

Competition Evaluation Advisory Board Summary of Minutes (1st Meeting)

1. Date

Friday, November 24, 2006, 2 p.m. to 4 p.m.

2. Location

Conference Rooms 1/ 2/ 3, B2 floor, Ministry of Internal Affairs and Communications

3. Attendees

- Members (last names in Japanese alphabetical order; honorifics omitted)

Koichiro Agata; Takanori Ida; Hiroshi Ohashi; Yosuke Okada; Masatsugu Tsuji; Sawako Nohara; Shuya Hayashi; Masayuki Funada; Masako Wakui

- Ministry of Internal Affairs and Communications

Mori, Director-General of the Telecommunications Bureau; Sakurai, Director-General of the Telecommunications Business Department; Suzuki, Director of the Telecommunications Policy Division; Taniwaki, Director of the Traffic Division; Imagawa, Director of the Office of Fair Competition; Nishizawa, Deputy Director of the Telecommunications Policy Division

4. Content of proceedings

- Opening
- Greeting by the Director-General of the Telecommunications Bureau
- Introduction of the members and others
- Meeting guidelines
- Election of the chair and appointment of the acting chair
- Mr. Tsuji (member) was elected chair and Mr. Funada (member) was appointed acting chair.
- Proceedings

5. Main discussion (topics brought up by members and the responses of the Ministry of Internal Affairs and Communications)

(1) Evaluation of competition so far in the telecommunications industry

- It will be better to also set out the criteria for the “exercise” of market power in the document.
- The interrelation with adjacent markets and the migration from ADSL to FTTH will be a matter of course.
- We regard it as necessary to confirm that such a situation exists and conduct a factor analysis of users to find out what kinds of problems there are in the competition policy. Furthermore, we plan to analyze the causes in detail this fiscal year.

- It seems that the competition evaluation is carried out for all of the individual fields within the scope at an interval of two to three years. However, the interval may vary due to technical innovations and other factors.
- In the standardized evaluation, we will evaluate each domain every year, like a periodic health examination, and we plan to review the market definition every two to three years by confirming ups and downs in technical trends.
- Evaluations have been made so far for retail markets. Do you also plan a comprehensive evaluation that includes wholesale markets in the future, taking into account the “Competition Safeguard System” and the “Designated Telecommunications Facilities System”?
- For wholesale markets, we plan to analyze inter-carrier trading this fiscal year in order to refine the concept.
- There will be a difference in concept between the exercise of market power defined in the competition evaluation and the unfair exercise of market power under the Antitrust Law. The way of dealing with matters in the gray zone and other issues under the Antitrust Law should be refined.
- For the competition evaluation, discussions should be held from a neutral standpoint, apart from policy measures.
- It seems that the respective concepts of the “existence” and the “exercise” of market power are not necessarily regarded as separate from each other in the U.S.A., but they are regarded as separate in the EU.

(2) Competitive evaluation in the telecommunications industry in various countries

- As “monopoly” is sometimes regarded as separate from “monopolistic power” in economics, it will be better also in the case of market power to separate the “‘existence’ of market power” based on market share, from the “‘exercise’ of market power” based on its abuse.
- We are not particularly attached to the concepts of the “existence” and the “exercise” of market power. You are welcome to let us know if there is any good refined concept.
- It seems that the EU is divided into 18 markets. The narrower the market, the higher the market share is likely to be.
- Differences in the purposes of the policies of individual countries may affect the competition evaluation of the respective countries.

(3) Draft of details for implementation and the results of the invitation to submit opinions

- We would ask you to find out the switching costs (demerit) involved in mobile phone number portability.
- It is planned to be included in surveys to be conducted for users.

- As also pointed out in the conference yesterday, the competition evaluation will deal with aspects of both “competition” and “cooperation” among carriers. This competition evaluation is weighted towards the “competition” aspect. The “cooperation” aspect will be also important for promotion of new services and so on.
- It seems there are too many items to analyze in the competition evaluation for this fiscal year.
- With regard to inter-carrier trading, can each carrier cooperate to the extent hoped for?
- There are two types of information to be collected from carriers, one under the Rules for Reporting on the Telecommunications Industry and the other voluntarily submitted in cooperation with this competition evaluation. Information concerning inter-carrier trading mostly belongs in the latter category.
- It is really good to analyze inter-carrier trading. You are requested to conduct meaningful hearings on what the situation of wholesale services is and analyze it. In the EU, maybe due to the difference in the situation of the institution from Japan, where interconnection rules are well established, the wholesale market is one of the main targets.
- Unlike councils or the like, the competition evaluation has the advantage of allowing the voices of users and carriers to be easily heard. Therefore, you are requested to continue to invite opinions and hold open conferences. In such cases, regarding opinions which fall under the charge of a different division, it will be better to specify which policy and/or division of the Ministry of Internal Affairs and Communications is involved.

(4) Others

- The draft of details for implementation was approved by the Competition Evaluation Advisory Board.
- The secretariat explained the overview of the “Panel on Neutrality of Networks.”
- The secretariat explained the revamp of the home page of the Competition Evaluation Advisory Board’s web site.
- It was decided to inform the members of the schedule for the next meeting after separately coordinating and to also post it on the home page.

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