

May 4, 2000

His Excellency Shunji Yanai
Ambassador of Japan
2520 Massachusetts Avenue, N.W.
Washington, D.C. 20008

Dear Ambassador Yanai:

Japan's recent decision to introduce legislation allowing the regulator greater authority in setting rates at cost-based levels demonstrates Japan's willingness to liberalize its telecommunications sector. The proposed summit in the United States between Prime Minister Yoshiro Mori and President William Clinton provides further opportunities for advancing Japan's telecommunications market.

Liberalization is of great importance to the Japanese telecommunications system for several reasons. Opening the market to competition results in lower voice and data communications costs, increases demand for Internet and other information services and promotes innovation. In addition, telecommunications liberalization has proven to contribute substantially to the economic recovery of countries suffering from economic recession.

Currently in Japan, the interconnection rates offered by NTT are from 2-5 times higher than the rates available in G-7 markets. NTT's near monopoly on communications services and technologies has created a disincentive for it to lower its exorbitantly high interconnection rates. Consequently, this has severely impeded Japan's economic development. Since interconnection rates in Japan can account for up to 70% of the cost of a call, these rates ultimately affect the retail price of competitive long-distance, wireless, and competitive local services. The setting of cost-based interconnection rates is an essential step to ensuring lower costs and greater choices to users and promoting greater use of information technology.

Moreover, to disadvantage new carriers already facing innumerable barriers in Japan by charging such high interconnection fees will severely undermine competition in the Japanese market and subsequently jeopardize the billions of dollars in investments that U.S., Canadian and European firms have invested in Japan's information technology sector.

In the interest of all users and providers of telecommunications services, including NTT, Japan should agree to interconnection rate cuts that are deeper and phased-in more quickly to stimulate greater and more innovative uses of the network and to bring Japan into step with the practices of its G-7 partners. We urge you to work with the United States and with Japan's other trading partners to accelerate Japan's transition to cost-based interconnection rates, in line with other developed countries, to ensure robust growth of the information economy for all participants.

Very Sincerely,

Senator Jeff Bingaman

Senator William V. Roth, Jr.

Senator Max Baucus

Senator Frank H. Murkowski

Senator John D. Rockefeller, IV

Senator Charles E. Grassley