

**JAPAN'S RESPONSE TO THE QUESTIONS FROM CANADA
RELATING TO THE NTT COMMUNICATIONS**

Communication from Japan

As a follow-up to our bilateral consultation held in Geneva on 2 October 2001, Japan wishes to present Canada the following information to demonstrate that NTT Communications satisfies all criteria that Japan proposed in the working document submitted by Japan in May 2001 to the Committee on Government Procurement for the purpose of reviewing the current text in Article XXIV: 6(b) of the Agreement on Government Procurement (Job No. 3289). The sentences below in italics indicate criteria proposed in the document. The other sentences show explanations about NTT Communications with regard to the respective criteria.

1. *The transfer to the private sector of the actual control over the entity*

- *The government does not control a majority of the entity's capital or the voting rights.*

The Government of Japan has neither shares nor voting rights in NTT Communications. Furthermore, the number of shares the Government of Japan holds in the NTT Holding Company has declined, and its ratio is now 46%. It is likely that the Government of Japan will consider selling further shares of this company if the circumstances allow, subject to the state of the stock market, stock prices, and economic trends in Japan.

- *The government does not appoint more than half of the members of the entity's managing board who has decision-making power over its operations.*

The Government of Japan is not involved in the appointment of any members of the managing board of NTT Communications

- *The operation of the entity is financed by its business revenue, not by government subsidies.*

The Government of Japan does not grant any subsidies to support the business revenue of NTT Communications.

- *The government does not have control or influence over the entity's procurement decisions*

NTT Communications is a fully private company established in accordance with the procedures under the Japanese Commercial Law. It is engaged in business activities under the Telecommunication Business Law, which applies to all telecommunications companies. Since the NTT Law does not apply to NTT Communications, the Government of Japan has no legal authority to control or influence the company's business decisions, including procurement decisions. The Government of Japan confirms that no provisions of the NTT Law apply to NTT Communications

from the enactment date of the recent amendment to the NTT Law, which was approved by the Diet in June 2001 and took effect in November 2001. See details in Japan's responses to US questions 1 and 2 in document GPA/W/104/Add.2/Rev.1.

2. *The fact that the entity is exclusively engaged in the provision of goods or services on markets that are subject to genuine competition*

- *The government does not provide the entity with any special or exclusive rights to operate*

The Government of Japan does not provide any special or exclusive rights to NTT Communications regarding any of its activities.

- *There are more than one entity that engage in the provision of goods or services on the market*

In April 1999 there were 12 competitive carriers in the long distance / international call services market where NTT Communications provides its main services. The number increased to 32 in March 2001. The number of companies with substantial stock participation (more than 50%) of foreign companies increased from 6 to 26 during the same period.

Nationality of 26 companies:

Canada: 1

EU : 5 (United Kingdom, France, Germany, Ireland, The Netherlands)

United Kingdom and United States of America: 1

United States of America: 15

Korea: 1

Singapore: 1

Australia: 1

Hong Kong, China: 1

- *In principle, the downward price rigidity regarding goods or services on the market have not lasted for a long period of time after the new entry of suppliers.*

The charges for main services provided by NTT Communications have been decreasing since its establishment in 1999. For instance, the rate of a three-minute long distance call from Tokyo to Osaka decreased from 90 yen (July 1999) by approximately 11% to 80 yen (May 2001). The charges for international call and leased line services have been falling as well. (cf. Chart 5, GPA/W/160, p.6).

- *In principle, there does not exist in the market a situation where the market shares of various suppliers have not changed for a long period of time after the entry of new suppliers*

In long distance telecommunications market, where NTT Communications provides one of its main businesses, the market share has fallen from 57.6% (FY1998) to 53.5% (FY2000). In international call and Internet markets, where NTT communication started its business as new comer, the market share is increasing from 1999 to 2000. (cf. Chart 4, GPA/W/160, p.4).

Attachment

**Examples of NTT Communications'
Purchases from Foreign Suppliers
(1999-2001)**

Telecom Products

◆ **Servers**

- Sun Microsystems (US)
- Hewlett Packard (US)
- IBM (US)

◆ **Routers**

- Cisco Systems (US)
- Hewlett Packard (US)
- IBM (US)

◆ **Switches**

- Nortel Networks (CA)
- Fore Systems (Marconi) (US)
- RADCOM (IL)

◆ **Transmission equipment**

- Alcatel (FR)
- Expand (IL)

◆ **LAN equipment**

- ACER (TW)

◆ **Security systems**

- Nokia (FI)
- Check Point (IL)

Non-telecom Products

◆ **Office-use machinery**

- Hewlett Packard (US)
- IBM (US)
- 3M (US)
- Inter Décor (IT)
- Luminabella (IT)
- Unifor (NO)

**NOTE: All non-telecom purchases are below
the relevant threshold under the Action
Program (100,000 SDR).**
