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VIA FACSIMILE
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Mr. Sadanori Amano
Director General, Telecommunications Bureau
The Ministry of Posts and Telecommunications
3-2, Kasumigaseki, Chiyoda-ku, Tokyo 100-90 JAPAN

Dear Mr. Amano:

The Competitive Telecommunications Association ("CompTel") is writing to urge the Ministry of Posts and Telecommunications ("MPT") to adopt a pro-competitive interconnection regime that will foster competition in the Japanese telecommunications market. CompTel is the principal U.S. industry association representing competitive telecommunications carriers and their suppliers. CompTel has approximately 20 years of experience working actively to advance telecommunications competition in the United States and other countries. With the development of liberalized regulatory regimes and competitive market conditions in a growing number of countries, many of CompTel's members have made significant investments in telecommunications facilities and services outside the United States, including in Japan.

CompTel commends Japan for subscribing to the World Trade Organization's Basic Telecom Agreement, and it applauds MPT's decision to base NTT's interconnection charges on long-run incremental costs ("LRIC"). The LRIC model is being used by regulators throughout the world to determine the appropriate charges to competitors for interconnection to an incumbent local telephone company's network. An interconnection policy that properly implements LRIC provides for the "cost-orientated rates," as mandated by the WTO Reference Paper to which Japan and numerous other countries have subscribed. Cost-oriented rates will ensure that customers in Japan benefit from lower rates, more service options, and innovations in services and technologies.

Although CompTel endorses MPT's decision to base NTT's interconnection rates on LRIC, CompTel is concerned that MPT's LRIC model does not reflect a true LRIC computation. In CompTel's view, MPT's LRIC model includes non-traffic sensitive costs that are more properly attributed to the provision of access lines rather that the transport and termination of traffic. Further, that model inflates certain traffic sensitive costs that NTT is permitted to recover through interconnection rates. Due to the inappropriate inclusion of non-traffic sensitive costs and the accelerated depreciation schedules of equipment and infrastructure, MPT's LRIC model will cause NTT's interconnection rates to be approximately eight times higher than comparable rates in the United States. Without a meaningful reduction in interconnection charges, competitive carriers will be hesitant to enter the market and challenge the dominant market position of NTT, thus stifling competitive entry to the Japanese market and preventing Japanese consumers from reaping the benefits of a fully competitive telecommunications marketplace.

CompTel urges MPT to adopt the Case B interconnection model option, without any increase in subscriber line charges, and to implement these reductions expeditiously in this calendar year. While Case B's reductions will result in charges that remain above those in the United States and the European Union, they represent a major step in the right direction. For these reductions to have the intended pro-competitive impact, they must be implemented at once. Any plan that implements these reductions incrementally over a long transition period should be rejected because it will block competitive entry and deprive Japanese consumers of the benefits of competition. Furthermore, the delay will give NTT still more time to use subsidies from excessive interconnection rates to entrench itself as the dominant carrier in Japan, thereby slowing investment and innovation. We believe that Japan's comparatively low e-commerce levels already reflect the impact of NTT's exorbitant interconnection rates.

On behalf of CompTel, I thank you for your consideration of this important issue, and we are prepared to provide additional information concerning this matter upon your request.

Sincerely,

Carol Ann Bischoff

Carol Ann Bischoff
Executive Vice President & General Counsel

cc: Ambassador Richard W. Fisher
Deputy U.S. Trade Representative, USTR

Mr. William G. Corbett
Director, Telecommunications Goods & Services Trade Policy, USTR

Mr. Eiichi Tanaka
Director, Tariff Division, Telecommunications Bureau, MPT