

# Entry to Inform

The big news in the communications market in 1987 was the entry of a succession of new participants into what used to be a government monopoly. In the field of Type I common carrier telecommunications, Daini-Denden Inc. (DDI), Japan Telecom Co. and Teleway Japan Corp. (TWJ) began PSTN (public switching telephone network) services in September in competition with the privatized Nippon Telegraph and Telephone Corp. (NTT). All three now operate long- and medium-distance communications services between Tokyo and Osaka in addition to the leased circuit services they began providing in 1986.

In short-distance telecommunications, Osaka Media Port Corp. launched leased circuit services in the Osaka-Kobe region in March 1987, while in October 1987 Chubu Telecommunications Co. applied for a similar license. In the Kanto region, Tokyo Telecommunication Network Co., an affiliate of Tokyo Electric Power Co., is already in business. Two other projects—Tokyo BANET, a project being pushed by the Ministry of Construction, and Tokyo Bay Marinet, a brainchild of the Ministry of Posts and Telecommunications (MPT)—are also conducting research and planning activities.

In the field of cellular telephones for cars, TWJ and DDI both announced their intention to participate following the liberalization of the market in August 1986. The MPT, however, requested that only one company operate in any given region, and the two companies held talks to divide up the market. Under the agreement, Nippon Idou Tushin Corp. was established in March 1987 by TWJ and other enterprises to do business in the capital and Chubu regions. In June, DDI

and other companies set up their own companies in the Hanshin (Osaka-Kobe), Kyushu and Shikoku regions. These firms hope to begin services in 1988.

New companies have also been established to offer pager services in some 20 areas across the country, backed by local power companies, broadcasting studios and other large investors. Some of them opened their doors in 1987.

Moves to create a "second KDD"—a private competitor to KDD (Kokusai Denshin Denwa Co.), the international telecommunications monopoly—attracted the most attention of all during the year in the field of Type I telecommunications. Two groups of companies announced they would enter this field. International Digital Communications Inc. (IDC) pulls together C. Itoh & Co., Toyota Motor Corp. and Cable & Wireless. International Telecom Japan Inc. (ITJ) is formed mainly of trading companies originating from old prewar *zaibatsu* industrial groups.

The MPT again wanted to license only one company, and the two groups had a series of negotiations on a merger. Talks broke down, however, over differences in the two rival consortia's plans. IDC is pushing to lay its own undersea cable between Japan and the United States called the NPC (north Pacific cable). ITJ, meanwhile, hopes to lease transponders from INTELSAT and acquire IRU (indefeasible right of user) for a submarine cable, instead of owning one. The two groups applied for licenses separately in September, and are seeking to start operations in or after 1989.

A major factor behind the rush of companies into the Type II telecommunications business has been the growing need



Staff at one of the new telecommunications companies, Daini-Denden Inc., which is now competing with NTT.

for computer networking. Thus far, more than 400 companies have submitted notifications to or registered with the authorities to offer such services, while 1987 saw the liberalization of VAN services between Japan and the United States, effective in September, following a revision of the Telecommunications Business Law based on the agreement between the two governments. These measures made it possible for international VAN operators to lease KDD circuits for "noncontract services" and resell such services to their customers. Several firms have registered to do this business, and some of them actually started services by the end of 1987. However, full-scale services are not likely to start until 1988 or after.

The entry of newcomers into all these fields will continue in 1988. The established operators—NTT and KDD—may be forced to review both their tariffs and services in response. Meanwhile NTT is scheduled to launch ISDN (Integrated Services Digital Network) services in the first half of 1988.

In the information-processing field, demand remained brisk in 1987, especially for software development and information services. The start of a third generation of on-line networks among Japanese banks was a powerful factor. This trend is expected to remain basically unchanged in 1988. One possible development in the year ahead is the separation of NTT's Data Communications Sector, in charge of information processing for the giant corporation, into a new company.

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## Telecommunications and Information-Processing Market

(¥ billion)

	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
<b>NTT revenue</b>	4,006.3 (3.9)	4,167.1 (4.0)	4,344.3 (4.3)	4,552.4 (4.8)	4,756.2 (4.5)	5,091.4 (7.0)	5,353.6 (5.1)
<b>KDD revenue</b>	148.0 (4.3)	165.0 (11.4)	170.5 (3.4)	192.1 (12.6)	211.9 (10.4)	216.1 (1.9)	224.0 (3.7)
<b>Sales of information-processing services</b>	669.8 (12.3)	805.7 (20.3)	911.9 (13.2)	1,095.3 (20.1)	1,386.0 (26.5)	1,561.8 (12.7)	1,918.2 (22.8)

Notes: 1. Figures in parentheses represent percentage growth over the previous year.

2. Figures for sales of information-processing services are based on the "Report on a Survey of Specific Service Industries" by Ministry of International Trade and Industry.