Satellite Age


Photo: Nihon Keizai Shimbun

A dialogue-type satellite communication network system at IBM in Japan. Visual-oriented communication systems are expected to grow further in the years ahead.

The Japanese telecommunications and information industry saw some significant new developments in 1989.

In April, Japan's first private communications satellite was launched. Using this satellite, Japan Communications Satellite Co. and Space Communications Corp. started services including TV conferences, satellite news gathering and the supplying of programs to CATV.

In May, International Telecom Japan Inc. and International Digital Communications Inc. began international leased circuits services. In October, these two international telecom service firms launched general telephone services, ending the long monopoly of KDD and ushering in an era of full-scale competition in Japan's international telecom field.

Another major development in the telecom industry in 1989 was that regional Type I common carrier telecom companies started business in Shikoku and Kyushu. Also, in the mobile communications business, "Teleterminal" service—a new media in data communications—got under way in December in Tokyo's 23-ward area.

Japan-U.S. friction over mobile phones was another big topic in 1989. In 1987, the Tokyo metropolitan region and the central Japan region were allocated to the Teleway Japan Corp. group, with the adoption of the Nippon Telegraph and Telephone Corp. (NTT) formula for mobile phone services. The remaining regions were allotted to the Daini-Denden Inc. group, using the Motorola formula.

Last spring, however, the U.S. government strongly pressed the Japanese government for a frequency allocation that will enable the Motorola formula to also be used in the metropolitan region and the central Japan region. After a few months of thrust and parry between the U.S. Trade Representative's Office and the Japanese Ministry of Posts and Telecommunications (MPT), Japan basically accepted the U.S. demand in June.

Since last summer, there have been heated discussions over proposals to make further changes in the structure of NTT. When NTT was privatized in 1985, it was decided that the possible need for a further restructuring should be studied within five years. With the deadline approaching, the MPT's Telecommunications Council, the Federation of Economic Organizations (Keidanren) and the Fair Trade Commission have expressed their views on the matter.

As of last October, more than 780 companies had entered the Type II telecom business, leasing circuits from Type I common carriers like NTT. The number is still increasing. Of the total, 27 were special (large-scale or international) Type II telecom businesses. The firms that operate international value-added network (VAN) services added services between Japan and Britain in 1989 to their initial Japan-U.S. services. Global networks linking Japan with the United States and Europe are being established. International VAN services are expected to spread to other European countries, as well as Singapore, Hong Kong and other Asian countries in the years ahead.

On the industry's outlook for 1990, it is worth watching what becomes of the proposed restructuring of NTT, as the deadline for a decision on the matter is set for this March. Judging from the current political situation, the chances for an immediate large-scale reorganization of NTT comparable with its privatization appear to be slim. Restructuring of the telecom giant, if it were carried out, would have far-reaching effects on various fields, not only telecom businesses but also communications equipment businesses and broadcasting enterprises.

With all new main common carriers on the stage, they will enter into full-scale competition this year, and the gap in business results among such new Type I telecom businesses will be brought into bold relief.

With large-capacity transmission networks like the fiber-optics communications network and satellite circuits being established, new transmission services, centered on images, in addition to the existing voice and data services, will come to the fore this year and in subsequent years.

(Koichi Hasegawa, senior economist)

Telecom Market Size Forecast

(¥ billion)

	FY 1985	FY 1988	FY 1992 (forecast)	Annual growth rate (%)		
				1985/1980	1988/1985	1992/1988
Type I businesses	5,107	6,074	8,051	4.5	6.0	7.3
Information services	1,562	3,297	7,185	18.5	28.3	21.5
VAN	–	98	225	–	–	23.1
Broadcasting services	1,624	1,963	2,550	5.7	6.5	6.8
CATV	–	15	134	–	–	72.9
Total	8,293	11,334	17,786	6.7	11.0	12.0

Note: "Information services" include Type II businesses.