



January 12, 2007

Ms. Gloria Blue,  
Executive Secretary, Trade Policy Staff Committee,  
Attn: Section 1377 Comments,  
Office of the United States Trade Representative,  
1724 F Street, NW.,  
Washington, DC  
20508.

**Re: Reply comments to Section 1377 Comments of USCIB**

Dear Ms. Gloria Blue,

On behalf of Videsh Sanchar Nigam Limited ("VSNL"), I am responding to the points raised by the United States Council for International Business ("USCIB") vide their comments dated December 15, 2006. While we are pleased that the USCIB has directed no criticisms at VSNL specifically, the USCIB did raise generic concerns regarding the availability and pricing of submarine cable capacity and access to cable landing stations in India.

VSNL would note that no party other than USCIB filed comments in this regard. Furthermore, the USCIB comments appear to reflect a repackaging of the comments it submitted on India in last year's Section 1377 submission, as USCIB has not taken into account recent developments in the Indian market and policy environment.

VSNL would like to submit data to show that the issues raised by the USCIB do not present a fair and correct picture of the competitive market situation in India today.

*First*, the Telecom Regulatory Authority of India (TRAI) issued on December 22, 2006, a consultation paper on the terms and conditions for introduction of IPLC resale.<sup>1</sup> Para 1.5 of the Consultation Paper states that the Department of Telecommunications (DoT), the licensing authority, has accepted TRAI's recommendations in regard of (a) resale of IPLC, and (b) access to cable landing stations. While reserving our comments on the relevance of resellers in the Indian market and their impact on IPLC prices, we can confirm that the process of introducing resellers in the Indian IPLC market is well under way.

*Second*, IPLC prices in India have fallen sharply during the last few years. In particular, as a result of TRAI's cost-based price ceilings, prices fell by up to 63% in 2005. Further, due to competitive and market forces, IPLC prices fell by another

<sup>1</sup> <http://www.trai.gov.in/trai/upload/ConsultationPapers/100/cons22dec06.pdf>

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25% during 2006. A study done by Telegeography on behalf of VSNL International in October, 2006 found that India has sufficient international connectivity today and that IPLC prices in India are reasonable given the current and anticipated demand – supply scenario. Today India has over 18 terabits of design capacity and nearly 650Gbps of equipped capacity, of which we believe only about 100Gbps is currently utilized. Significantly, nearly 67% of design capacity and 56% of equipped capacity in India is available at cable stations other than those owned by VSNL.

*Third*, as stated above, the DoT has already accepted TRAI’s recommendations related to cable station access, and it is anticipated that TRAI will soon formulate appropriate terms and conditions. Even before the recommendations were accepted by DoT, VSNL became the first Indian operator to pro-actively issue standard terms and conditions for access to its submarine cable landing stations<sup>2</sup>. The terms of reference are available on VSNL’s website<sup>3</sup>. Even before VSNL published its standard terms, several Indian operators were provided access at its landing stations on reasonable, mutually agreed terms and conditions, as per the requirements of VSNL’s license. The USCIB presents no evidence that cable station access has been delayed or is extremely expensive. Nor does USCIB present any evidence that incumbent carriers have used “tactics” to block the availability of cheap and plentiful capacity in India. It is clear from the market data presented above that there is plentiful capacity in India, that the market environment is characterized by multiple competing sources of supply, and that prices are reasonable.

We appreciate the opportunity to respond to the comments and provide our inputs. We would be happy to provide any additional information / clarification and look forward to working with you on telecommunications policy issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Srinivasa Addepalli", written over a horizontal line.

(Srinivasa Addepalli)

Vice President – Corporate Strategy

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<sup>2</sup> <http://economictimes.indiatimes.com/articleshow/548638.cms>

<sup>3</sup> <http://www.vsnl.in/vsnlnews/AFA%20Std%20terms%20%20conditions.pdf>