
Telecom Industry Enters New Age of Competition

THE Nippon Telegraph and Telephone (NTT) group has decided to lower basic monthly charges for fixed-line phone services, the first reduction since the telecom giant was privatized in 1985. During that period, charges for long-distance calls have been slashed by 80% while basic charges have remained unchanged. The NTT group's decision to cut the basic monthly charges, regarded as the "last sanctuary" of its revenues, indicates that the nation's telecommunications industry is entering a new stage of cutthroat rivalry.

The NTT group's move has been prompt-

ed by an onslaught from its rival carriers – KDDI and the Softbank group. Under eased regulations, these rivals were allowed to lease NTT circuits linking telephone offices to household users and to install their own switchboards inside telephone offices, enabling them to offer services without relying on NTT's switchboard network. With such circuits freed from the hand of the NTT group, it has become possible for the competitors to conclude service contracts directly with subscribers at lower basic charges. The NTT group faced a painful choice between losing its share

of the fixed-line service to market rivals and seeing tens of billions of yen in lost revenues by joining the rivals in reducing basic charges. It finally decided to take the latter option.

Discussions are continuing on how to allocate frequencies to new mobile phone operators. The NTT group may also see its advantageous position sapped in that business area because IT-related businesses are making inroads into the mobile phone business after having bolstered their financial bases.