (TRAI) decision to reduce tariffs on international private leased circuits is a step in the right direction. In addition, international bandwidth capacity can be addressed by:

- Allowing multinational corporations access to full capacity (current and upgraded) on certain submarine cables; and
- Requiring cable landing station owners to engage in competitive conduct in providing co-location, grooming service, data security monitoring and other services, and enforcing that requirement.
- The Indian market will greatly benefit from additional competition since only six carriers in India hold International Long Distance licenses.
- **Access Deficit Charge (ADC)** – The Telecommunications Regulatory Authority of India (TRAI) is applauded for significant changes to the ADC regime as it phases out the universal service plan by 2009. U.S. industry supports additional consideration of a proposed revenue share plan that would:
 - Help address the gray market in international calling by removing the discrepancy between domestic and international termination rates; and
 - Make the system more efficient, equitable and non-discriminatory, by fairly applying costs to all industry players.
- **Foreign Direct Investment (FDI) Initiatives** – India is commended for increasing its level of FDI in the telecommunications sector to 74 per cent, which will greatly encourage competition. We also note that on March 3, 2006, the Ministry of Communications and Information Technology deferred the implementation of these restrictive regulations until July 2, 2006. We would appreciate, however, further clarification on three particular proposed conditions that will affect both Indian and U.S. multinational companies operating global networks. These proposals are restrictions on:
 - Transfer of accounting, user and network information outside India;
 - International transit routing of Indian domestic traffic; and
 - Remote access for maintenance and repairs from outside India.
- **Market Access** – India is complimented for its implementation of the WTO Information Technology Agreement to lower tariffs and excise taxes, which fueled explosive growth in telecommunications. However, U.S. industry is troubled by:
 - Manufacturing requirement – Preference to companies that include a domestic manufacturing component would severely decrease interest and competition in the Indian market.
 - Set-aside rules for GSM expansion – Current awards for infrastructure build-out should be competitive and consistent with Indian government rules and regulations, so that there are no preferred providers.
- **Unified Licensing** – In January 2004, the TRAI set out its recommendations on Unified Licensing, which is a concept that allows a service provider to offer any service, on any technology platform, in any manner it chooses, and typically across any region(s) in the country. Currently, with service specific licensing and high entry fees, the market is only developing and competitive for wireless voice. The U.S. industry supports the implementation of the TRAI's recommendations on Unified Licensing, combined with greatly reduced entry fees, to support continued growth and introduction of real competition within India's telecom sector beyond wireless voice. Without it competition will remain limited and new players will have great difficulty entering the market with innovative services.