

Housing Quality Assurance Act

The Housing Quality Assurance (HQA) Act introduces a mandatory 10-year warranty system and a voluntary housing performance indication system for new housing. Canada is encouraging Japan to allow for foreign testing organizations to test performance characteristics, and is seeking to ensure that the requirements, and the process for attaining the requisite proof of performance, are not so onerous as to discourage small and medium-sized enterprises (SMEs) from competing in the Japanese market. Canada also continues to urge the Japanese government to accept international approaches to test methods in this regard.

IMPROVING ACCESS FOR TRADE IN SERVICES

As the number of international firms doing business in Japan continues to rise, there is an increasing focus on regulatory and other non-tariff barriers that may be impeding the development of business in underdeveloped areas of the Japanese economy, particularly in services. There has been significant business development in those areas in which there has been regulatory reform, notably financial services and telecommunications. Canada continues to point out areas in which further regulatory reform would have similar stimulative effects.

Telecommunications Services

The Japanese market for telecommunications services has seen a significant opening to foreign companies. All restrictions on foreign investment in the telecommunications sector, except in Nippon Telegraph and Telephone (NTT) Corporation, have been lifted. Canada continues to monitor Japanese implementation of GATS commitments for basic telecommunications services and is encouraged by Japan's move to reduce the interconnection rates for foreign carriers to NTT's local and long distance networks.

Several concerns, however, have been flagged by Canadian companies with respect to the ability of new entrants to access the network; reporting procedures required of new entrants by the Ministry of Public Management, Home Affairs, Posts and Telecommunications; regulation of dominant carriers (the long distance service provider NTT Communications, NTT West and NTT East in the local communications market, and NTT DoCoMo

in the wireless market); and the ability of new entrants to build new networks which could be improved by ensuring fair access (including rights of way) to land and facilities owned or controlled by utilities and facilitating construction and expansion of infrastructure over public land and facilities. Canada urges Japan to continue to lower the interconnection rates by adopting a Long-Run Incremental Cost (LRIC) system, a pro-competitive methodology for interconnection fees. Canada is also concerned about the independence of the regulator, and is monitoring any changes in its role as a result of the former Ministry of Posts and Telecommunications becoming part of the larger general affairs ministry with the implementation of administrative reform on January 6, 2001.

Air Transport

In the context of our long-standing and productive bilateral air relationship, Canadian officials have tried over the past two years to obtain for Air Canada access to a small number of the new slots available at Narita Airport when the second runway opens in the spring of 2002. Air Canada and All Nippon Airways have been working very closely to develop their plans especially for code-sharing beyond Japan. Their intensified commercial cooperation will clearly benefit both airlines.

Canada is concerned that, following a number of discussions between our respective negotiators as well as through diplomatic channels, Japanese officials have declined to consider granting Canada any of the new slots; this exclusion from the use of the new runway at Narita will compromise Canada's opportunity to expand our services to Tokyo for years to come. If Japan were to reconsider its position on additional access to Narita for Air Canada, it would result in obvious commercial benefits for the airlines of both countries.

Financial Services

Japan has made significant progress in deregulating the financial services sector in recent years. This has brought about more competition and consumer choice. Over the past year, Japan has introduced the "No-Action Letter" system and a defined contribution pension system ("401k" accounts), which Canada welcomes. But Japan can do more to foster a dynamic and efficient financial sector.