

Full of Vim and Vigor

The communications market in 1986 continued to bristle with new service ventures. In the field of Type I telecommunications businesses, the rubric for general service carriers under the new telecommunications law, Daini-Denden Inc., Japan Telecom Co. and Teleway Japan Corporation, all of which operate in the Tokyo-Nagoya-Osaka belt, and Tokyo Telecommunication Network Co., serving mainly the Kanto area, all began providing leased circuit services between August and November 1986. All offer rates approximately 20% lower than those of Nippon Telegraph & Telephone Corporation (NTT), which heretofore monopolized the field. Another notable development was the moves by power companies and local public bodies to set up communications research and planning firms or apply for authorization to start new communications ventures.

In the field of mobile communications including car telephones and pagers, technical standards were reviewed and liberalized in August 1986. However, the mobile communications business is poorly coordinated. While only one newcomer is to be allowed in any given mobile communications business territory, one car telephone venture adopting the NTT system and another using the North American system have applied for a license. In the pager business, several companies are competing to serve the Tokyo metropolitan area but coordination efforts are facing rough going.

The real show-stealer in 1986, though, was the so-called second KDD (Kokusai Denshin Denwa Co.) plan. Two separate research and planning companies were created with the goal of commercializing alternative international telecommunications services by late 1987 or early 1988.

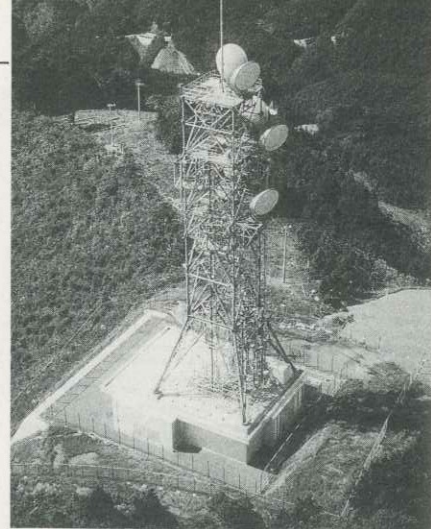
One was International Telecom Japan, a joint undertaking by 54 Japanese enterprises. Its aim is to provide services, not by owning any equipment of its own, but by leasing transponders from INTELSAT or acquiring IRU (indefeasible right of users) of submarine cables. International Digital Communications Planning Inc., established by 32 Japanese companies together with Pacific Telesis International, C&W and Merrill Lynch, plans to own and commercialize PPAC, a privately owned transpacific fiber-optic submarine cable system.

Whether these two projects should be integrated or not is a subject of hot debate as regards the future supply-demand balance in the international telecommunications market.

Ventures aspiring to enter the field of Type II telecommunications business that uses facilities leased by Type I operators are also increasingly active. Ten special Type II and about 300 general Type II ventures have already registered with the authorities. The services they hope to offer are numerous and varied. Main among them are the transmission of data on the receipt and placement of orders in the distribution industry. But recently projects related to the simple resale of computer circuits and personal computer communications have gained momentum.

The fast growing information processing market, a ¥1,560 billion (about \$9.5 billion) market in 1985, also continued to expand in 1986 despite sluggish shipments of computers.

The software development, programming and information businesses that have bolstered the information processing industry for the past several years enjoyed persistent demand in 1986. With the continuing popularization of personal com-



Japan's communications market is growing steadily, especially with the recent introduction of leased circuit services.

puters, sales of PC software surged, especially to big business. In 1986, the PC software market reached about ¥50 billion (about \$303 million). The penetration of imported software was also notable. However, a tendency among recession-hit manufacturers to develop software by themselves could augur ill for the software industry.

Looking ahead, deregulatory measures seem certain to have an impact on the communications market in 1987. In the Type I field, the New Common Carriers group that has already commenced leased circuit service plans to launch public circuit services. The impact these services will have on industry and society will depend in part on yet-to-be-determined access charges as the telephone companies will find all their business acumen tried in a hotly contested market. Meanwhile special Type II operators, hitherto in the embryonic stage, are expected to swing into action in 1987, signaling the dawn of a network society.

In the information processing market, demand is projected to remain generally bullish as the information needs of industry are unrelenting regardless of their business performance.

The software and programming industry will be less fortunate, as its growth is stunted by in-house software production. Nonetheless, it will continue to enjoy brisk demand from banks working on their third generation of on-line programs. Furthermore, smaller software houses will face harder times now that the Law for Securing Proper Operations of Worker Dispatching Businesses and Improvement of Working Conditions of Dispatched Workers, issued in 1986, has prohibited companies from re-leasing leased workers to other companies. ●

Telecommunications and Information Processing Markets

(¥ billion)

	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
NTT income	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)
KDD income	148.0 (4.8)	165.0 (11.4)	170.5 (3.4)	192.1 (12.6)	211.9 (10.4)	216.1 (1.9)
Sales from information processing	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)

Notes: 1. Figures in parentheses are growth rates compared to previous year.

2. Sales from information processing are sales from information services contained in the "Report on Survey of Specific Service Industries" by the Ministry of International Trade and Industry.

(Hideo Ishii, senior economist)