

## **Competition Advocacy Activities by the Japanese Competition Authority**

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In our basic policy titled “Grand Design for Competition Policy,” the JFTC places great importance on creating a competitive environment. Based on this policy, the JFTC has been striving to encourage competition especially in the public utilities sector such as telecommunications and energy. Today, I would like to talk about our efforts to encourage competition in the telecommunications sector.

Until 18 years ago, the Japanese telecommunications industry had been monopolized by the state enterprise. But in 1985 the state enterprise was privatized into the present NTT, and at the same time, newcomers were allowed to enter the market. However, the local networks were owned solely by NTT, so new entrants could not do business without connecting to NTT’s local networks. This means that new entrants could not compete with the huge NTT as equals. In order to create a competitive environment in the telecommunications sector in the best interests of consumers, the JFTC has been taking three main approaches: issuing policy recommendations for system reform, establishing guidelines, and strictly enforcing the Antimonopoly Act.

Let’s look at the first approach, policy recommendations for system reform.

In 1988, the JFTC set up a study group of academics and other experts and has since been studying how to promote fair and free competition in individual sectors. This is one of the main measures of competition advocacy by the JFTC. In June 2000, the JFTC issued proposals titled “Problems in the telecommunications sector from the viewpoint of competition policy.” Regulations should stimulate the creative initiative of entrepreneurs and encourage business activities in all aspects such as entry, business classification, and network construction. Therefore, the JFTC proposed that the regulations on business entry and withdrawal should be abolished and that the regulations based on whether the firm has telecommunications facilities should be abolished, for example. Recently in November 2002, the JFTC drew up other proposals, and a bill to amend the Telecommunications Business Law is now being considered at the current Session of the Diet. This features a registration or notification system instead of the permission system, and also the abolition of business classification.

The second approach is the establishment of guidelines. To prevent violations of the

Antimonopoly Act and ensure fair competition between new entrants and incumbents, the JFTC has prepared guidelines which clearly define actions that violate the Antimonopoly Act and revises them as appropriate. This is an example of our collaboration with other agencies to promote free and fair competition in each sector. In the telecommunications sector, in November 2001, the JFTC published the “Guidelines for the Promotion of Competition in the Telecommunications Industry” jointly with another agency.

The third approach is strict enforcement of the Antimonopoly Act. Generally, enforcement and advocacy are discussed separately, but I believe that strict enforcement enhances the credibility of the competition authority and the effectiveness of its advocacy activities. As the Chairman of the JFTC mentioned yesterday at the Session of Capacity Building, enforcement and advocacy are two pillars upholding the competition policy.

In 2001, the JFTC set up a Task Force for the IT Industry and Public Utilities Industry, within the Investigation Bureau, in order to collect information and to deal efficiently with violations of the Antimonopoly Act in the IT and public utility industries. Some cases handled by the Task Force so far include. In December 2000, the JFTC issued a warning against NTT which owns the local networks for hindering new entries into the DSL (Digital Subscriber Line) services. After the warning, the relevant agency drew up rules for co-location, which helped create a fair environment for competition.

As a result, the number of DSL subscribers in Japan increased more than 300-fold in two years. A few months ago, the International Telecommunication Union (ITU) published a workshop report that Japan has quickly become one of the world’s leaders, boasting low prices and fast broadband speeds. This report clearly vindicates the JFTC’s efforts to boost competition in this sector and to assure consumer interests.

The JFTC has been doing similar activities to promote competition in energy, transport and other sectors. The JFTC is expected at home and abroad to function as a guardian of the market in Japan, so we shall continue our efforts to encourage competition, to review the market conditions after regulatory reform, and to issue policy recommendations based on those findings.

(Reference)

1. The number of DSL subscribers increased from 16,194 (January 2001) to 5,645,728 (January 2003): 348 times.
2. International Telecommunication Union (ITU) “Promoting Broadband: Background Paper,” published in April 2003.