

History of Competition policy on
Telecommunications
&
Recent revision of Telecommunication
Business Law

August 2005

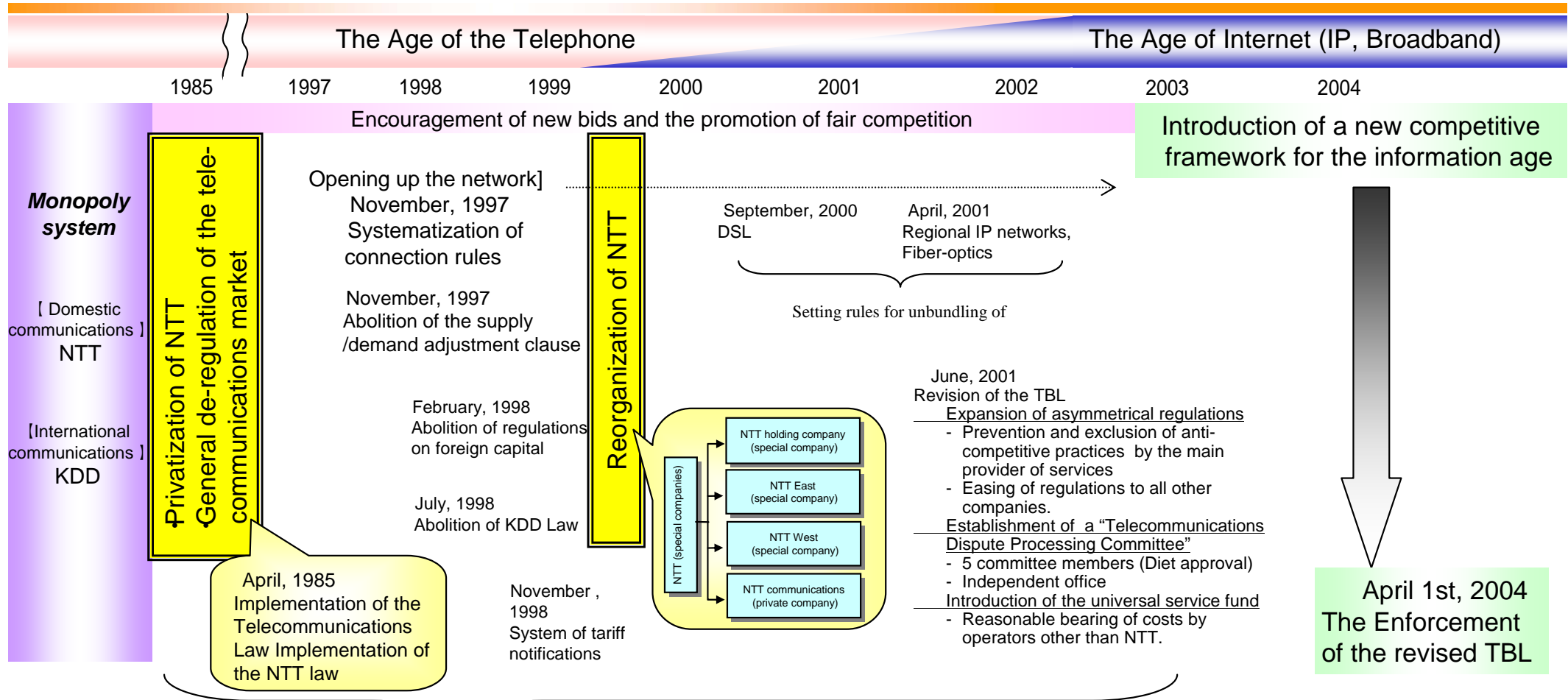
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Transition in Pro-competitive Policies in the Telecommunications Industry

The Promotion of Pro-Competitive Policies in the Telecommunications Field



Main achievements to date

- Bids by over 10,000 telecommunications operators**
- Expansion in the scale of the telecommunications market**
 - Doubling in size over the last 7 years (8.5 trillion yen → 18.2 trillion yen industry)
- Lowest communication charges in the world**
 - 90% cut in domestic and international call charges
 - DSL usage charges at the world's lowest level
- The world's highest level broadband environment**
 - Leading the world in providing fiber optic services to ordinary homes
 - Third in terms of household rate for broadband among main countries, behind Korea and U.S.

Outline of the reforms in the TBL

- Smooth development of business by operators through structural reform (deregulation)**
 - Abolition of distinction between type1 and type2.
 - Large-scale easing of bid restrictions
 - Deregulation leading to increased competition
- Ensuring the minimum level of rules required by society**
 - Ensuring safe and reliable networks
 - Ensuring vital communications
 - Increasing the level of user protection
 - Securing universal service

Pro-competitive Policies in the Telecommunications Industry (~1998)

Monopoly of domestic communications: DenDen Kousya,
international communications: KDD



Telecommunications Business Law – enacted NTT Law (1985)
- Overall deregulation of the telecommunications industry/privatization of DenDen Kousya

Policy objectives

Promotion of new bids

Establishment of rules for fair competition

Concrete policies

1992 1993 1994 1995 1996 1997 1998

Promotion of de-regulatory policies

[Market entries/withdrawals]

- Partial abolition of regulations on foreign capital (1994)
- Abolition of items concerning adjustment for supply and demand (1997)
- Overall abolition of regulations on foreign capital (1998)

[Tariffs, services]

- Partial approval for tariffs → notification (1995)
- Approval for tariffs → notification (1998)
- Price-capping system (1998)

[Network]

- Flexibility in the work entrustment system (1996)
- Introduction of the IRU system (1995)
- Enabling installation of line equipment by type 2 carriers(1998)

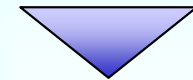
Dispersion of NTT mobile companies/complete privatization (1992)
(Decision made on aims for NTT reorganization) (1996)

System for connection rules (1997)

- Establishment of a system for designated telecommunications facilities

Main benefits

Overall increase in companies entering the market



Realization of large-scale price reduction for fixed telephone charges

Increase in mobile telephone users

Pro-competitive Policies in the Telecommunications Industry (1999~2002)

Policy objectives

Promotion of rules for fair competition

Sophistication and diversification of services

Securing universal services

Concrete policies

1999 2000 2001 2002

Establish the reorganization of NTT (1999)

- Division of long-distance and international communication companies
- Division of East and West regional companies

Establishing rules for unbundling and collocation

- ADSL (2000)
 - Regional IP networks and fiber optics (2001)
- Increasing asymmetrical regulations (2001)
 - Prevention and prohibition of anti-competitive behavior by the dominant carrier
 - Establishment of connectivity rules in the mobile telecommunications field
 - Deregulation for lesser carrier (approval for connection agreements → notifications etc)

Establishment of a “Telecommunications Business Dispute Settlement Commission”

Other policies

- Establishment of the “My Line” system (2001)
- Connectivity (introduction of long-run incremental cost system)(2001)

Establishment of application and service by NTT (2001)

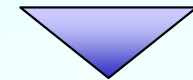
Efforts to promote the building of a flexible network among carriers (2001)

- Establishment of wholesale telecommunications service

Establishment of Universal Service fund (2001)

Main benefits

Promotion of broadband services



Realization of an environment for the world's cheapest, fastest Internet environment

Propagation of the mobile Internet

Pro-competitive Policies in the Telecommunications Industry (2003~)

Policy objectives

Development of flexible and diversified services by operators

Establishment of rules to protect users

Concrete policies

2003 2004

Regulations on market entries/withdrawals (2003)

- Abolition of the distinction between type 1/type 2 carriers
- Entry approval → to registration/notification

Service regulations (2003)

- Abolition of regulations on tariffs/contractual terms
- Enable “comparative trading”

Mobile telephone number portability (future)

Duty to provide users with an explanation of services (2003)

Duty to process complaints and inquiries (2003)

Main benefits and future issues

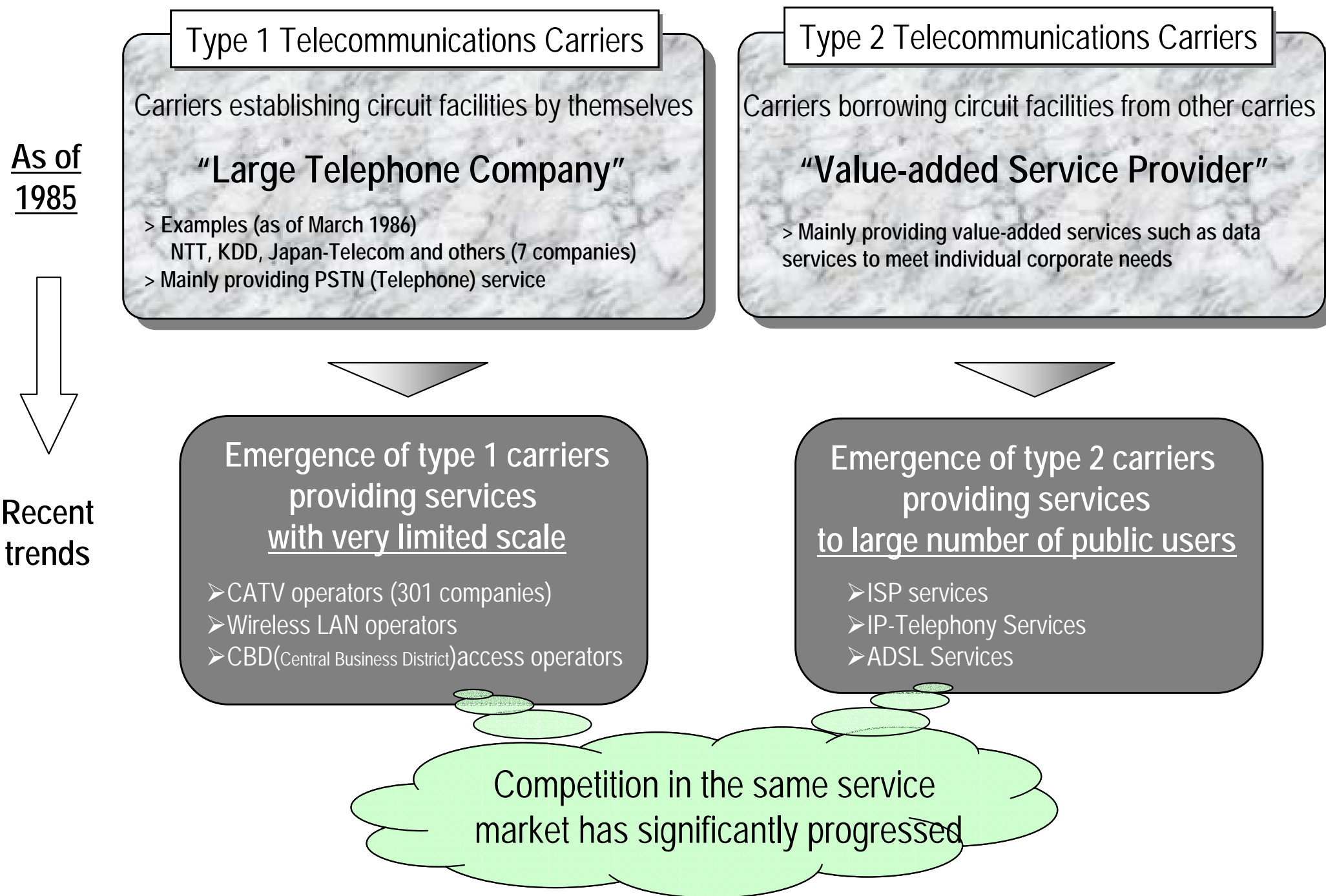
Continued move to broadband and IP base

Establishment of a mobile broadband environment
Realization of reduced costs for mobile communications

Realization of an environment in which users can use services in a relaxed way

the reforms in the
Telecommunication Business Law

The Concept of Type 1 and Type 2 carriers and the change of Market situation



Outline of the Reforms in the Telecommunications Business Law

Background and Objectives

A review of the overall structure of the Telecommunications Business Law has taken place in order to adapt to the dramatic changes from the "telephone age" to the "Internet age" and from the viewpoint of encouraging diverse business development among carriers.

Content of the draft

Abolish the business distinction between "type 1 telecommunications carriers" and "type 2 telecommunications carriers" that exists in the current law and regulations based on whether infrastructure and equipment is installed, and carry out drastic reforms concerning regulations on market entry and provision of services.
Establish rules to cope with the increasing user problems related to telecommunications services. In terms of rules concerning network safety and reliability, connectivity between carriers and the securing of vital communications, it is necessary to maintain the current basic structure and review where necessary.

Type 1 telecommunications carriers

Provide services using equipment that they have installed.

(Examples) NTT East and West, NTT DoCoMo, KDDI, Japan Telecom etc.

Regulations on market entrants

Application of special rights for public works companies that are part of the permission system

Regulations on contractual terms (provide services based on constant conditions)

Type 2 telecommunications carriers

Companies that provide services by borrowing equipment from other infrastructure providers.

(Example) Internet connection providers etc.

Registration/notification system for carriers entering the market
No contractual terms regulations (free provision conditions on a per user basis)

Telecommunications Business

Operators providing telecommunications services

(it is possible to do so by providing one's own equipment or by borrowing the infrastructure equipment of another carrier)

[Point of System Reform]

Transition from regulations permitting entry to and withdrawal from the market to a registration system and notification system]

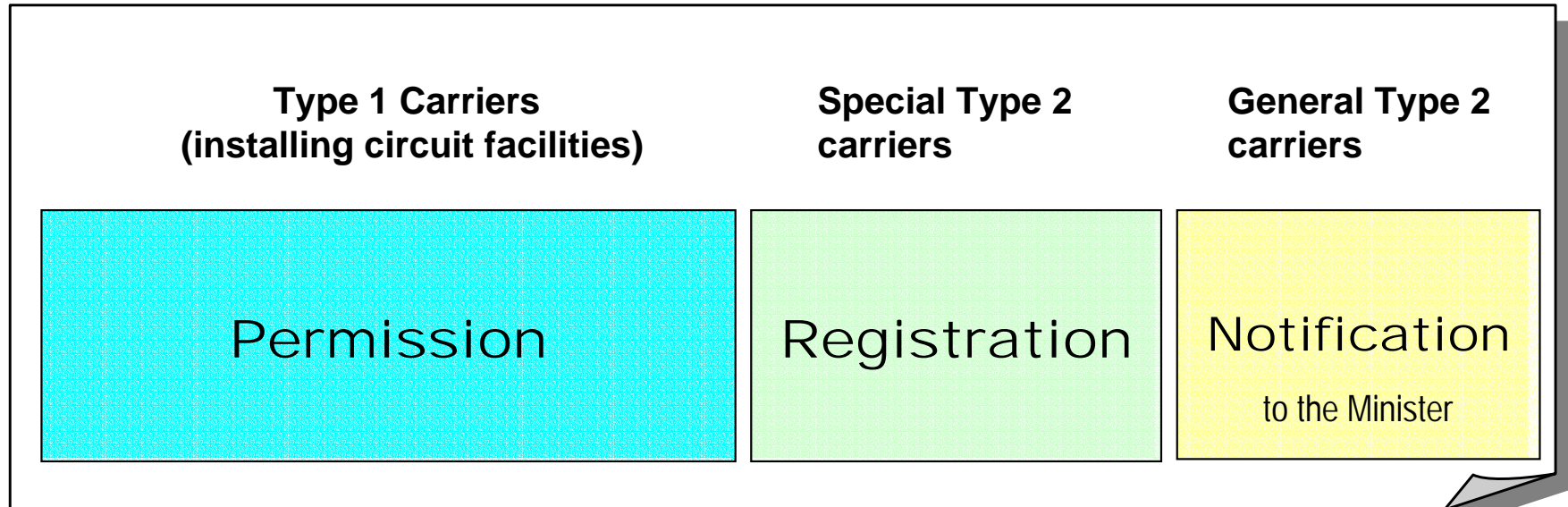
Introduction of a qualification system for special rights given to public works companies for the smooth construction of infrastructure.

Partial deregulation of service provision (partial abolition of regulations for contract terms)

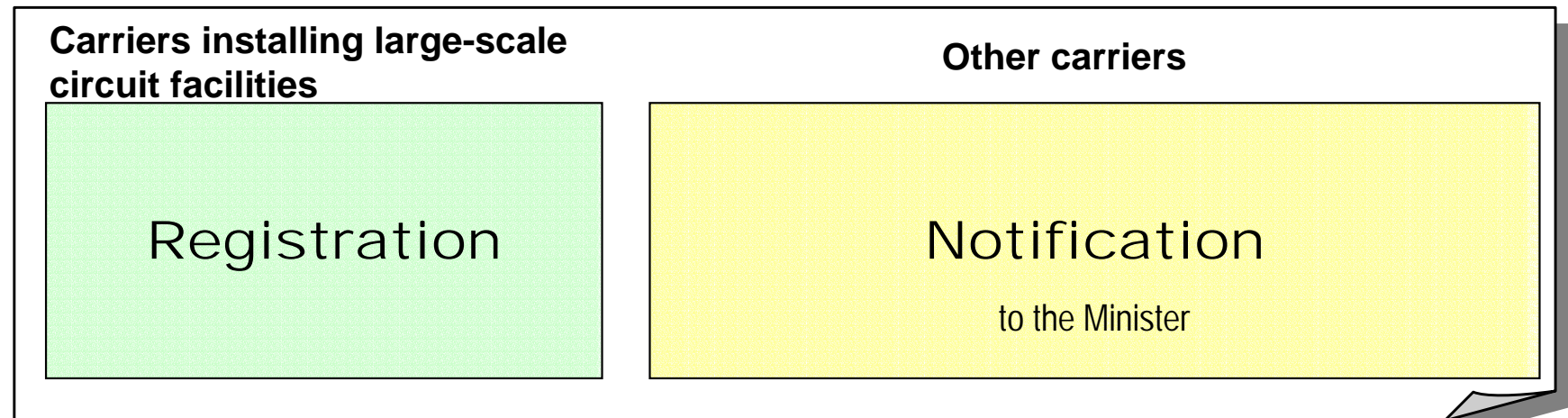
Establishment of Rules to Protect Users (wide notification of withdrawals, explanation of service content, processing of complaints etc.)

Rules for Services 1. “Market Entry”

**former
Scheme**



**Revised
Scheme**

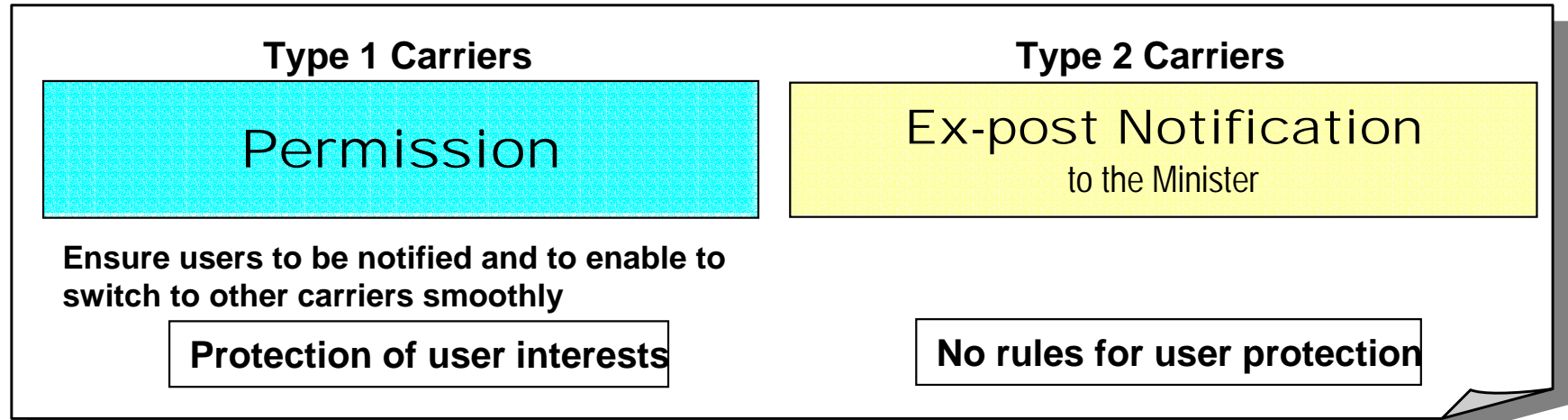


Result

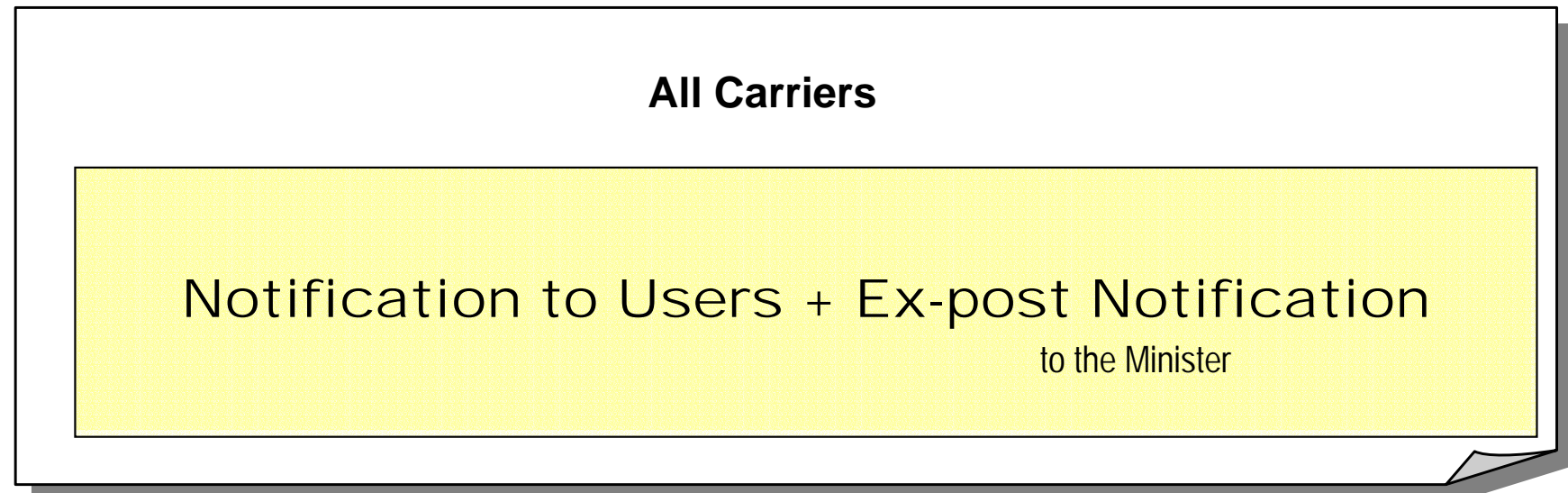
Enabling all carriers to develop business swiftly, catching emerging business chance and meeting users' needs in a timely manner.

Rules for Services 2. "Suspension and discontinuation of business"

Former Scheme



Revised Scheme

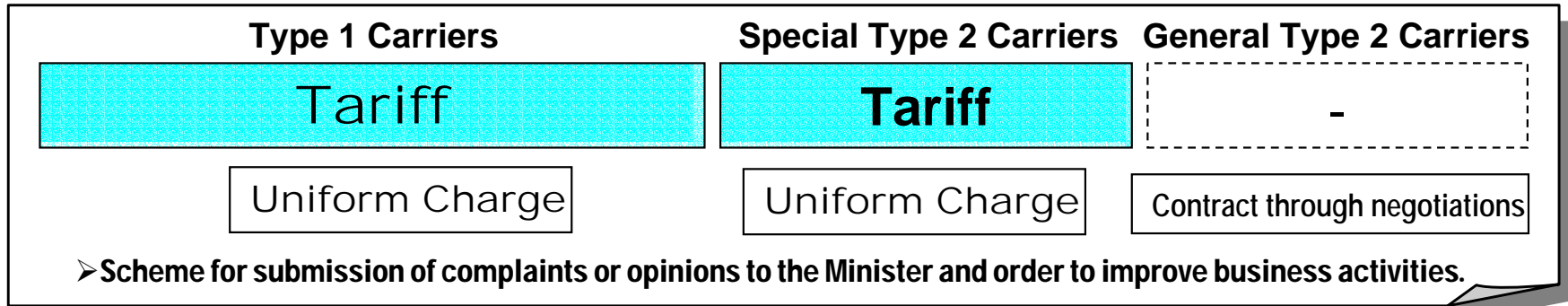


Result

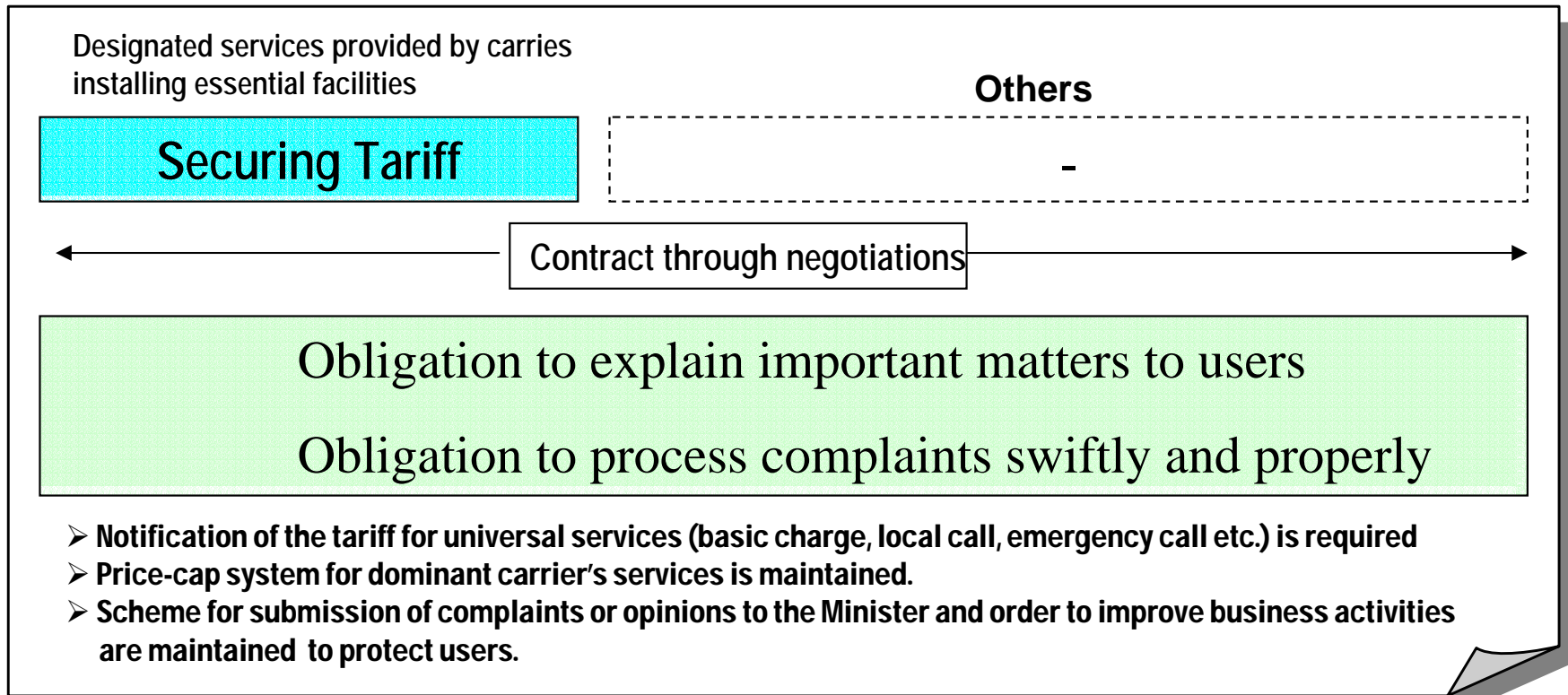
Establishment of rules for user protection at suspension and discontinuation of business for all carriers

Rules for Services 3. "Charges and other terms and conditions"

Former Scheme



Revised Scheme



Result

Promotion of variable services to meet user needs, and enhancement of user protection