

Turf Battles and Telecom

By Kazuhisa Maeno

A term that is commonly used in Japan is *nawabari* (literally "roped off" and meaning a sphere of influence). This term has its origin in Shintoism, the nation's indigenous religion. The sacred place where a Shinto god or goddess could demonstrate its power was marked off with *shimenawa*, a sacred straw rope festooned with paper.

This is the origin of the "roped off" (*nawabari*) sphere of influence, the equivalent of what in English is called "turf." *Nawabari-arasoi* means a scramble to expand one's sphere of influence. In plain words, a turf battle.

Japanese government ministries and agencies have developed and grown into what they are today by engaging in never-ending turf battles. As a result of these battles, some government ministries have attained powerful positions in unlikely areas.

Typical of them is the Ministry of Posts and Telecommunications (MPT). The MPT's name before World War II was "Teishin-sho" (Ministry of Postal Services). It was a mammoth ministry in charge not only of postal services but also of electric power generation (currently under the jurisdiction of the Ministry of International Trade and Industry or MITI) and even aviation (now under the jurisdiction of the Ministry of Transport).

As a result of the administrative reforms carried out by the Occupation forces after the war, many of Teishin-sho's functions were transferred to other government ministries and agencies. As a result, the once mammoth Teishin-sho was substantially slimmed down and renamed the Ministry of Posts and Telecommunications in 1949, causing many people to look down on it. It was belittled because it had only three principal policy divisions—postal services, savings and life insurance.

Three years ago, however, following the opening of telecommunications service businesses to private enterprises, the

ministry took on new importance due to its responsibility to guide and supervise the new telecommunications industry.

In Tokyo's Kasumigaseki district, the center of government and the bureaucracy, the MPT's resurgence of influence is often referred to as a "counteroffensive." It will be the ministry of the 21st century, the pundits there like to say. It has become so influential that Minister of Posts and Telecommunications Masaaki Nakayama, who loves making puns, boasts openly that "Yusei-sho is indeed *yusei-sho*" (the first Yusei-sho being written with the kanji characters meaning MPT and the second with the characters meaning "superior ministry.")

What makes the MPT "superior?" The reason for its influence becomes clear when some little-known aspects of its work are listed.

Time control

First, the administrative control of Japan Standard Time was transferred from the Ministry of Education to the MPT. Countries used to base their standard time on the time the sun passes a certain longitude (135° east longitude in the case of Japan). But in these days of computer networks, an accuracy of up to one-10 trillionth of a second is necessary.

In order to achieve this standard of accuracy, the Frequency and Time Standards Section of the ministry's Communications Research Laboratory uses "international atomic time" and designates one second as the length of time the atomic element selenium 133 oscillates 9,192,631,770 times. The research laboratory—and indirectly the MPT—is the authority for giving the correct time in Japan.

The MPT's greatest strength lies in the fact that it has under its jurisdiction the field of telecommunications, which is the infrastructure for a "sophisticated information-oriented society."

Its Broadcasting Bureau supervises ra-

dio and television broadcasting stations. Its Telecommunications Bureau is in charge of granting licenses to telephone and other telecommunications business companies. Its Communications Policy Bureau lays down the nation's overall telecommunications policy. As will be evident, these three MPT telecom bureaus between them control and guide the whole telecommunications industry in Japan.

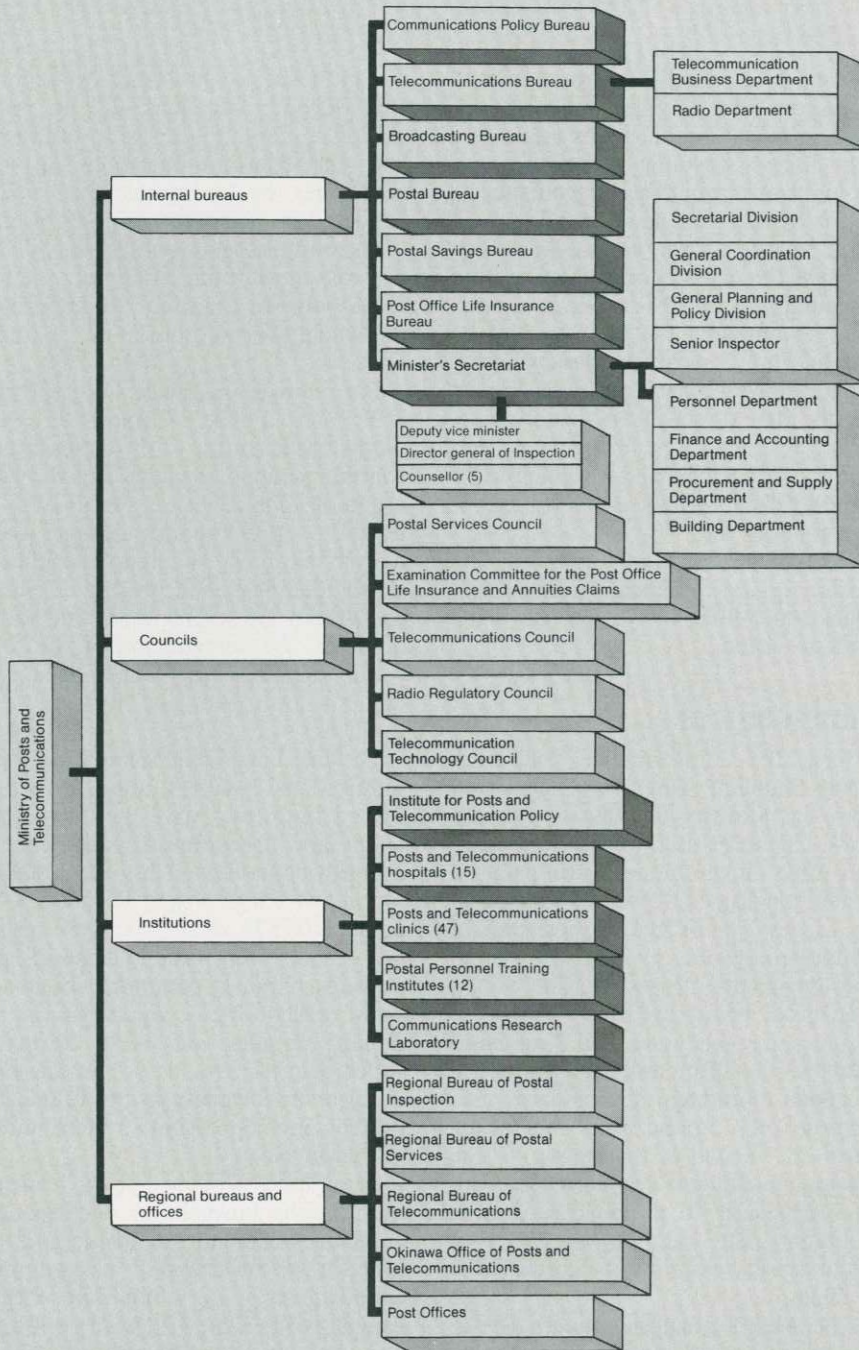
For many years, Japan Telegraph and Telephone Public Corporation had monopolistic control of the nation's telecommunications business. But the government took steps in April 1985 to liberalize the telecommunications business so that private companies could enter the field just as in the United States and Britain. On several important points, however, the deregulation of the telecommunications business in Japan took a different form from that in Britain and the U.S.

For one thing, Japan split the telecommunications business into two types. Type I businesses have their own telephone and telecommunications circuits and provide services such as those offered by Nippon Telegraph and Telephone Corporation (NTT), while Type II businesses lease circuits from Type I businesses and provide computer communications services (called data communications in Japan). Canada and West Germany, which plan to deregulate their telecommunications business in the future, reportedly intend to adopt a system similar to that in Japan.

Japan has also opened up the telecommunications business to non-Japanese companies. Foreign companies are allowed to invest in Type I telecommunications firms by up to one-third of their capital and in Type II firms by 100%.

As a result, International Digital Communications Inc. (IDC) in which Cable & Wireless plc of Britain is among those participating, and three others have started undertaking Type I telecommu-

Fig. 1 Structure of Ministry of Posts and Telecommunications



Source: Ministry of Posts and Telecommunications

nications business, while some 500 companies, including 13 foreign firms, are engaged in Type II business.

Though it may not be widely known to the public, high-definition television (HDTV), which is being promoted by the Broadcasting Bureau as the third-generation television following monochrome and color, may boost the MPT's influence in the future.

HDTV is called "Hi-Vision" in Japan, where it has been developed by NHK (Japan Broadcasting Corporation). Hi-Vision television produces fine-textured, extremely clear pictures because the number of scanning lines is 1,125, more than double that of conventional television. Moreover, because the height-to-width ratio of its screen is 9:16, the pictures on the screen, which is much wider than the conventional one, can give the viewer the sensation of being at the very scene of an event.

Olympic opportunity

NHK is trying to ensure that its system will dominate television all over the world. The American movie industry at one time supported wide adoption of NHK's Hi-Vision system, but U.S. television stations, such as ABC, have recently expressed opposition to it. In Europe, television makers are developing their own high-definition system. Thus, the MPT's hopes of masterminding a sweeping conquest of the world market by the Japanese next-generation television system have been greatly frustrated.

The MPT, through a tieup with South Korea, plans to broadcast the Seoul Olympic Games using NHK's Hi-Vision system. Nakayama and his South Korean counterpart Oh Myung have already concluded an agreement on the broadcasts. The Games may well offer the MPT an opportunity to put the NHK's Hi-Vision system at the forefront of such developments worldwide.

A Hi-Vision television set displays such clear pictures that every wrinkle on an actress' face can be seen on the screen. With pictures of such quality, consumers will inevitably want to buy these sets to replace their existing models. The Hi-Vi-

sion television market, including video-cassette recorders, is projected to exceed an annual ¥20 trillion in 20 years from now in Japan alone. The MPT wants to ensure that the system developed in Japan will dominate what is clearly a mammoth market.

Because the MPT has under its jurisdiction such a huge telecommunications market, many people say that the 21st century will see the ministry in a pre-eminent position.

Having jurisdiction over postal services, postal savings and postal life insurance, MPT will undoubtedly continue to be one of Japan's most formidable government ministries.

A sophisticated information-oriented society in which information circulates smoothly thanks to telecommunications is not complete in itself. When information flows, people, goods and money also flow. When information about a product is disseminated, as in advertising, people go and buy it. The flow of information is accompanied by "physical flow" and "cash flow." The MPT alone among the ministries has a direct interest in all three of these phenomena. Physical flow is made possible by parcel post and cash flow (account settlement) by postal money transfers.

Physical flow is under the jurisdiction of the Transport Ministry and cash flow under that of the Finance Ministry, while manpower is under the jurisdiction of the Ministry of Health and Welfare. The MPT is the only government ministry that has an influence on all three.

Looking at the Postal Bureau's control of physical flow, it is particularly noteworthy that the bureau is trying to contribute to regional development in the United States through the international parcel post. This service is called in Japanese "*Furusato-kozutsumi* in U.S.A." which roughly translated means "Parcel from Your Town in U.S.A." A colorful catalog of special products native to different states of the U.S., such as lobster from Maine and steak from Texas, is on the counters of the 24,000 post offices throughout Japan.

These post offices form a giant sales network, and goods in the catalog can be

ordered through any post office. For a ¥28,000 (\$207 at the rate of ¥135/\$) annual subscription the MPT will deliver American specialty products four times a year, worth ¥7,000 each time. The products include assorted fruits from California in summer and lobsters caught off Boston in the fall. This service began in April this year, and already as many as 16,000 households have subscribed to it. The U.S. government is said to be grateful to the MPT for helping to boost exports of U.S. products to Japan through this service.

Post office homes

The Post Office Life Insurance Bureau also plays a unique role. One might well ask why the MPT, which is in charge of communications, is engaged in the life insurance business. The 24,000 post offices throughout Japan consist of about 2,000 ordinary and central post offices under the direct control of the MPT, 4,000 postal agencies which sell postage stamps, and about 18,000 special post offices. Special post offices are located in private homes in small communities. A member of the family which offers its house to accommodate a special post office becomes the postmaster, a position which is more or less hereditary, although a simple test has to be passed. The postmaster is regarded as a government employee.

Special post offices are found even in remote parts of Japan, deep in the mountains or on small islands. Private life insurance companies neither open offices nor seek to sell policies in such remote places because the expense of trying to do so would outweigh the potential profit. The post office life insurance and postal annuity systems were started by the MPT in 1916 for the benefit of people living in remote areas, by utilizing the special post offices scattered throughout the country.

Postal life insurance and postal annuity funds are said to have reached approximately ¥101 trillion in value today.

The postal savings system was started for similar reasons. Banks and other major financial institutions tend to engage in banking business only in urban areas where business efficiency is high. The

MPT started the postal savings system, in 1875, by utilizing its nationwide network of post offices for the convenience of people living in mountainous regions and remote areas. The outstanding balance of postal savings is now ¥118 trillion.

Japan has an increasing proportion of aged people among its population. In an aging society it is essential to have life insurance to cover the needs of bereaved families after the death of breadwinners and pensions to ensure security after retirement. The MPT is catering to both these needs with its postal life insurance and pension schemes.

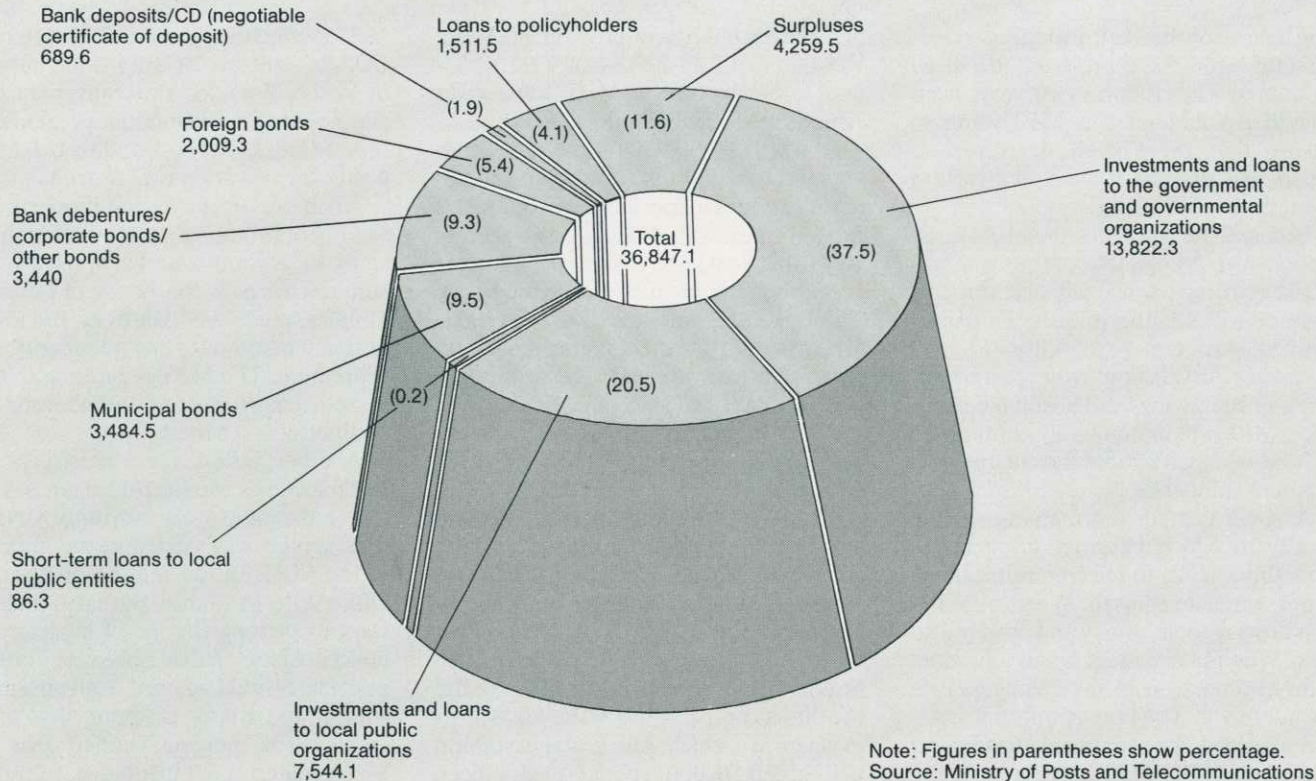
Another little-known activity of the MPT involves the keep-fit exercises put out on the radio every morning by NHK. This service was started at the initiative of the MPT. In the mid-1920s, the Post Office Life Insurance Bureau pondered ways to prolong the life of its insurance policyholders, partly because benefit payments would amount to an enormous sum if too many of them should die young. The bureau learned that the Metropolitan Life Insurance Company of the U.S. sponsored a radio calisthenics program.

In those days, when the MPT was called Teishin-sho, NHK was under its umbrella. The Post Office Life Insurance Bureau asked NHK to broadcast a radio calisthenics program every morning so that people would form the habit of doing physical exercises for the benefit of their health. The program began in 1928.

Today, a radio calisthenics festival, sponsored by the Post Office Life Insurance Bureau, makes a nationwide tour every year, urging people everywhere to take part in NHK's morning calisthenics program. NHK is now a public institution which is independent of MPT and does not usually have sponsors for its programs. The Post Office Life Insurance Bureau, however, shoulders most of the cost of staging the nationwide calisthenics festival.

Post office life insurance assets are managed in international financial instruments. Ever since the bureau was authorized in 1983 to purchase foreign bonds, salesmen of foreign securities companies, such as Salomon Brothers

Fig. 2 Management of Post Office Life Insurance and Annuity Funds
(as of the end of fiscal 1987; ¥ billion)



and Merrill Lynch, have been joining the long queues in the hallway leading to the Second Funds Management Division of the bureau on the seventh floor of the MPT building. Annual transactions are said to amount to ¥1 trillion.

Even when Japanese financial institutions refrained from purchasing U.S. Treasury bonds consequent to the depreciation of the dollar against the yen, the Post Office Life Insurance Bureau took the initiative in purchasing U.S. T-bonds. The Japanese word *kampo* (an abbreviation of the words for post office life insurance) is known to almost every dealer in the world's financial markets today.

Domestically, postal life insurance and savings funds are deposited with the Financial Bureau of the Ministry of Finance and serve as the source of funds for the government's loan and investment program to finance public works projects.

The 1987 fiscal year loan and investment program amounted to about ¥31.08 trillion, of which about ¥7.9 trillion came from the postal savings funds and about

¥3.9 trillion from the post office life insurance and postal annuity funds. Combined, the MPT alone furnished ¥11.8 trillion, 40% of the total loan and investment program.

Post office life insurance funds loaned to four highway corporations—the Japan Highway Public Corporation, Metropolitan Expressway Public Corporation, Hanshin Expressway Public Corporation and Honshu-Shikoku Bridge Authority—reached more than ¥975 billion.

In addition, post office life insurance funds are used to construct *Shinkansen* bullet train lines or are furnished through the Japan Private School Promotion Foundation to such private universities as Waseda University, Keio University and Doshisha University to help them construct school buildings and facilities. They were used also to finance construction of the thermal power plant of the Electric Power Development Co., and folklore archives in Asuka Village, Nara Prefecture.

Postal savings funds are loaned to the Housing Loan Corporation (¥17.7 tril-

lion), the Housing and Urban Development Corporation (¥4.85 trillion), the Japan Development Bank (¥4 trillion) and the Overseas Economic Cooperation Fund (¥1.8 trillion).

The cost of building the new Kansai International Airport will also be met with postal savings funds and postal life insurance funds. The Japanese are criticized overseas for saving too much and for not stepping up domestic demand. The former *maruyu* tax exemption system which used to be applied to postal savings was criticized as encouraging the Japanese people's excessive savings. Yet the money saved is being invested effectively in various national land development projects, and is in fact contributing to the expansion of domestic demand.

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