

2 Promoting Info-communications Reform

1. Reform of the Telecommunications Market

1.1 The Third Reform of Info-communications

At the threshold of the 21st century, the MPT is promoting the Third Reform of Info-communications comprising new issues in the telecommunications field that need to be resolved: further efforts to promote competition, popularizing and advancing the Internet, encouraging the further development of radio wave usage, and enhancing the info-communications usage environment (Exhibit 47).

1.2 Introduction of New Tariff Systems

In May 1998 the MPT revised the Telecommunications Business Law such that fees for services provided by Type I telecommunications carriers would no longer have to be approved by the MPT but were to be simply reported to the ministry. The change was made so that the fee system would be better adapted to the increasingly competitive nature of Japan's telecommunications market. The MPT also decided to introduce a "price cap system" in which reasonable basic fees levels are to be set for services in which there is little competition but that have a significant impact on users. If a carrier sets its basic fee for a given service at or below the preset level, the reporting requirement holds; if it sets the fee higher than the preset level, the fee has to be approved by the MPT.

1.3 Dialing Parity System

In October 1999 the MPT convened a Study Group on Implementing a Dialing Parity System. ("Dialing parity" refers to a user's designation of a certain telecommunications carrier as primary, so that the user does not have to dial that carrier's access code when making telephone calls.) The group looked into several relevant issues, including (1) a timetable for implementing the system; (2) ensuring fair competition among carriers eligible to participate in the system; (3) implementing a separate dialing parity system for international telecommunications carriers; and (4) ways of preventing confusion among users once they designate their desired carrier. In February 2000 the group compiled an interim report, which recommends that a Dialing Parity system be implemented in May 2001.

1.4 Number Portability

In August 1999 the Telecommunications Business Law Enforcement Regulations were revised to allow telephone subscribers to keep their telephone numbers when switching from one primary carrier to another.

1.5 Working toward the Implementation of the Long-Run Incremental Cost Method

The long-run incremental cost (LRIC) method refers to a method of computing network expenses that assumes the cheapest, most efficient facilities and technology in existence at

Exhibit 47. Overview of the Third Reform of Info-communications

Further efforts to promote competition

1. **Promoting competition in regional telecommunications market**
Introduction of a variety of access networks
2. **Developing a competitive environment on the international level**
Following through on WTO Negotiations on Basic Telecommunications; urging countries to improve market access; developing a foundation to strengthen Japan's international competitiveness
3. **Further promoting the Second Reform of Info-communications**
Reorganization of NTT; promotion of access policies (long-run incremental cost method; presubscription system; telephone number portability); deregulation

Popularizing and advancing the Internet

1. **Introduction of a flat-rate system for the access portion of networks; reducing charges for short-distance leased circuits**
2. **Writing laws on electronic signatures and electronic authentication**
Regulations allowing electronic signatures to be used in the same way as seal impressions and handwritten signature (estimation of whether a genuine electromagnetic record has been established); voluntary approval system for a certification process that meets preset conditions
3. **Promoting the development of the technology for the construction of an IP-based next-generation network**
4. **Promoting the installation of high-speed Internet connections for all schools as soon as possible**
5. **Evening out international disparities**
Negotiations within APEC and other international organizations to rectify international disparities in Internet cost burdens.

Encouraging the further development of radio wave usage

1. **Enacting radio wave legislation**
Promoting effective use of frequencies; promotion of legal measures to ensure transparency and fairness in administrative procedures
2. **Developing a new radio wave-usage system**
Promoting IMT-2000, ITS technology, R&D of stratospheric platforms
3. **Ensuring international frequencies**
Ensuring the existence of the radio bands needed to implement a new radio wave system without difficulty
4. **Ensuring that radio ways can be used easily and efficiently**
Expanding areas in which cell phone service can be used; bolstering radio wave surveillance; promoting measures for the electromagnetic environment

Enhancing the info-communications usage environment

1. **Promoting policies to protect personal privacy**
Investigating how personal privacy should be ensured, including in terms of the legal system
2. **Determining how to handle potential problems with the public nature of communications**
Encouragement of and support for self-regulation on the part of service providers; studying how to handle illegal activity over the Internet and of ratings for potentially harmful material.
3. **Measures to ensure information security**
Making the bill to prohibit and take measures against unauthorized access widely known and enforcing the law appropriately; promoting the development of technology for determining the source of unauthorized accesses.

the time. In March 1997 the MPT created a Study Group on the LRIC Model to look into the feasibility of using this method in Japan. After receiving the group's report, in September 1999 the MPT referred the issue of access charge computation to its Telecommunications Council, which submitted a report in February 2000. In March, the MPT submitted to the Diet a draft revision of the relevant portions of the Telecommunications Business Law.

2. Promotion of Deregulation in Broadcasting

The MPT has engaged in aggressive deregulation of the broadcasting sector in response to rapid technological innovations, in order to ensure the healthy development of the sector. Deregulatory activities undertaken in fiscal 1999 include the following: simplification of the procedures surrounding mergers between cable operators (June); elimination of regulations prohibiting foreign cable TV operators from participating in the Japanese market (June); revision in definitions of "television broadcasting" and other terms, to facilitate the introduction of digital terrestrial broadcasting (November).

3. Promotion of New Info-communications Businesses

The MPT has developed various measures for supporting the development of new info-communications businesses. The Telecom Venture Invest Business Fund, established in May 1998, invested in five projects in fiscal 1999 under

the auspices of the Law for Smoothing Designated Communications and Broadcasting Development Projects. In fiscal 2000, the fund will be permitted to invest up to a 30% stake in such businesses, an increase from the present 10% limit.