

Opposition likely to NTT breakup proposal

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Even as U.S. telecom behemoth AT&T presses to reunite with former Baby Bells and solidify its position as the country's single-biggest carrier, Japan is considering breaking up its dominant provider amid concerns about retaining the country's competitive edge in the information-technology sector. But the proposal is likely to face considerable opposition from lawmakers, and not just from NTT itself.

On Tuesday a panel of industry experts commissioned by the Japanese government recommended that the Nippon Telegraph and Telephone group, better known as NTT, should be broken up by 2010. The panel, which consists of business leaders, consumer group advocates and academics among others, was personally convened last year by Home Affairs Minister Heizo Takenaka as the government continues to mull how Japan can retain its competitive edge globally in the IT sector.

Given that the study was conducted at the request of the minister, rather than being commissioned by the government directly, its findings will have no direct effect on policy as such. Takenaka, however, is one of Prime Minister Junichiro Koizumi's most visible and influential Cabinet members, so analysts are already keeping a close eye on how he proceeds in presenting the findings to the ruling Liberal Democratic Party and how the proposals will play out among lawmakers.

Specifically, the panel proposed that NTT completely abandon its holding-company process, whereby five of its subsidiaries come under a single roof, namely mobile carrier NTT DoCoMo; long-distance provider NTT Communications; regional carriers NTT East and NTT

West; and NTT Data, which provides computer and IT services. The experts also suggested liberalizing the telecom sector further to encourage more competition among carriers, particularly in broadband and other multimedia functions in order to create a level playing field among providers.

Still, there is likely to be considerable opposition to any significant change in the corporate structure of the telecom giant, which until 1985 was state-owned. Indeed, to date, the government remains the company's single-biggest shareholder, with about 43 percent of total shares, and it is the largest carrier in the world in terms of capitalization. Its close ties with the government, coupled with its sheer size, has meant that NTT continues to dominate the Japanese telecom market even though companies such as KDD have made significant strides in entering the sector in recent years.

Indeed, at a Tokyo news conference announcing the panel's findings, Takenaka acknowledged that implementing the group's suggestions may not be easy.

"Unless an agreement is reached with the ruling party about the direction of policy, (the panel's suggestions) cannot be implemented," the minister said. He did, however, argue that there were many points where the LDP would readily agree with what the panel of experts has suggested, and on the points where there might be disagreement, there would have to be "further discussion." Currently, the LDP has made clear that while it is prepared to consider changes in the organization of NTT, it has not advocated any fundamental restructuring or indeed dismantling of the company or allowing subsidiaries to compete against each other. On the other hand, the panel's study is based on the assumption that NTT will be dismantled in order to improve the competitiveness of the Japanese telecom market.

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