

WC 06-218

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**FCC/MELLON**  
**DEC 04 2006**

DIRECT LINE: (202) 342-8552  
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December 4, 2006

**VIA COURIER**

**DATE STAMP & RETURN**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Wireline Competition Bureau – CPD – 214 Appls.  
P.O. Box 358145  
Pittsburgh, PA 15251-5145

Re: Application of Telstra Incorporated for a Transfer of Control Involving an Authorized International and Domestic Carrier

Dear Ms. Dortch:

Telstra Incorporated (“Telstra USA”) hereby files the above-referenced application. Enclosed please find an original and six (6) copies of the application.

Also enclosed is a completed Fee Remittance Form 159 and a check in the amount of \$965.00 to cover the requisite filing fee required for this application.

Pursuant to Section 63.04(b) of the Commission’s Rules, Telstra USA submits this filing as a combined international Section 214 transfer of control application and domestic Section 214 transfer of control application (“Combined Application”). Telstra USA has filed the Combined Application with the International Bureau through the IBFS filing system.

Please date-stamp the stamp-and-return copy upon receipt and return it to the courier. Should you have any questions with respect to this filing, please contact Melissa Conway at (202) 342-8552.

Respectfully Submitted,

*Melissa Conway*  
Melissa Conway

Enclosures

READ INSTRUCTIONS CAREFULLY  
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION  
REMITTANCE ADVICE

Approved by OMB  
3060-0589  
Page 1 of 1

(1) LOCK BOX #

358145

FCC/MELLON

DEC 04 2006

DATE STAMP & RETURN

SECTION A - PAYER INFORMATION

(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card)

Kelley Dnye & Warren LLP

(3) TOTAL AMOUNT PAID (U.S. Dollars and cents)

\$965.00

(4) STREET ADDRESS LINE NO. 1

3050 K Street, N.W., Suite 400

(5) STREET ADDRESS LINE NO. 2

(6) CITY

Washington

(7) STATE

DC

(8) ZIP CODE

20007

(9) DAYTIME TELEPHONE NUMBER (include area code)

(10) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) REQUIRED

(11) PAYER (FRN)

IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)  
COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(13) APPLICANT NAME

Teistra Incorporated

(14) STREET ADDRESS LINE NO. 1

40 Wall Street

(15) STREET ADDRESS LINE NO. 2

40th Floor

(16) CITY

New York

(17) STATE

NY

(18) ZIP CODE

10005

(19) DAYTIME TELEPHONE NUMBER (include area code)

(212) 863-2800

(20) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) REQUIRED

(21) APPLICANT (FRN)

0003765500

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(23A) CALL SIGN/OTHER ID

(24A) PAYMENT TYPE CODE

CUT

(25A) QUANTITY

(26A) FEE DUE FOR (PTC)

\$965.00

(27A) TOTAL FEE

\$965.00

(28A) FCC CODE 1

(29A) FCC CODE 2

(23B) CALL SIGN/OTHER ID

(24B) PAYMENT TYPE CODE

(25B) QUANTITY

(26B) FEE DUE FOR (PTC)

(27B) TOTAL FEE

(28B) FCC CODE 1

(29B) FCC CODE 2

SECTION D - CERTIFICATION

CERTIFICATION STATEMENT

I, Melissa Conway, certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief.

SIGNATURE

Melissa Conway

DATE

12/4/06

SECTION E - CREDIT CARD PAYMENT INFORMATION

MASTERCARD \_\_\_\_\_ VISA \_\_\_\_\_ AMEX \_\_\_\_\_ DISCOVER \_\_\_\_\_

ACCOUNT NUMBER \_\_\_\_\_

EXPIRATION DATE \_\_\_\_\_

I hereby authorize the FCC to charge my credit card for the service(s)/authorization herein described.

SIGNATURE \_\_\_\_\_

DATE \_\_\_\_\_

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
<b>Telstra Incorporated</b>	)	WC Docket No. 06- ____
<i>Licensee</i>	)	
	)	
<b>Commonwealth of Australia</b>	)	File No. ITC-T/C-2006_____
<i>Transferor</i>	)	
	)	
<b>Telstra Corporation Limited</b>	)	
<i>Transferee</i>	)	
	)	
Application for Consent to Transfer	)	
Control of a Company Holding International	)	
and Domestic Section 214 Authority	)	

**APPLICATION**

Telstra Incorporated (“Telstra USA”) (FRN: 0003765500), through its undersigned counsel, hereby respectfully requests such authority as may be necessary pursuant to Section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214 (the “Act”), and Sections 63.04 and 63.24(e) of the Commission’s Rules, 47 C.F.R. §§ 63.04 and 63.24(e), to consummate the transfer of control of Telstra USA, which may result from the sale and transfer of shares of Telstra USA’s ultimate parent company, Australian-based global carrier Telstra Corporation Limited (ABN 33 051 775 556) (“Telstra”), as described below.<sup>1</sup> Telstra USA is a competitive carrier that provides resold interexchange services and certain other telecommunications services on an interstate and international basis to customers in the United States.

<sup>1</sup> Pursuant to Section 7.2 of the Agreement by and between Reach Ltd., Telstra Corporation Limited, and Pacific Century CyberWorks Limited, on the one hand, and the Federal Bureau of Investigation and the U.S. Department of Justice, on the other, effective November 29, 2001, Telstra hereby requests that the Commission condition the grant of such approval on compliance with the terms of such Agreement.

As described more fully below, pursuant to a global offering, the Commonwealth of Australia (the "Commonwealth") has sold to retail and institutional investors in Australia and New Zealand, qualified institutional buyers in the United States and institutional investors in the rest of the world shares representing approximately 30% of Telstra's issued shares, or approximately 34% if the lead managers exercise their overallotment option on or before December 18, 2006, as expected (although there is no obligation upon the lead managers to exercise that option) (the "Offer").<sup>2</sup> Upon closing of the Offer, the Commonwealth's holdings in Telstra decreased from 51.8% to approximately 22%, or approximately 17% if the overallotment option is exercised, with the Commonwealth maintaining *de facto* control over Telstra, pursuant to certain provisions in the Telstra Corporation Act 1991, as amended (the "Telstra Act").<sup>3</sup>

As soon as practicable and, in any event, no later than February 24, 2007 (subject to obtaining necessary regulatory approvals), the Commonwealth intends to transfer to the Future Fund Board of Guardians (the "Future Fund Board") all of its Telstra shares not transferred in the

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<sup>2</sup> Pursuant to the terms of the Offer, Telstra shares are payable in two instalments. Upon payment of the first instalment, a purchaser will direct the transfer of their Telstra shares to be held on trust until the final instalment is paid, will receive an instalment receipt for each Telstra share purchased and will be regarded as the beneficial owner of such Telstra share. Subject to a security interest in favor of the Commonwealth securing the obligation of the purchaser to pay the final instalment, the Telstra shares will be held in trust for the benefit of the instalment receipt holders. Separate and individual trusts will be created for each Telstra share transferred in the Offer.

While each of the trusts will have the same trustee, no single beneficial owner or individual trust will hold 10% or more of the shares in Telstra. Each separate and individual trust will be kept distinct from each of the other trusts and there will be no pooling of any of the interests in shares held on trust. Upon payment of the final instalment in respect of a Telstra share transferred in the Offer, the trust will be dissolved and legal and beneficial ownership will reside with the purchaser. The final instalment must be paid no later than May 29, 2008.

<sup>3</sup> The Telstra Act is the Australian law that governs the formation and management of Telstra. In September 2005, the Commonwealth amended the Telstra Act by passing the Telstra (Transition to Full Private Ownership) Act 2005 to enable the Commonwealth to undertake a sale of all or part of its stake in Telstra. Certain provisions of the Telstra Act providing the Commonwealth with oversight authority over Telstra will cease to apply when the Commonwealth's shareholding falls to 15% or less following the proposed transfer of shares not transferred in the Offer to the Future Fund Board.

Offer. The Future Fund is a Commonwealth investment fund set up to strengthen the Commonwealth's long-term finances by providing for its unfunded superannuation liabilities. The Future Fund Board holds the Future Fund's assets for and on behalf of the Commonwealth. Upon closing of the share transfer, assuming exercise of the over-allotment option, the Future Fund Board will hold an ownership interest in Telstra of approximately 17% for a mandatory two-year period from the date the instalment receipts representing Telstra shares transferred in the Offer are first listed on the Australian Stock Exchange, subject to limited exceptions. Post-close, the Future Fund Board will have rights and obligations like any other Telstra shareholder, and thus will not have *de facto* control of Telstra. However, as described below, the Future Fund Board will be required to hold the transferred Telstra shares for the two-year escrow period.

This transaction will not involve a transfer of operating authority, assets or customers. Immediately following the consummation of the aforementioned transaction, Telstra USA will continue to provide services to its existing United States customers under existing service arrangements pursuant to its Section 214 authority granted by the Commission. The proposed transaction, therefore, will be seamless to Telstra USA's customers. Attached hereto as *Exhibit A* are organization charts that illustrate the current corporate structure of the parties to the transaction and the structure that will exist following consummation of the proposed transaction.

Telstra USA respectfully requests streamlined processing of this Application pursuant to Sections 63.03 and 63.12 of the Commission's Rules, 47 C.F.R. §§ 63.03 and 63.12. This Application is eligible for streamlined processing pursuant to Section 63.03(b)(2) of the Commission's Rules, 47 C.F.R. § 63.03(b)(2), because (1) the proposed transaction will result in Telstra USA (including its affiliates, as that term is defined in Section 3(1) of the Act) having a

market share in the interstate, interexchange market of less than 10 percent; (2) Telstra USA (including its affiliates) will provide competitive services exclusively in areas served by a dominant local exchange carrier that is not a party to this transaction; and (3) neither Telstra USA nor any of its affiliates are regulated as a dominant U.S. carrier with respect to any service. This Application also qualifies for streamlined treatment under Section 63.12 because post-close (1) Telstra will not be affiliated with any dominant U.S. carrier whose services Telstra USA may resell; (2) with respect to the U.S.-Australia route, Telstra is classified by the Commission as a dominant foreign carrier on this route, but Australia is a WTO Member country and Telstra USA has accepted dominant carrier treatment on the route; (3) with respect to Bangladesh, Hong Kong, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, and the UK, Telstra is affiliated with foreign carriers in each of these markets, but each of these carriers qualifies for a presumption of non-dominance under Section 63.10(a)(3) of the Commission's Rules, 47 C.F.R. § 63.10(a)(3); and (4) with respect to all other routes, Telstra has no foreign carrier affiliates.

## **I. THE PARTIES TO THE TRANSACTION**

### **A. Telstra and Telstra USA**

Telstra USA is a Delaware corporation, headquartered at 40 Wall Street, 40th Floor, New York, New York 10005. Telstra USA is a wholly-owned subsidiary of Telstra Holdings Pty Limited (ABN 33 057 808 938) ("Telstra Holdings"), a corporation organized under the laws of Australia to serve as a holding company. Telstra Holdings is wholly owned by Telstra.

Telstra USA is authorized to provide resold interexchange services on an intrastate basis in California, New York and Texas. Telstra USA holds (i) domestic Section 214

authority under a “blanket” Section 214 authorization; and (ii) international Section 214 authority.<sup>4</sup> Telstra USA provides long distance, frame relay, ATM, data transport, private line, and other value added services on an interstate and international basis, as well as providing many such services on an intrastate basis in California, New York, and Texas. Telstra USA provides its services to enterprise and other business customers.

Telstra is an Australian public corporation headquartered at 242 Exhibition Street, Melbourne, Victoria 3000, Australia. Telstra is Australia’s leading telecommunications and information services company. Telstra offers a full range of integrated telecommunications services and competes in all telecommunications markets throughout Australia, providing service to more than 9.9 million Australian fixed lines and more than 8.4 million wireless cellular telephony subscribers. Telstra’s primary activities include the provision of basic access services to most homes and businesses in Australia; local, long distance and international service to and from Australia; wireless cellular telecommunications services; broadband access and content; a comprehensive range of data and Internet services; management of business customers’ IT and telecommunications services; wholesale services to other carriers and ISPs; and cable television distribution services.

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<sup>4</sup> Telstra holds international resale and facilities-based authority. *See* File Nos. ITC-214-19970610-00320 (old file no. ITC-97-320) (facilities-based service between the U.S. and Australia); ITC-214-19970610-00321 (old file no. ITC-97-319) (facilities-based service between the U.S. and all approved international points, except Australia); ITC-214-19960610-00238 (old file no. ITC-96-321) (resold switched and non-interconnected private line services between the U.S. and all approved international points, except Australia); ITC-214-19960610-00241 (old file no. ITC-96-320) (international simple resale services between the U.S. and all approved international points); ITC-214-19960610-00240 (old file no. ITC-96-319) (international simple resale and resold switched and private line services between the U.S. and Australia).

Prior to the Offer, the Commonwealth held a majority (51.8%) of the shares in Telstra, and thus, an indirect majority interest in Telstra USA. No other entity held 10% or more of the shares in Telstra.

**B. The Future Fund**

The Future Fund is a Commonwealth investment fund that was established under the Future Fund Act 2006 to strengthen the Commonwealth's long-term finances by providing for its unfunded superannuation liabilities. The Future Fund Board is a separate legal entity from the Commonwealth, is responsible for investment decisions of the Future Fund, and holds the Future Fund's assets for and on behalf of the Commonwealth. The Future Fund Board must seek to maximize returns on investments in the Future Fund, subject to complying with the Future Fund Board's obligations under the Future Fund Act 2006 and any direction from the Commonwealth itself. All members of the Future Fund Board are held to similar standards of care and duties as those of company directors under Australian law. The Future Fund Act 2006 allows the Commonwealth to transfer Commonwealth-owned assets, such as the Commonwealth's interest in Telstra, to the Future Fund Board.

**II. DESCRIPTION OF THE TRANSACTION**

**A. The Commonwealth's interests in Telstra**

Prior to the Offer, the Commonwealth was Telstra's majority shareholder with a 51.8% ownership interest. As a result of the Commonwealth's shareholding (both prior to the Offer and following the Offer but prior to the transfer of shares not transferred in the Offer to the Future Fund) and certain provisions of the Telstra Act, Telstra owes certain obligations to the Commonwealth that it does not owe to other shareholders and the Commonwealth has certain rights vis-à-vis Telstra that are not held by other shareholders. Among other things, Telstra is

required to provide the Commonwealth with certain information that it would not generally be required to disclose to other shareholders. The Telstra Act also requires Telstra to keep the Communications Minister and the Finance Minister generally informed about Telstra's operations and to give them information about Telstra's operations as they require. The Communications Minister has the power under Section 9 of the Telstra Act to give Telstra written directions as appear to the Communications Minister to be necessary in the public interest. Telstra also is required to notify the Finance Minister if Telstra intends to issue securities or financial products or otherwise engage in conduct that is likely to result in a dilution of the Commonwealth's equity in Telstra. The Finance Minister may direct Telstra not to engage in such conduct.

#### **B. The Offer**

Pursuant to the terms of the Offer, the Commonwealth has sold to retail and institutional investors in Australia and New Zealand, qualified institutional buyers in the United States and institutional investors in the rest of the world shares representing approximately 30% of Telstra's issued shares, or approximately 34% if the over-allotment option is exercised. Upon completion of the Offer on November 24, 2006, the Commonwealth's holdings in Telstra decreased from 51.8% to approximately 22%, or approximately 17% if the lead managers exercise their over-allotment option on or before December 18, 2006, as expected (although there is no obligation upon the lead managers to exercise that option).<sup>5</sup> While the Commonwealth has lost *de jure* control, it maintains *de facto* control over Telstra, as the unique rights and obligations discussed above remain in place. Such change in control constitutes a *pro forma*

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<sup>5</sup> The actual percentage of Telstra shares held by the Commonwealth after completion of the Offer may vary depending upon the exercise of certain share allocation options by the lead managers, but will not exceed 22%.

transfer under Section 63.24 of the Commission's Rules, and requires that the Commission be so notified.<sup>6</sup>

**C. Transfer of shares to the Future Fund Board**

The Commonwealth will transfer its interest in Telstra of approximately 22%, or approximately 17% if the overallotment option is exercised, including any residual shares from the Offer, to the Future Fund Board. The transfer to the Future Fund Board will occur in at least two stages, with the intention that the transfer of the bulk of the shares to be transferred to the Future Fund Board will take place no later than February 24, 2007. Thus, after this transfer, the Future Fund Board will hold an ownership interest in Telstra of approximately 22%, or approximately 17% if the overallotment option is exercised. It is not anticipated that there will be any entity other than the Future Fund Board that holds 10% or more of the shares in Telstra following the transfer of shares to the Future Fund Board.<sup>7</sup>

**D. Impact of transfer of shares to the Future Fund Board on control of Telstra**

*Control by the Commonwealth.* The Australian Government has stated an intention that the Future Fund Board will manage the Future Fund's Telstra shareholding at arm's length from the Government and, after an escrow period of two years from the date the instalment receipts representing Telstra shares transferred in the Offer are first listed on the

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<sup>6</sup> Notification to the Commission of the *pro forma* transfer of control that occurred on November 24, 2006, will be filed within the prescribed 30-day period, pursuant to FCC Rule 63.24(f).

<sup>7</sup> As noted previously, prior to payment of the final instalment, the Telstra shares transferred pursuant to the Offer will be held in separate and individual trusts for the benefit of the beneficial owners. While each of the trusts will have the same trustee, no single beneficial owner or individual trust will hold 10% or more of the shares in Telstra.

Australian Stock Exchange (subject to limited exceptions),<sup>8</sup> will be required to sell down the shares over time and reinvest the proceeds. In accordance with this policy, the Australian Government has stated that it does not intend to issue directions specific to Telstra shares held by the Future Fund Board, other than the escrow direction and changes to the general investment mandate issued by the Commonwealth. However, a future Government may take a different approach. The Telstra shares transferred to the Future Fund Board following completion of the Offer will not be considered to be owned by the Commonwealth for certain purposes under Australian legislation.

Certain provisions in the Telstra Act and other Commonwealth legislation will cease to have effect or apply to Telstra once the Commonwealth transfers its shares in Telstra to the Future Fund Board. The main consequences of this transfer are:

- Telstra will no longer be subject to certain obligations to provide financial and other information to the Commonwealth;
- Telstra will no longer be subject to the Communications Minister's power to direct Telstra as appears to the Communications Minister to be necessary, in the public interest; and

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<sup>8</sup> The Future Fund Board must hold the Telstra shares for the two-year escrow period except:

- in order to satisfy demand from eligible Telstra shareholders under a Telstra initiated dividend reinvestment plan (if any);
- as part of a Telstra capital management initiative (if any), such as a buy-back or capital reduction; or
- to a single investor, provided that:
  - the disposal involves more than 3% of Telstra's issued ordinary shares at the time of the disposal;
  - the disposal does not take place until at least six months after the date instalment receipts representing Telstra shares transferred in the Offer are first listed on the Australian Stock Exchange;
  - the investor provides an acceptable undertaking for at least the balance of the escrow period;
  - the price per share is no less than the institutional offer price; and
  - Telstra is advised prior to such disposal.

- Telstra will no longer be subject to the Finance Minister's power to direct Telstra not to dilute the Commonwealth's equity in Telstra or to issue securities or financial products.

Thus, once the Commonwealth transfers its shares to the Future Fund Board, the Commonwealth will no longer have such special statutory powers vis-à-vis Telstra.

*Control by the Future Fund Board.* While the Future Fund Board will be the largest individual shareholder of Telstra with a stake of approximately 22%, or approximately 17% assuming exercise of the overallotment option, the Future Fund Board will not have *de facto* control of Telstra. In examining whether a minority shareholder has *de facto* control of a licensee, “[a]lthough the percentage of voting stock held by a minority shareholder is relevant, the FCC also has considered as important factors the right to elect members of the company’s board of directors, to determine the manner of operation, to make strategic decisions, and to control personnel and financing decisions.”<sup>9</sup>

The Future Fund Board will not have the ability to dominate Telstra’s affairs. None of the special statutory rights possessed by the Commonwealth with respect to the control of Telstra will be conveyed to the Future Fund Board. No special voting rights will be associated with the Future Fund’s Telstra shares. The Future Fund Board will not have the power on its own to designate any of the directors or officers of Telstra, or otherwise to dominate the Board of Directors, control the operations of the company, or control hiring or finances. Assuming the overallotment option is exercised, more than 80% of Telstra shares will be publicly traded shares held by a variety of investors, none of whom is expected to hold more than 10% of the outstanding shares.

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<sup>9</sup> *GTE Corp.*, 155 FCC Rcd. 14032, 14076 (2000); see also *McCaw Cellular Communications, Inc.*, 4 FCC Rcd. 3784, at ¶ 34 (1989) (“A minority shareholder will not be viewed as in control of a company unless its influence is so great that it is able to determine the licensee’s policies and method of operation or dominate corporate affairs.”); *William S. Paley*, 1 FCC Rcd. at 1025, 1025-26 (1986).

Moreover, as the manager of an investment fund charged with “maximizing the return earned on the Fund over the long term, consistent with international best practice for institutional investment,” Future Fund Act 2006, § 18, the Future Fund Board can be expected to act as a normal institutional investor, and not to seek to influence the day-to-day operations of Telstra. As discussed above, after the required two-year holding period, the Future Fund Board will be seeking to sell down its stake in Telstra in order to maximize returns from its holdings. Thus, far from exerting *de facto* control of Telstra, the Future Fund Board will be just one of many financial investors in Telstra, none of which will individually possess the necessary voting power to control the company.

### **III. PUBLIC INTEREST STATEMENT**

The proposed transaction will serve the public interest. The Commonwealth of Australia has exercised its sovereign authority to determine that its continued participation as the controlling investor in Telstra is no longer consistent with its objectives. The public offering of the Commonwealth’s shares enables Telstra USA to continue providing telecommunications services in the U.S. market, to the ultimate benefit of U.S. consumers.

As designed, the proposed transaction will be completely transparent to all U.S. consumers. Post-close, Telstra USA will continue to operate under the same name and operating authorities as at present. The transaction entails no immediate change to the services, rates, terms and conditions of any services offered by Telstra USA; any future change will be made in accordance with all applicable Commission requirements. Telstra USA will continue to have the same management in place overseeing its day-to-day operations and continue to be backed by the same financial qualifications. The only change will be in the ownership of Telstra USA’s ultimate parent company. At the same time, the proposed transaction does not present any

competition or telecommunications policy issues. Since the proposed transaction entails simply the sale of ownership interests in Telstra to others, the transaction will be completely transparent to customers. Furthermore, the proposed transaction will not have a negative impact on competition because no actual or potential competitors in the U.S. telecommunications market will be eliminated as a result of the transaction.

Further, it bears emphasis that the Commonwealth's decision to reduce its ownership interest in Telstra is consistent with U.S. Government policy. Indeed, the U.S. Government sought and received from the Australian government an express statement of its commitment to the sell-down of Telstra in a side-letter to the Free Trade Agreement that was negotiated between the two countries.<sup>10</sup> Moreover, earlier this year, the Office of the United States Trade Representative stated in its Annual Report to Congress under Section 1377 of the Omnibus Trade and Competitiveness Act of 1998 that the United States "strongly supports" the legislation in Australia authorizing the Commonwealth to sell all or part of its remaining stake in Telstra.<sup>11</sup> That statement reflects the consistent position of the U.S. Government for many years that liberalization in the telecommunications sector is promoted by actions designed to promote private sector rather than public sector ownership of incumbent carriers. Hence, the Commission's expeditious grant of this Application would promote the U.S. public interest as articulated by the relevant U.S. Government agencies.

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<sup>10</sup> See Letter dated May 18, 2004, from Australian Minister for Trade, Mark Vaile to USTR, Robert Zoellick, available at: [www.ustr.gov/assets/Trade\\_Agreements/Bilateral/Australia\\_FTA/Final\\_Text/asset\\_upload\\_file688\\_3904.pdf](http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Australia_FTA/Final_Text/asset_upload_file688_3904.pdf)

<sup>11</sup> See United States Trade Representative, *Results of the 2006 Section 1377 Review of Telecommunications Trade Agreements* at 9, available at: [www.ustr.gov/assets/Trade\\_Sectors/Telecom-E-commerce/Section\\_1377/asset\\_upload\\_file43\\_9276.pdf](http://www.ustr.gov/assets/Trade_Sectors/Telecom-E-commerce/Section_1377/asset_upload_file43_9276.pdf).

**IV. INFORMATION REQUIRED BY SECTION 63.24(e) OF THE COMMISSION'S RULES**

In support of this Application, Telstra USA submits the following information pursuant to Section 63.24(e) of the Commission's Rules, including the information requested in Section 63.18:

- (a) Name, address and telephone number of the parties to the transaction:

Telstra Incorporated (licensee)  
40 Wall Street  
40th Floor  
New York, New York 10005  
Telephone: 212 863-2800

The Commonwealth of Australia (transferor)  
Department of Finance and Administration  
John Gorton Building  
King Edward Terrace  
Parkes, ACT 2600  
Australia  
Telephone: 011 61 2 6215 2222

Telstra Corporation Limited (ABN 33 051 775 556) (transferee)  
Level 41  
242 Exhibition Street  
Melbourne VIC 3000  
Australia  
Telephone: 011 61 2 9396 1193

- (b) Telstra USA is a corporation organized under the laws of Delaware. Telstra is a corporation organized under the laws of Australia. The Commonwealth of Australia is a sovereign nation, established in 1901, that operates as a federal parliamentary democracy.

(c) Correspondence concerning this Application should be sent to:

For Telstra USA and Telstra	For the Commonwealth
<p>Amy Rosen  General Counsel  Telstra Incorporated  40 Wall Street  40th Floor  New York, New York 10005  Telephone: (212) 863-2811</p> <p>With copies to:  Robert J. Aamoith  Joan M. Griffin  Randall W. Sifers  Kelley Drye &amp; Warren LLP  3050 K Street, NW, Suite 400  Washington, DC 20007  Telephone: (202) 342-8620  Fax: (202) 342-8451  <a href="mailto:raamoith@kelleydrye.com">raamoith@kelleydrye.com</a></p> <p>Counsel to Telstra USA</p>	<p>Richard A. Hindman  Skadden, Arps, Slate, Meagher &amp; Flom  LLP  1440 New York Avenue, NW  Washington, DC 20005-2111  Telephone: (202) 371-7552  Fax: (202) 393-5760  <a href="mailto:rhindman@skadden.com">rhindman@skadden.com</a></p> <p>Counsel to the Commonwealth</p>

(d) Telstra USA holds international Section 214 authority to provide facilities-based and resold international telecommunications services. *See* File Nos. ITC-214-19970610-00320 (old file no. ITC-97-320) (facilities-based service between the U.S. and Australia); ITC-214-19970610-00321 (old file no. ITC-97-319) (facilities-based service between the U.S. and all approved international points, except Australia); ITC-214-19960610-00238 (old file no. ITC-96-321) (resold switched and non-interconnected private line services between the U.S. and all approved international points, except Australia); ITC-214-19960610-00241 (old file no. ITC-96-320) (international simple resale services between the U.S. and all approved international points); ITC-214-19960610-00240 (old file no. ITC-96-319) (international simple resale and resold switched and private line services between the U.S. and Australia). Neither the Commonwealth nor Telstra holds Section 214 authority.

(h) Following consummation of the transaction described in this Application, the Future Fund Board will hold for a mandatory two-year period an ownership interest in Telstra of approximately 22%, or approximately 17% if the overallotment option is exercised. The Future Fund is a Commonwealth investment fund organized under the laws of Australia. The Future Fund Board manages and administers the Future Fund. The Future Fund Board is a separate legal entity from the Commonwealth, is responsible for investment decisions of the Future Fund, and holds the Future Fund's assets for and on behalf of the Commonwealth. The principal business of the Future Fund and the Future Fund Board is to acquire and grow financial assets in

order to offset the Commonwealth's unfunded superannuation liability. The address of the Future Fund and the Future Fund Board is Locked Bag 20010, Melbourne Victoria 3001, Australia. Post close, it is not expected that any entity other than the Future Fund Board will hold 10% or more of Telstra's equity.

Telstra will not have any interlocking directors with a foreign carrier post-close.

- (i) As evidenced by the signature of its authorized representative to this Application, Telstra certifies that it is a foreign carrier in Australia and is affiliated with foreign carriers in Bangladesh, Hong Kong, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, and the United Kingdom.
- (j) Not applicable; Telstra does not seek to provide international communications services in the U.S.
- (k) Not applicable; Telstra does not seek to provide international communications services in the U.S.
- (l) Not applicable; Telstra does not seek to provide international communications services in the U.S.
- (m) Not applicable; Telstra does not seek to provide international communications services in the U.S.
- (n) As evidenced by the signature of its authorized representative to this Application, Telstra certifies that it has not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route, and that it will not enter into such agreements in the future.
- (o) As evidenced by the signature of its authorized representative to this Application, Telstra certifies, pursuant to Sections 1.2001 through 1.2003 of the Commission's Rules, that it is not subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988.
- (p) Streamlined processing is requested for this Application pursuant to Section 63.12 of the Commission's Rules. This Application qualifies for streamlined treatment for the following reasons. *First*, Telstra will not be affiliated post-close with a dominant U.S. carrier whose services Telstra USA will resell. *Second*, with respect to the U.S.-Australia route, Telstra is a carrier deemed by the Commission to be a dominant foreign carrier in Australia, and Telstra is affiliated with carriers in Australia (*i.e.*, Reach Networks Australia Pty Ltd. and Reach Services Australia Pty Ltd.). However, Australia is a WTO Member country, and Telstra USA has accepted dominant carrier treatment on the route. *Third*, with respect to Bangladesh, Hong Kong, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, and the UK (all members of the WTO), Telstra is affiliated with the carriers identified in the table below:

<b>Affiliate</b>	<b>Country</b>
Reach Services Asia Limited	Bangladesh
New World PCS Limited	Hong Kong
Telstra International HK Limited (HK)	Hong Kong
Hong Kong CSL Limited	Hong Kong
Reach Cable Networks Ltd.	Hong Kong
Reach Global Services Limited	Hong Kong
Reach Networks Hong Kong Ltd.	Hong Kong
Reach Services Hong Kong Ltd.	Hong Kong
Telstra Japan (Retail) K.K.	Japan
Reach Networks K.K.	Japan
Reach Services K.K.	Japan
Reach Bandwidth Services Malaysia Sdn. Bhd.	Malaysia
Telstra Limited (f/k/a Navigator Communications (New Zealand) Limited)	New Zealand
Reach Network Services NZ Ltd.	New Zealand
TelstraClear Limited (f/k/a Telstra Saturn Limited)	New Zealand
Reach Networks Philippines Inc.	Philippines
Telstra Singapore Pte Ltd	Singapore
Reach International Telecom (Singapore) Pte. Ltd.	Singapore
Reach Network Services Korea Ltd.	South Korea
Taihan Reach Limited	South Korea
Reach Networks (Taiwan) Ltd.	Taiwan
Reach Services Taiwan Ltd.	Taiwan
Telstra Europe Limited (f/k/a Telstra (UK) Limited)	United Kingdom
Reach Europe Limited	United Kingdom

Each of these carriers qualifies for a presumption of non-dominance under Section 63.10(a)(3) of the Commission's Rules, 47 C.F.R. § 63.10(a)(3), as each of these carriers lacks a 50 percent market share in the international transport and local access markets on the foreign end of that route. *Finally*, with respect to all other routes, Telstra will have no foreign carrier affiliate.

**V. ADDITIONAL INFORMATION REQUIRED UNDER SECTION 63.04(b)**

In lieu of an attachment, pursuant to Section 63.04(b) of the Commission's Rules, 47 C.F.R. § 63.04(b), the following information is submitted in support of the request for a transfer of control of Telstra USA's domestic Section 214 authority in order to address the requirements set forth under paragraphs (a)(6) through (a)(12) of Section 63.04.

**63.04(a)(6): Description of the Transaction**

The proposed transaction is described in Section II of the Application.

**63.04(a)(7): Description of Geographic Service Area and Services in Each Area**

A description of the geographic service areas and service provided in each area are described in Section I of the Application.

**63.04(a)(8): Presumption of Non-Dominance and Qualification for Streamlining**

This Application is eligible for streamlined processing pursuant to Section 63.03(b)(2) of the commission's Rules, 47 C.F.R. § 63.03(b)(2), because following consummation (1) the proposed transaction will result in Telstra USA (including its affiliates, as that term is defined in Section 3(1) of the Act) having a market share in the interstate, interexchange market of less than 10 percent; (2) Telstra USA (including its affiliates) will provide competitive services exclusively in areas served by a dominant local exchange carrier that is not a party to the transaction; and (3) neither Telstra USA nor any of its affiliates are regulated as dominant with respect to any service.

**63.04(a)(9): Other Pending Commission Applications Concerning the Proposed Transaction**

Reach Ltd. ("Reach"), a joint venture owned in equal parts by Telstra Holdings (Bermuda) No. 1 Limited (a indirect wholly-owned subsidiary of Telstra) and PCCW Limited, is filing an application requesting authority to transfer control of Reach as the holder of international Section 214 authority concurrent with the submission of this Application. At the same time, Reach Global Networks Ltd. ("RGNL"), a subsidiary of Reach, is filing an

application requesting authority to transfer control of RGNL as the holder of a cable landing license and associated assets.

**63.04(a)(10): Special Considerations**

None

**63.04(a)(11): Waiver Requests (If Any)**

None

**63.04(a)(12): Public Interest Statement**

Consummation of the proposed transaction will serve the public interest for the reasons detailed in Section III of the Application.

**VI CONCLUSION**

Based on the foregoing, Telstra USA respectfully submits that the public interest, convenience, and necessity would be furthered by the grant of this Application.

Respectfully submitted,

**Telstra Corporation Limited**  
**(ABN 33 051 775 556)**

**Telstra Incorporated**



Amy Rosen

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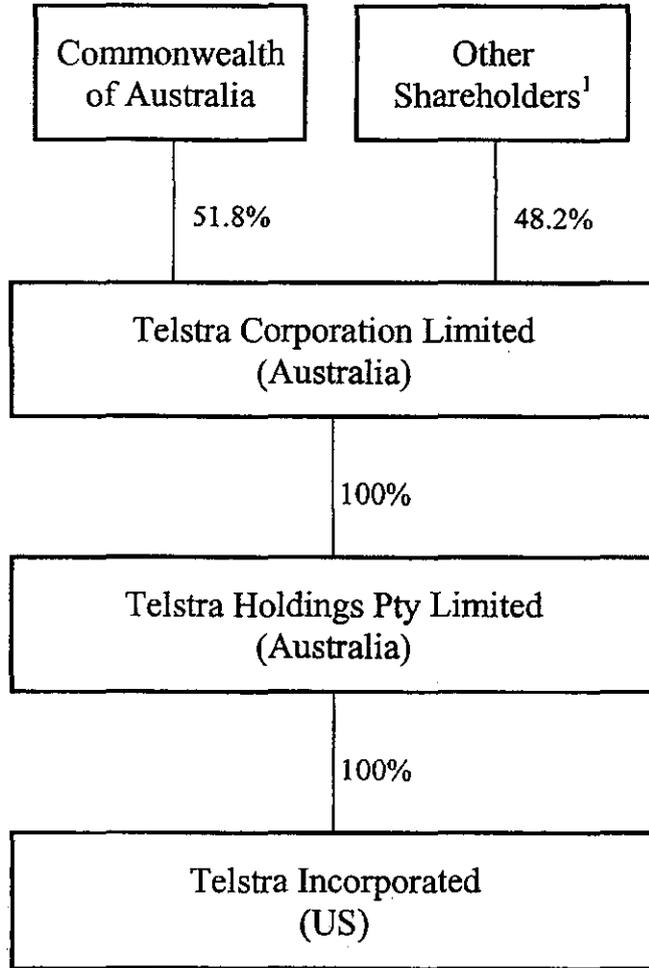
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*Counsel to Telstra and Telstra USA*

Dated: November 30, 2006

**EXHIBIT A**

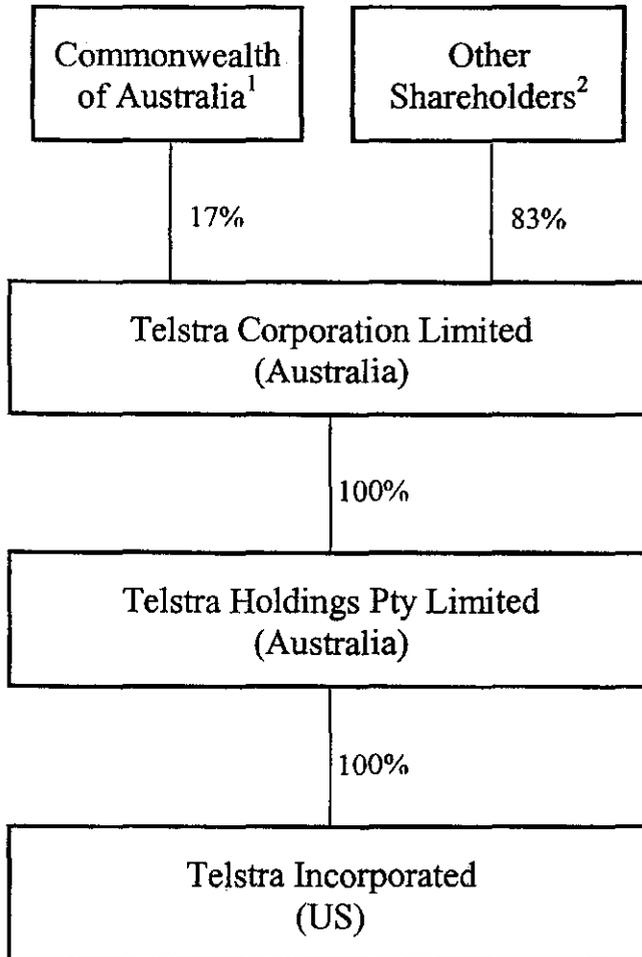
**Pre-Transaction Ownership Structure**



1. No entity other than the Commonwealth of Australia held 10% or more of the equity of Telstra Corporation Limited.

## Post-Offer Ownership Structure

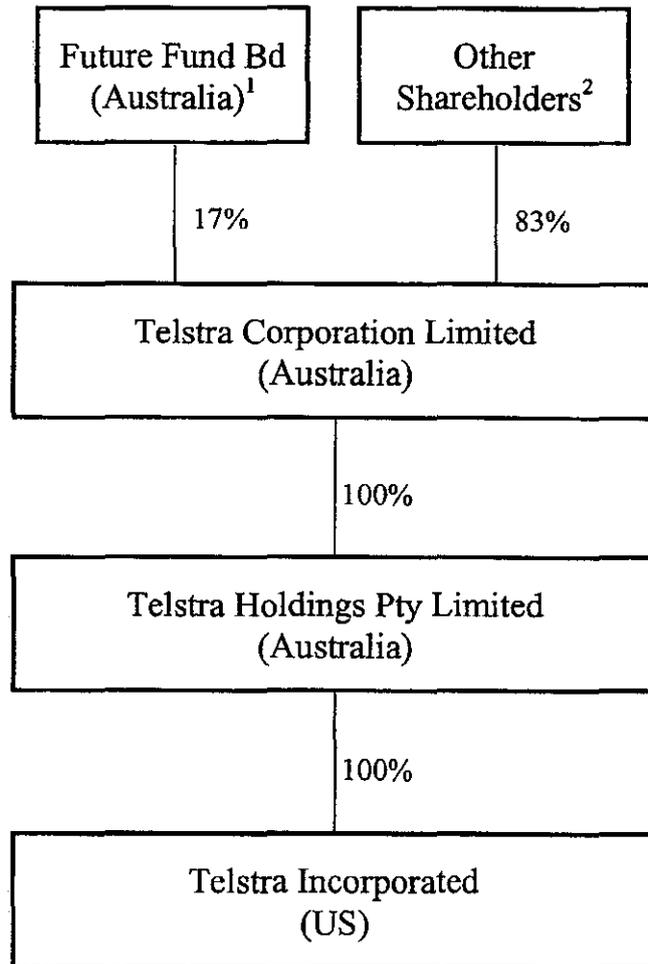
(on November 24, 2006)



1. The percentages shown for the Commonwealth and other shareholders are approximate and assume exercise of the overallotment option. The actual percentage of Telstra shares held by the Commonwealth after completion of the Offer may vary depending upon whether the lead managers exercise the overallotment option, but will not exceed 22%.
2. No entity other than the Commonwealth of Australia is expected to hold 10% or more of the equity of Telstra Corporation Limited.

## Post-Transfer Ownership Structure

(no later than February 24, 2007)



1. The percentages shown for the Future Fund Board and other shareholders are approximate and assume exercise of the over-allotment option. The actual percentage of Telstra shares held by the Future Fund Board after completion of the Offer may vary depending upon whether the lead managers exercise the over-allotment option, but will not exceed 22%.

2. No entity other than the Future Fund Board is expected to hold 10% or more of the shares in Telstra Corporation Limited following the transfer of shares to the Future Fund Board.

**CERTIFICATION**

I hereby certify that (a) the transfer of control of Telstra Incorporated that will result from the share transfer as described in the instant application will not be transferred until the consent of the Federal Communications Commission has been given; and (b) all statements made in this application, exhibits and attachments that are a part of this application, as they pertain to the Commonwealth, as transferor, are true, complete, correct, and made in good faith.

**The Commonwealth of Australia**

By:



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General Manager  
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Australia  
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Date: <sup>Dec</sup> ~~November~~ 4, 2006