

Cease and Desist Order against Nippon Telegraph and Telephone East Corporation and
Nippon Telegraph and Telephone West Corporation
(Tentative Translation)

July 15, 2008
Japan Fair Trade Commission

The Japan Fair Trade Commission (JFTC) investigated representations related to the voice telephone service using IP network technology called “Hikari Denwa” (hereinafter referred to as the “Hikari Denwa”) provided by two corporations respectively: Nippon Telegraph and Telephone East Corporation (hereinafter referred to as “NTT East”) and Nippon Telegraph and Telephone West Corporation (hereinafter referred to as “NTT West”) (these two corporations are hereinafter referred to as the Two Corporations) and found that they were in violation of Item 2 (Misleading Representations about terms of trade) of Paragraph 1, Article 4 under the Act against Unjustifiable Premiums and Misleading Representations. Accordingly, the JFTC issued today cease and desist orders against the Two Corporations pursuant to the provision of Paragraph 1, Article 6 of the Act.

1. Outline of the parties concerned

Entrepreneur	Location	Representative
Nippon Telegraph and Telephone East Corporation	19-2, Nishi-shinjuku 3-chome, Shinjuku-ku, Tokyo	Tsutomu Ebe, Representative Director
Nippon Telegraph and Telephone West Corporation	3-15 Bambacho, Chuo-ku, Osaka	Shinichi Otake, Representative Director

2. Outline of the Cease and Desist Order

(1) Outline of the violation

When providing Hikari Denwa to general consumers, the Two Corporations made the following representations in handbills, direct mails, flyers inserted in newspapers, advertisements published in newspapers and leaflets from around February to around November in 2007.

A. Representations about B-Flet’s charge or Flet’s Hikari Premium charge

To use Hikari Denwa, it is necessary to pay the B-Flet’s charge (Note 1) in the case of NTT East and Flet’s Hikari Premium charge (Note 2) in the case of NTT West (These charges are hereinafter collectively referred to as the “Optical Fiber Charge”). However, Two Corporations did not indicate or did not clearly indicate the Optical Fiber Charge as shown below. These representations gave the impression that this service was available to users by paying only the monthly basic charge and the Hikari Denwa router charge (in the case of use from multiple dwelling houses covered by NTT East) in addition to the communication charge.

Representations

1)	[Handbill distributed in Niigata Pref.] With the representation “IP Telephone Service using optical fibers: Hikari Denwa”, the charge amount was described as “Monthly basic charge is quite reasonable: 997.5 yen (incl. tax) for Hikari Denwa”. This amount is the total of the monthly basic charge and the Hikari Denwa router charge.	There is no explanation that an optical fiber charge will be incurred in order to use Hikari Denwa.
2)	[Direct mail distributed in Chiba Pref.] With the representation “Reduce your telephone charge by using Hikari Denwa A (ace)”, the charge amount is shown as “Monthly charge: 2,047 yen/month (incl. tax)”. This amount is the total of the monthly basic charge and the Hikari Denwa router charge. In a space that cannot be seen at the same time as the above description, the following statements are shown in smaller letters: “—Common remarks for Hikari Denwa: To use this service, you need “B-Flet’s” service contract and “Hikari Denwa router” provided by NTT East”. This description is not easy to read.	
3)	[Direct mail distributed in Yamaguchi Pref.] With the representations “Reasonable monthly cost!” and “Hikari Denwa A (ace)”, the charge is explained as “Monthly charge total: 1,500 yen (1,575 yen incl. tax)”.	

(Note 1) “B-Flet’s charge” means the fee for the communication service using the optical fiber equipment called “B-Flet’s”.

(Note 2) “Flet’s Hikari Premium charge” means the fee for the communication service using the optical fiber equipment called “Flet’s Hikari Premium”.

B. Representations about Hikari Denwa Router Charge

In the case of NTT East, it is necessary to pay the Hikari Denwa router charge when using Hikari Denwa from multiple dwelling houses. However, this point was not described or not clearly described as shown below and the representations gave the impression that the service was available to users by paying only the monthly basic charge and B-Flet’s charge in addition to the communication charge.

Representations		
1)	[Flyer inserted in newspapers distributed in Iwate Pref.] With the representations “Reasonable telephone charge!” and “IP telephone service using B-Flet’s: Hikari Denwa”, the following descriptions are given: “Just apply for it together with “B-Flet’s!”” and “Monthly charge <In the case of basic plan>: Monthly basic charge is about one third of the subscriber telephone charge 1,680 yen (incl. tax): 525 yen (incl. tax)”.	There is no explanation that the Hikari Denwa router charge will be incurred to use Hikari Denwa.
2)	[Flyer inserted in newspapers distributed in Saitama Pref.] The flyer says, “Subscribe to Flet’s Hikari and reduce the communication charge even more by contracting Hikari Denwa!!” and “Hikari Denwa A (ace): A set comprising a telephone charge and convenient services: 1,575 yen/month (incl. tax)”. In a space that cannot be seen at the same time as the above description, the following statements are shown in smaller letters: “To use this service, you need the Hikari Denwa router provided by NTT East. If you contract B-Flet’s service in apartment type, Hikari Denwa router charge of 450 yen (472.5 yen incl. tax) will be incurred”. This description is not easy to read.	

C. Representations about calls charged at a uniform rate of 8.4 yen per 3 minutes all over Japan

The communication charge of Hikari Denwa is a uniform rate of 8.4 yen per 3 minutes all over Japan only when the called party uses the subscriber telephone, a telephone conforming to the ISDN standard (hereinafter referred to as ISDN) or Hikari Denwa. However, such details were not explained as shown below. These representations gave the impression that the communication charge was a uniform rate of 8.4 yen per 3 minutes all over Japan for any called party.

Representations		
1)	[Newspaper advertisement distributed in the sales area of NTT East] With the representation “Hikari Denwa”, the charge is described as “Telephone charge: Uniform rate of 8.4 yen (incl. tax) per 3 minutes all over Japan”.	There is no explanation about the precondition for 8.4 yen/3 min calls as the charge of Hikari Denwa. This charge is applicable only when the called party uses the subscriber telephone, ISDN or Hikari Denwa.
2)	[Flyer inserted to newspaper distributed in Fukuoka Pref.] The flyer says, “Telephone charge is a uniform rate of 8.4 yen/3 minutes for calls to anywhere in Japan”.	

D. Representations about the called party for the telephone charge of 504 yen contained in “Hikari Denwa A”

Telephone charge not exceeding 504 yen is included in the charge plan called “Hikari Denwa A” and the user may use this charge only for calls to called parties using subscriber telephones, ISDN or Hikari Denwa. However, this point was not described or not clearly described as shown below. These representations gave the impression that the user could call any party without restriction using the applicable telephone charge.

Representations		
1)	[Leaflet distributed in the sales area of NTT East] With the description “Hikari Denwa A”, the following representations are given: “Telephone charge equivalent to that of calls for 3 hours at most (504 yen incl. tax) is available” and “Telephone charge of 504 yen (incl. tax.) (equivalent to the telephone charge for 3 hours at most) is included in the monthly basic charge”.	There is no explanation that the telephone charge of 504 yen can be used only when the called parties are using subscriber telephones, ISDN or Hikari Denwa.
2)	[Direct mail distributed in Chiba Pref.] It states, “Reduce your telephone charge with Hikari Denwa A (ace)” and “Telephone charge of 504 yen at most (incl. tax) is included in the plan!” In a space that cannot be seen at the same time as the above description, the following statements are shown in smaller letters: “Remarks for Hikari Denwa A (ace): Voice telephone charge included in the monthly charge is for calls to subscriber telephones of NTT East or NTT West, ISDN or Hikari Denwa”. This description is not easy to read.	
3)	[Direct mail distributed in Yamaguchi Pref.] In addition to the descriptions “Reasonable monthly cost!” and “Hikari Denwa A (ace)”, it is mentioned, “You can make calls for 3 hours at most (for 504 yen incl. tax) and the remaining charge can be	

	carried over to the following month!”.	
4)	[Direct mails distributed in the sales area of NTT West except for Shiga, Kyoto, Hyogo, Nara, Okayama and Kagawa Prefs] With the description “Hikari Denwa A (ace)”, it states, “Free call: Telephone charge for calls of 504 yen (incl. tax) is included”.	

(2) Outline of the cease and desist measures

- a. Two Corporations should publicly announce that the above representations gave general consumers the misleading impression that their services were more favorable than they actually were for the parties they have dealings with.
- b. Two Corporations should take measures to prevent recurrence and have these measures thoroughly disseminated to their officers and employees.
- c. Two Corporations should not make similar representations in future.