

Japan's Best Practice for Telecommunications Market



*WTO Basic Telecommunications Agreement
10th Anniversary Symposium
Panel C: Regulatory Challenges/Best Practices*

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Shun SAKURAI

Director-General for Policy Coordination

Ministry of Internal Affairs and Communications (MIC), JAPAN

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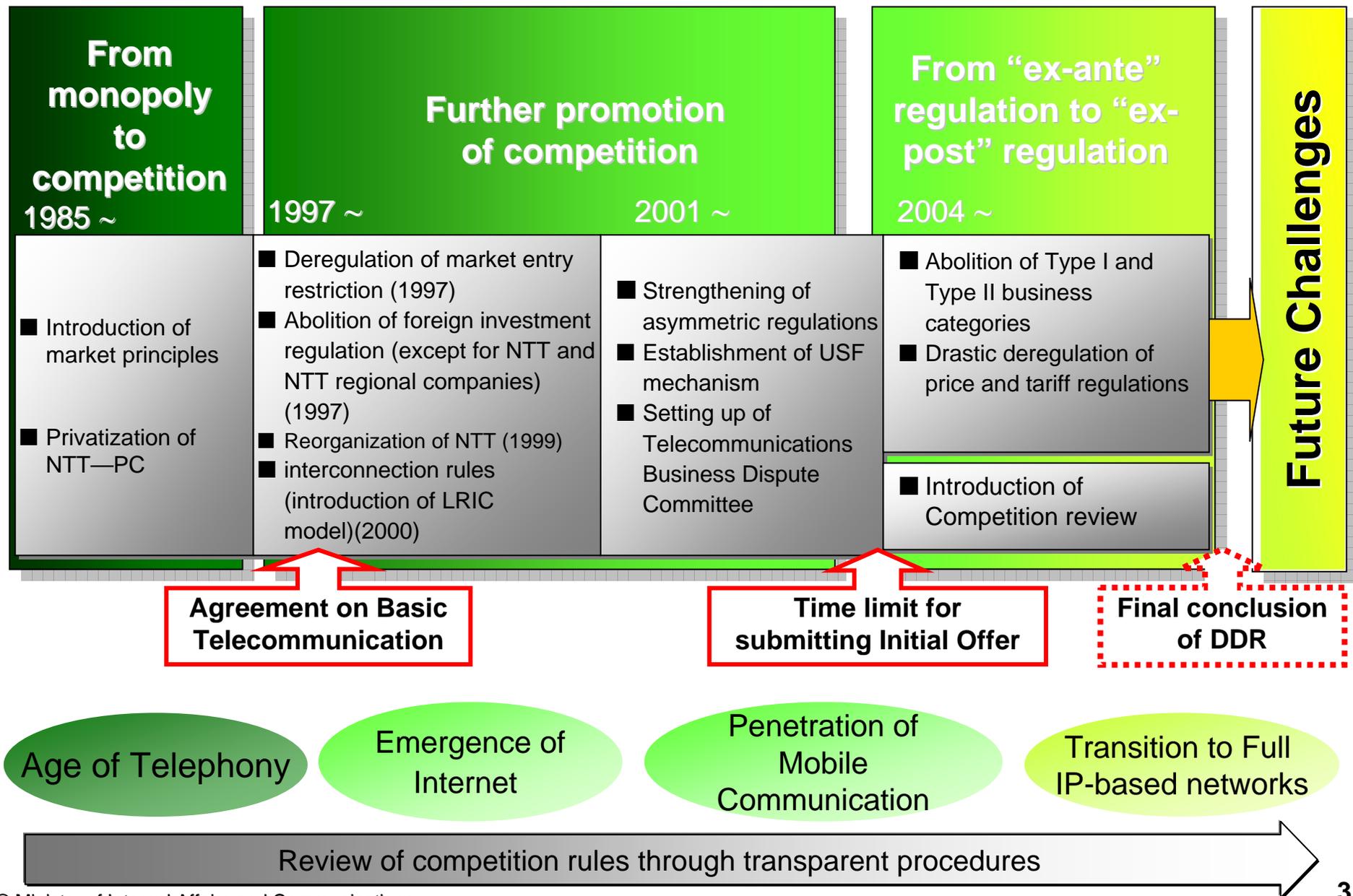
0 Brief Introduction

1 Development of Regulatory Framework

- (1) Deregulations on Market Access
- (2) Asymmetric Regulations on Dominant Carrier

2 Future Challenges

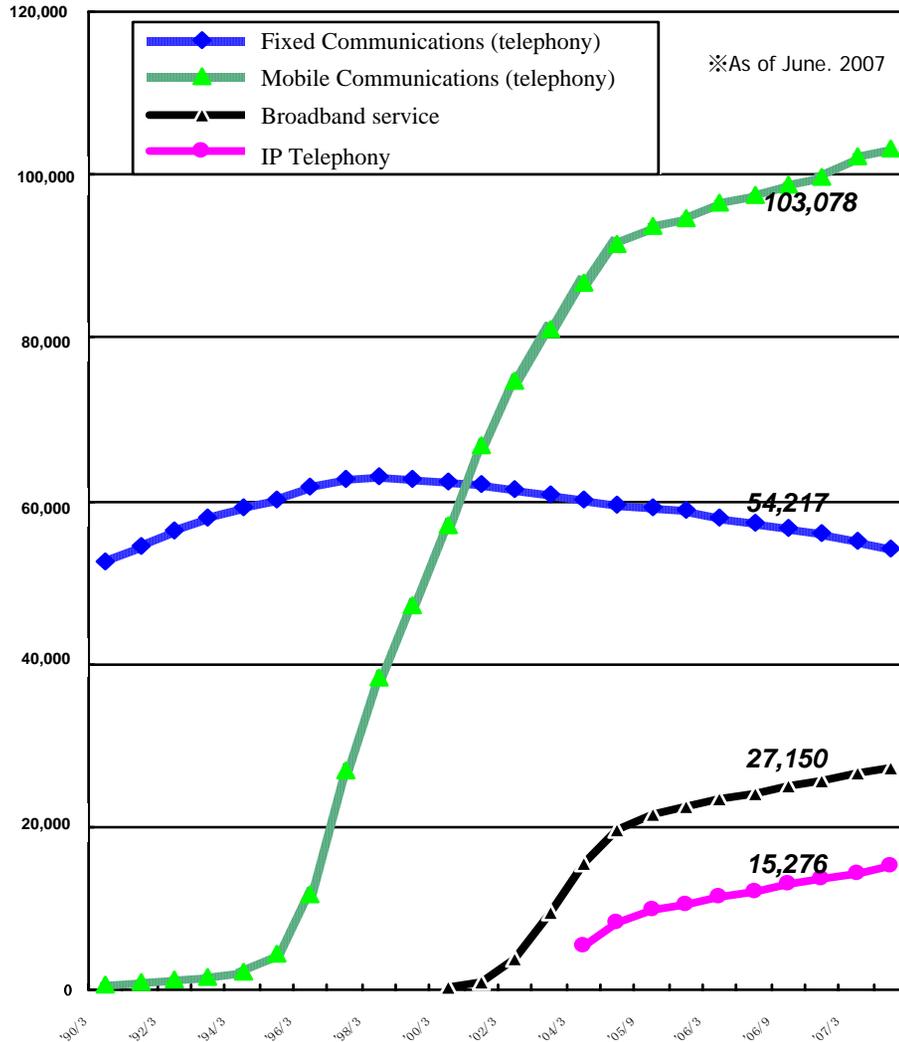
Outline of Japanese Telecom Competition Policy



The Number of Japan's service subscribers

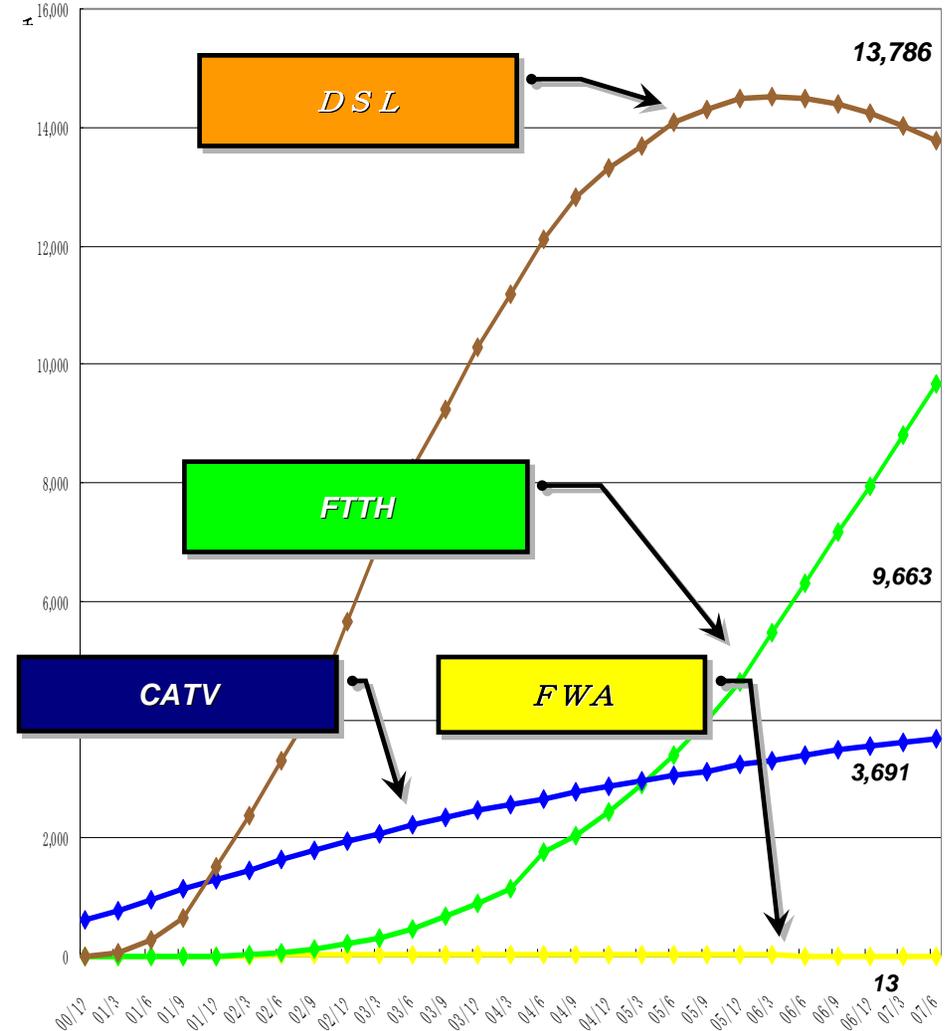
【Telecommunication Service Users】

(Unit: thousand)



【Number of Broadband Service Users】

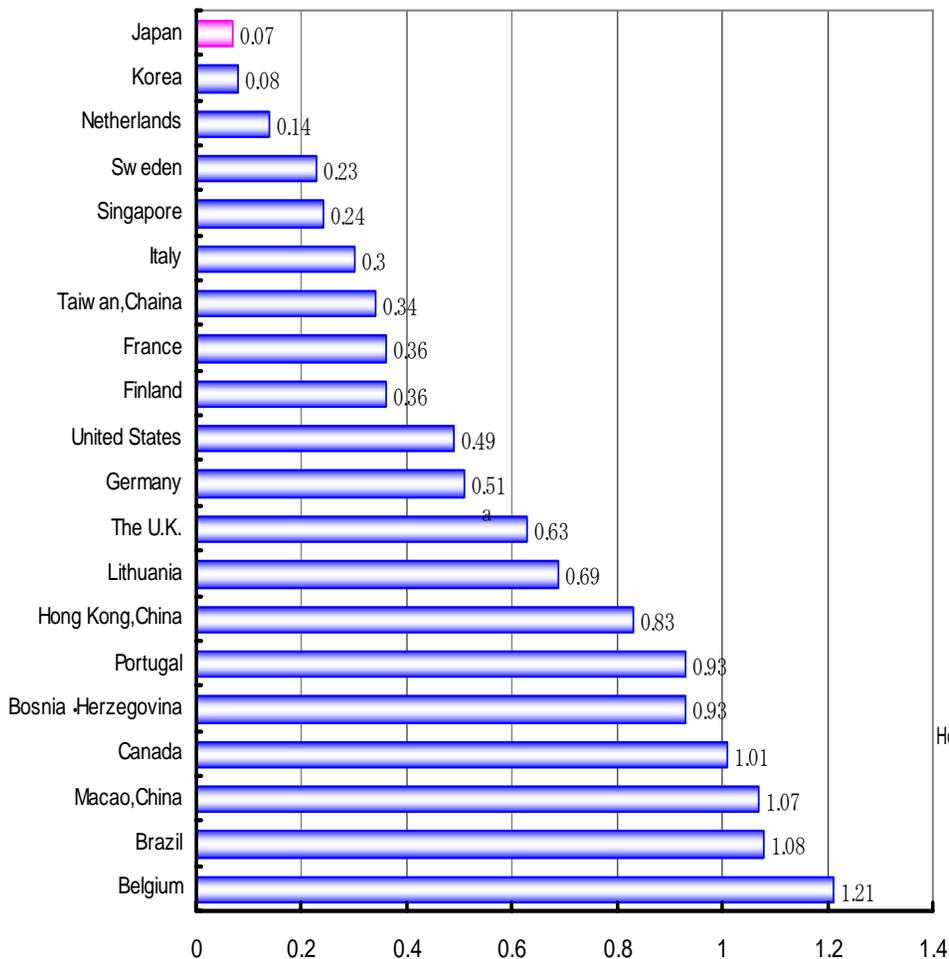
(Unit: thousand)



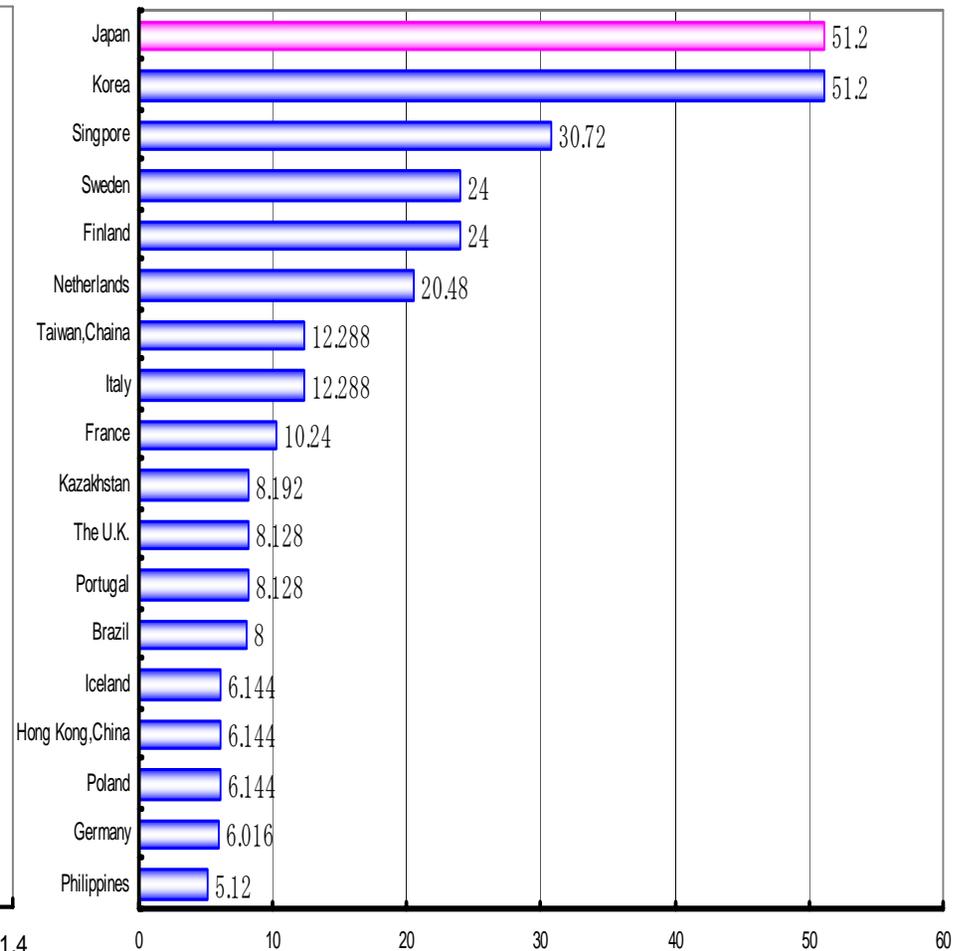
Population: 127,053 Households: 51,713 (As of March, 2003 / Thousand)

Japanese Broadband Service in Global Comparison

Broadband prices (100kbit/s) (US dollar)



Speed of DSL (Mbit/s)



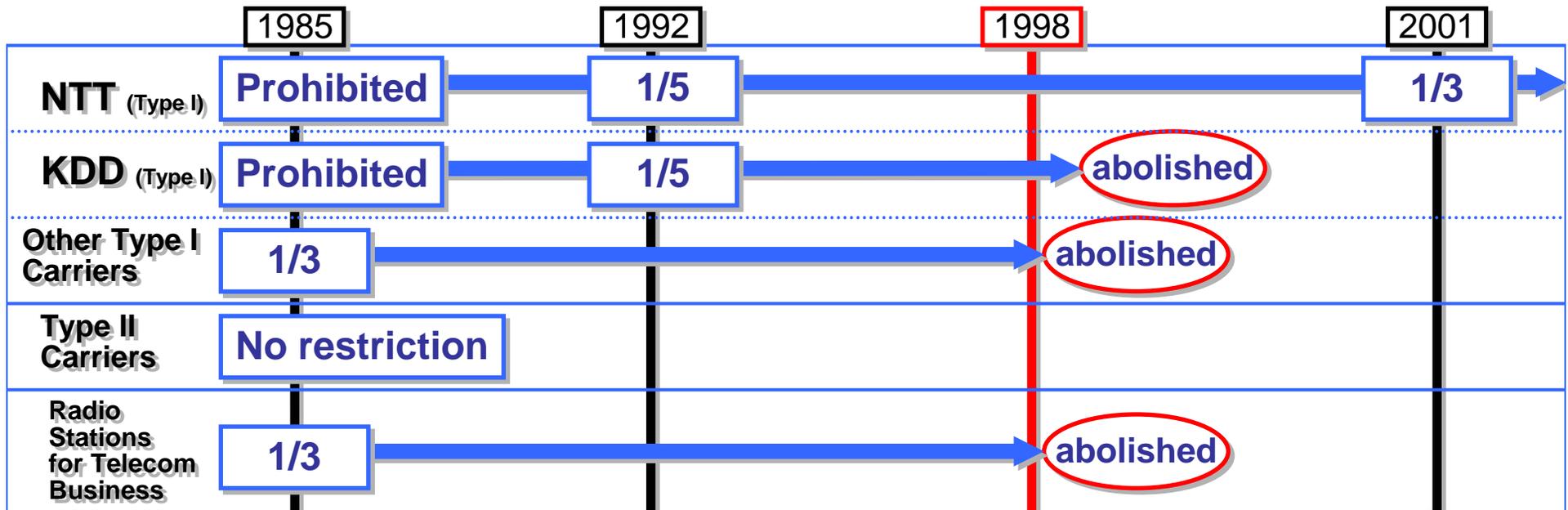
Source : ITU Internet Reports 2006 "digital.life" (December 2006)

Development of Regulatory Framework

(1) Deregulations on Market Access

Deregulations on Japanese Telecommunications Market

Restrictions on Foreign Capital Participation



* Incumbent operator provided domestic telecom service exclusively

** incumbent operator provided international telecom service exclusively

Market Access Procedures

Type I Telecommunication Business

Telecommunications business provided by facility-base
Permission from authorized Minister

Type II Telecommunication Business

Telecommunications business provided by service-base
Notification or Registration to authorized Minister

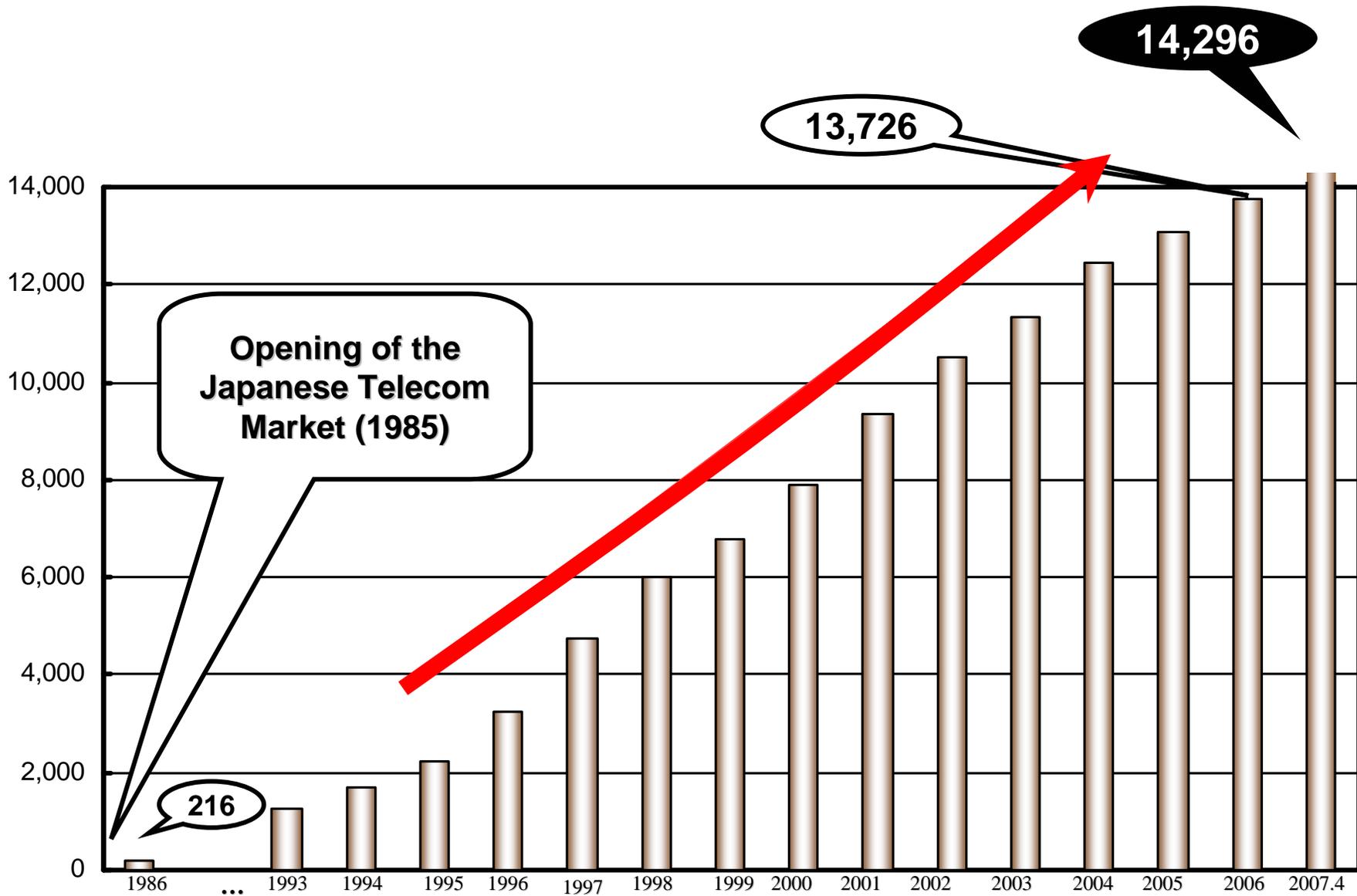
Telecommunications Business

All telecommunications business in Japan

Notification or Registration to authorized Minister

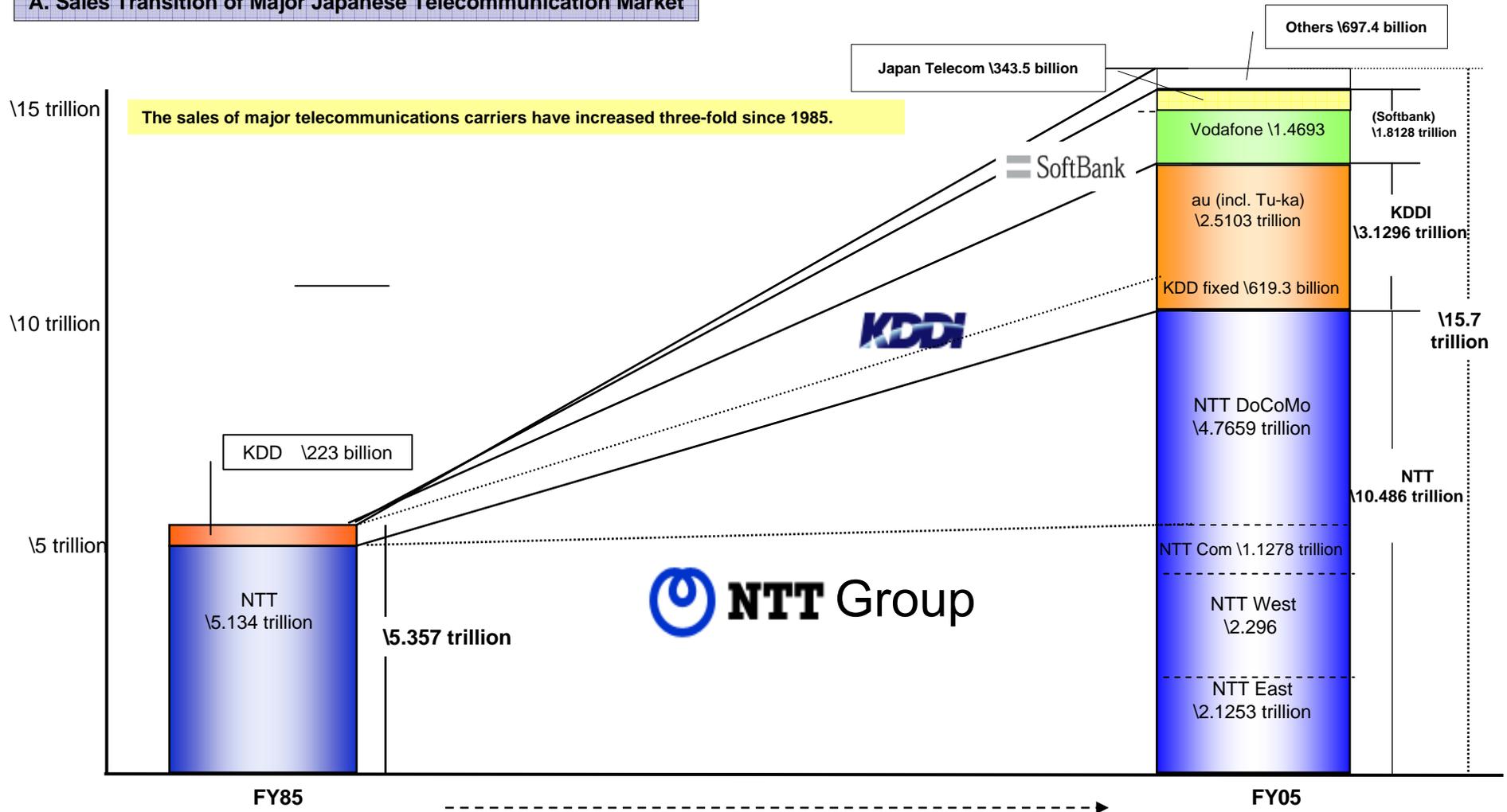
× **Permission** from authorized Minister

The number of Competitive Carriers



Japan's Telecom Market (FY 2005) overall

A. Sales Transition of Major Japanese Telecommunication Market

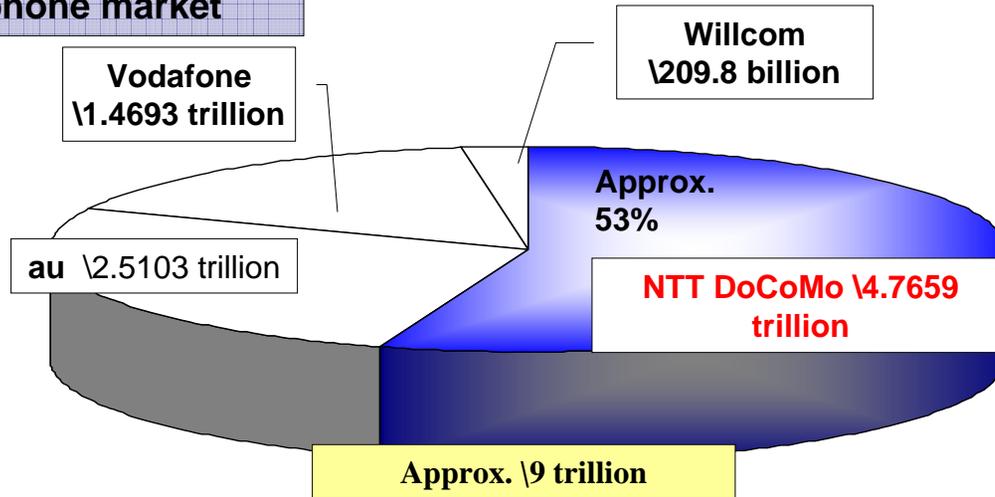


Note 1: The above diagram is created from the financial statements (total sales revenue) based on accounting regulations for telecommunication carriers submitted by carriers that provide basic telecommunication services and the financial reports based on the accounting regulations for telecommunication operations submitted by certified telecommunications carriers (the total sales profits of telecommunication businesses and other operations except for TEPCO showing only the sales profits for their telecommunication operations).

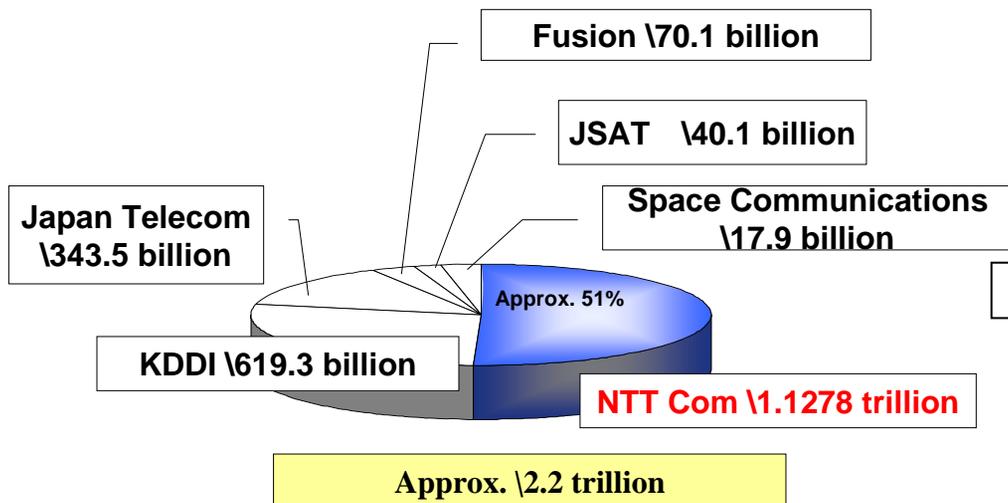
Note 2: The sales of NTT DoCoMo and the sales of KDDI fixed and each category of au were created by settlement short lines.

Japan's Telecom Market (FY 2005) segment

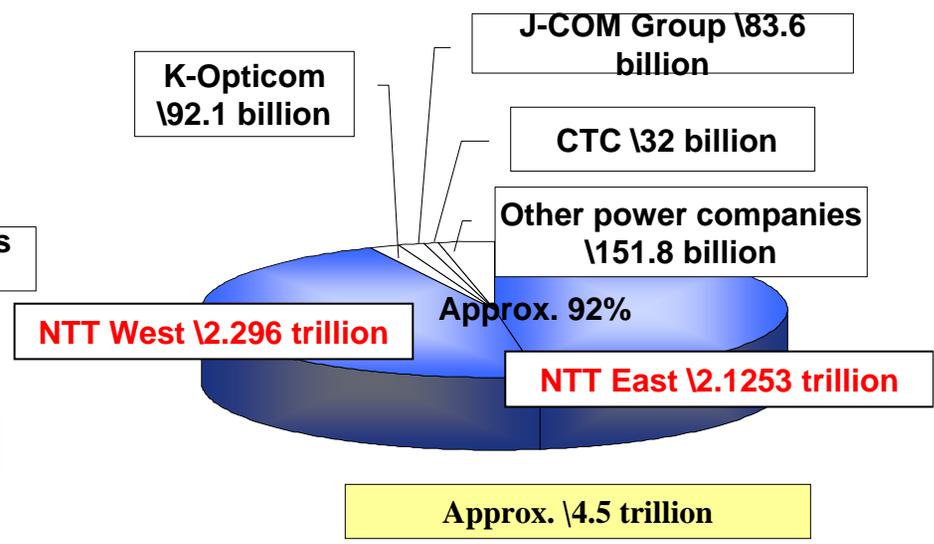
B. Major mobile phone market



C. Major long distance/international market



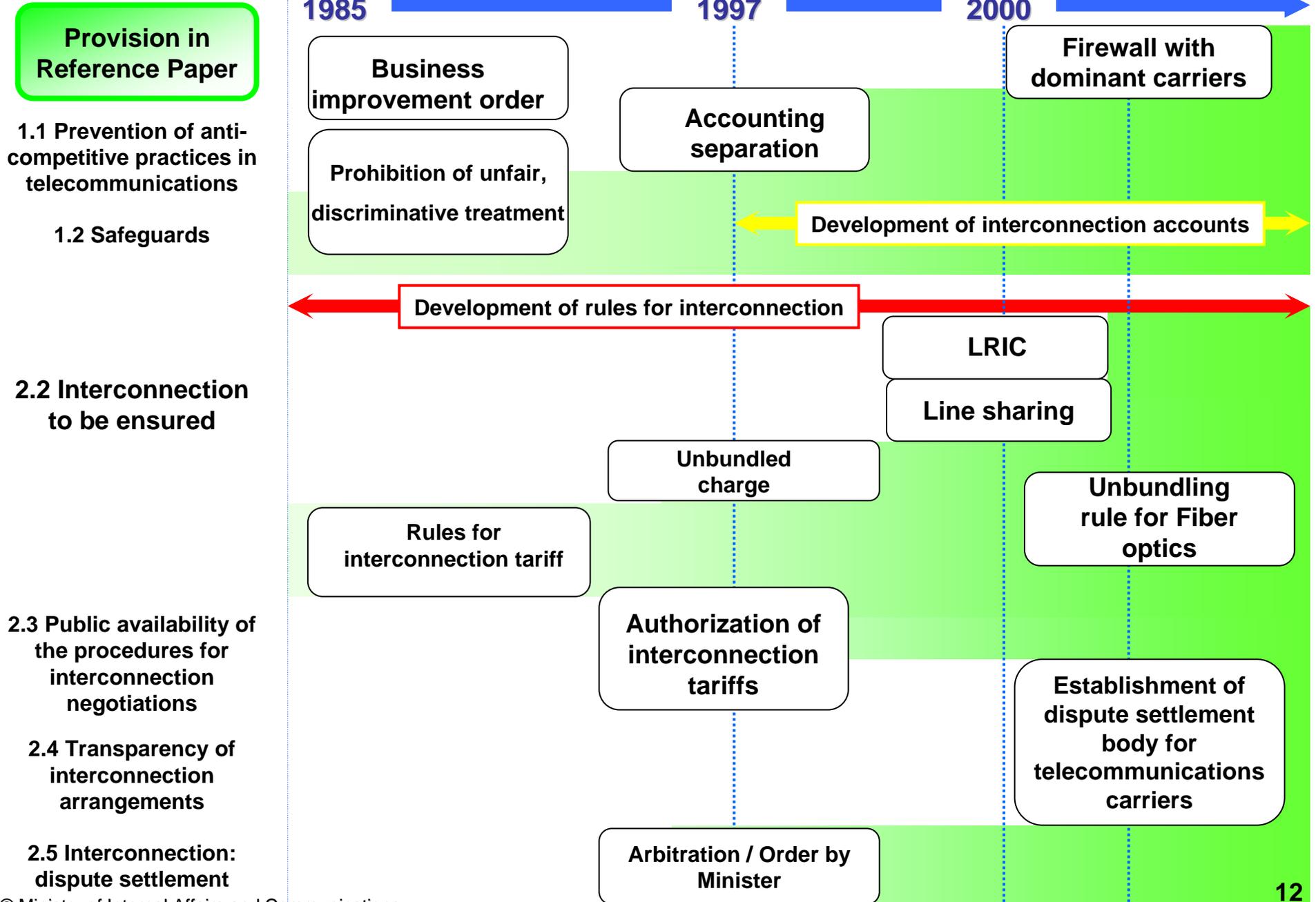
D. Major local market



Deregulations **in Japanese Telecommunications Market**

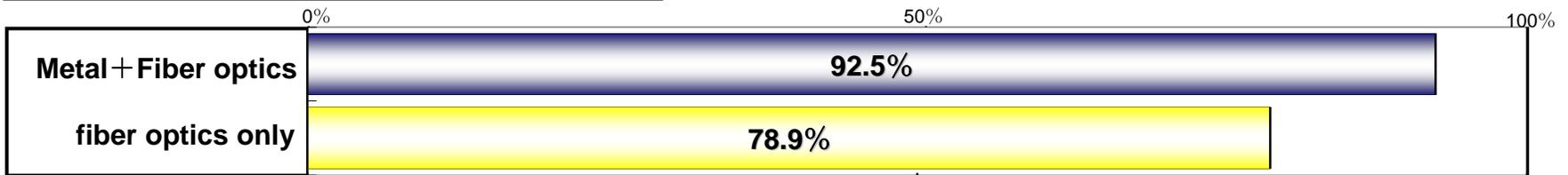
(2) Asymmetric Regulations on Dominant Carrier

Enhancement of Regulations on Dominant carriers

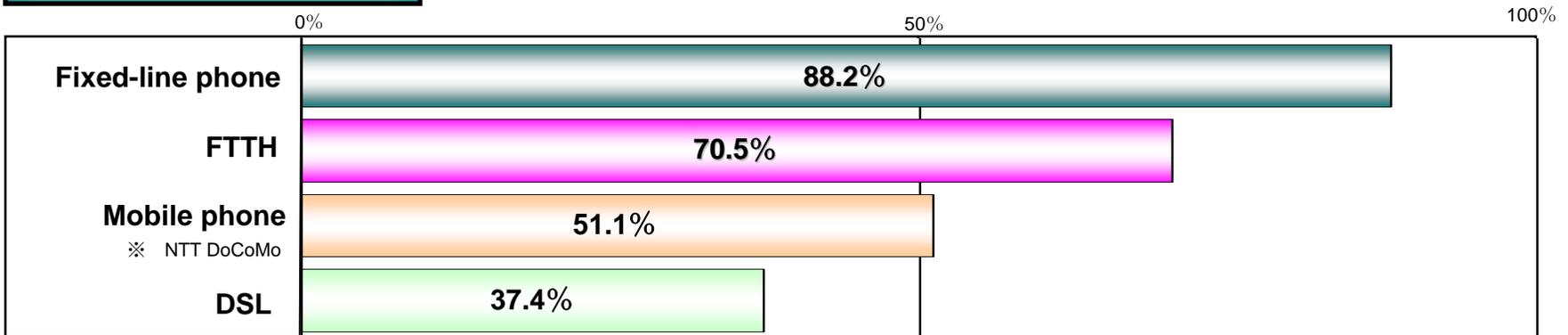


NTT's Market Share

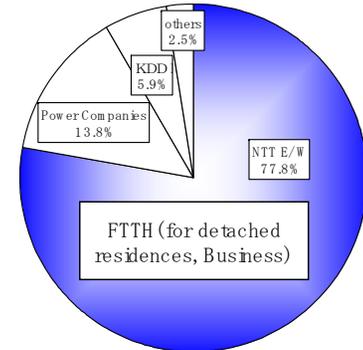
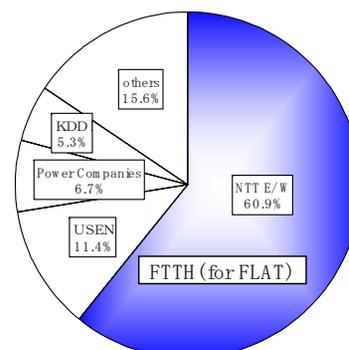
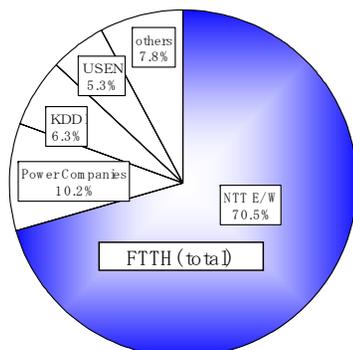
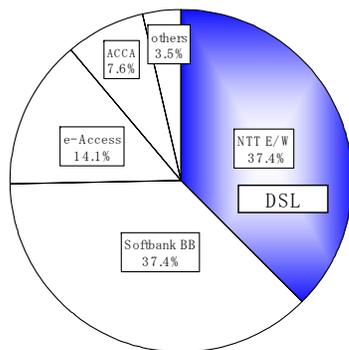
Share of facility (subscribers line) [as of 2007.3]



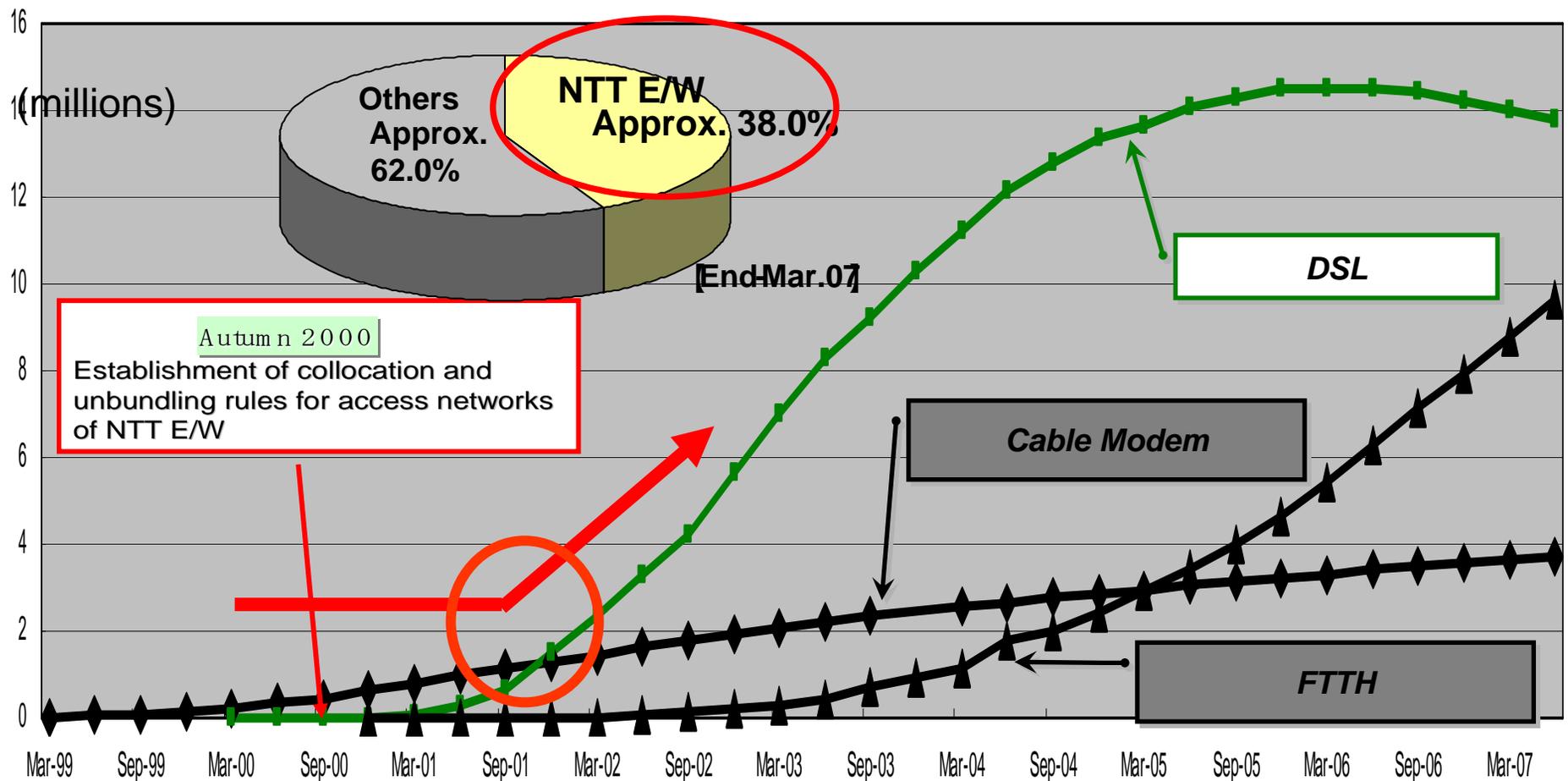
Share of service [as of 2007.9]



Market share of broadband operator [as of 2007.9]

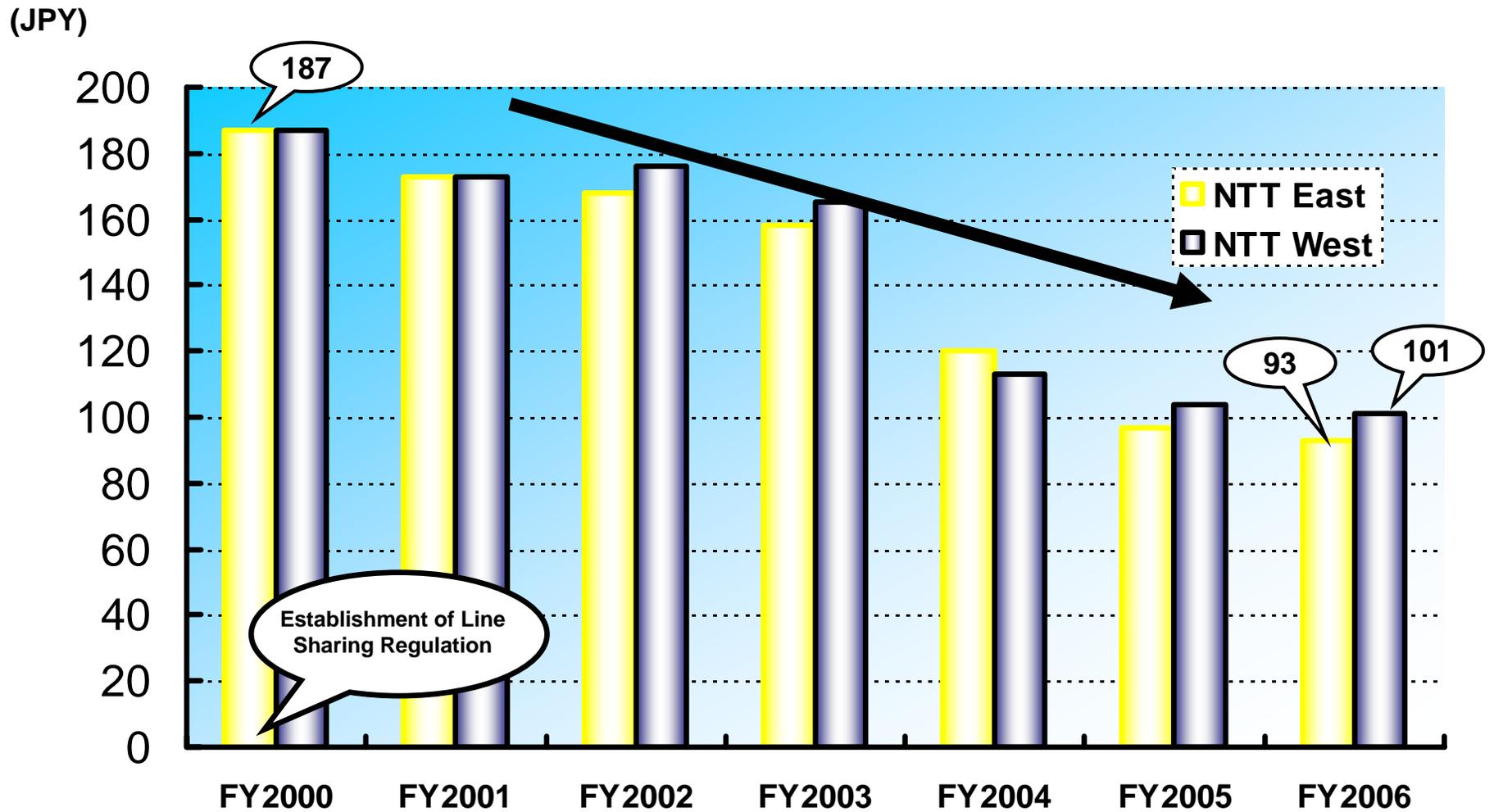


The Era of Broadband -Development of DSL service-

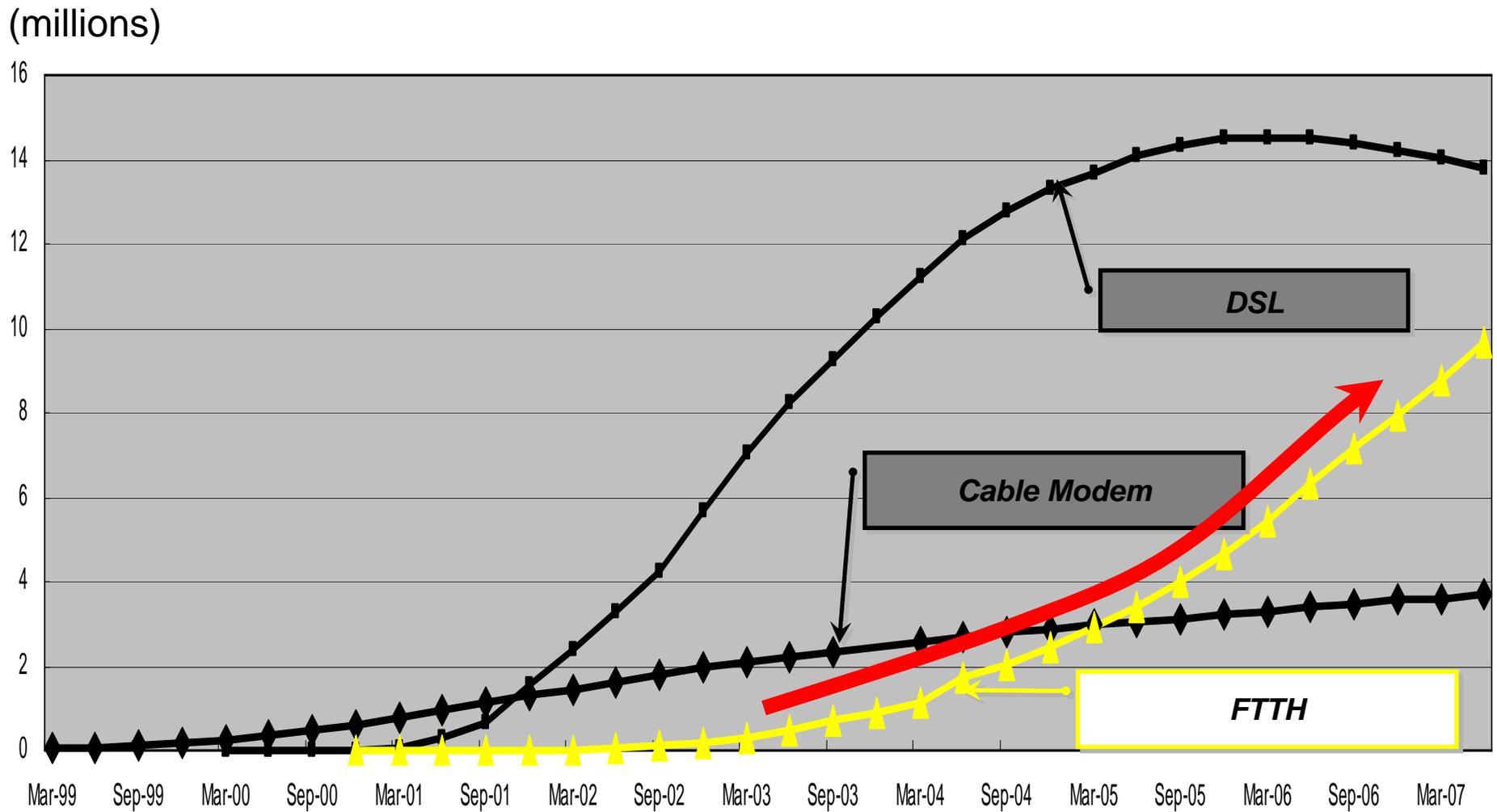


- Unbundling rules are stipulated by detailed function and facility. e.g. Metal subscriber line, Optical subscriber line...
 - >> Unbundling regulation on Access line has provided further opportunity of non-facility based supplier to enter telecom market.
- At the same time, the provision of collocation rule has been established.
 - >> Service suppliers who want to interconnect with major supplier can set up their facilities in the major supplier's building

Access Charge for Line sharing of DSL

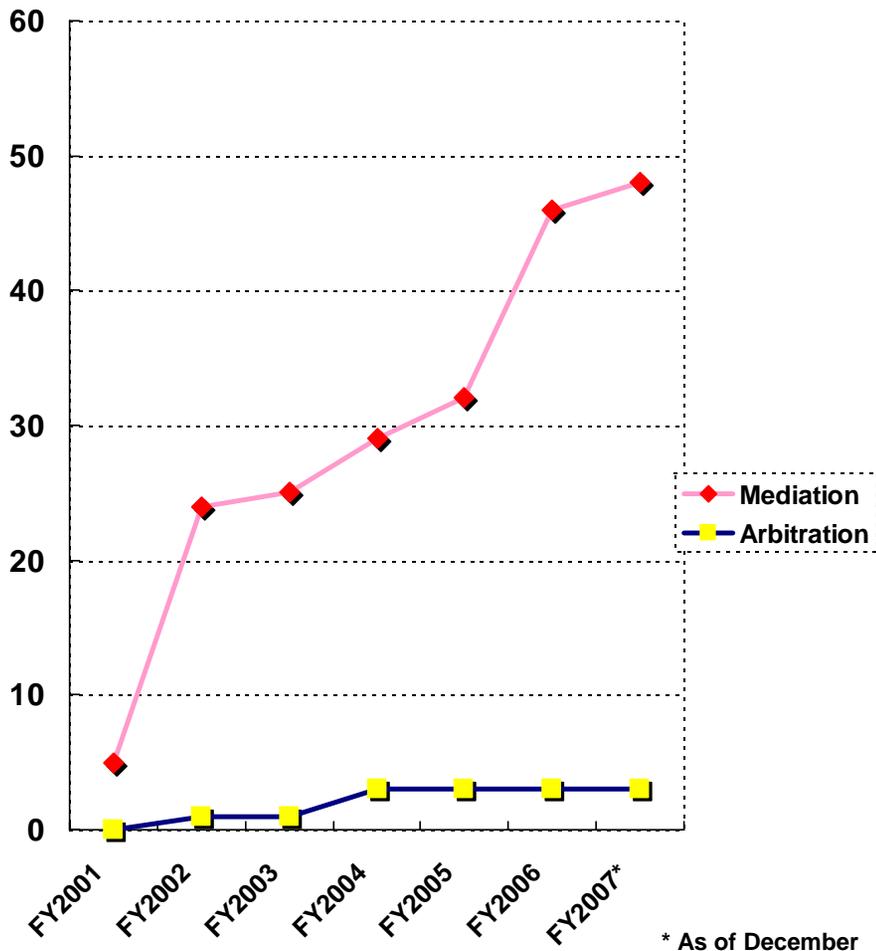


The Era of Broadband -Development of FTTH service-

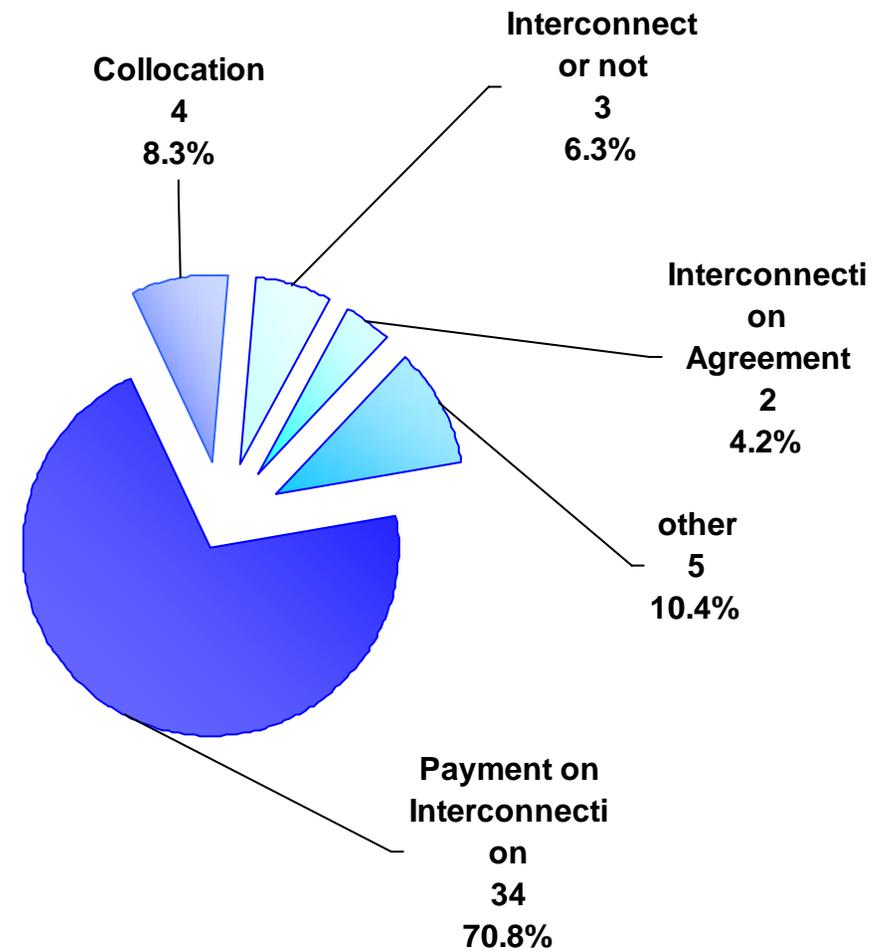


The Telecommunications Business Dispute Settlement Commission

Total Number of Mediation and Arbitration



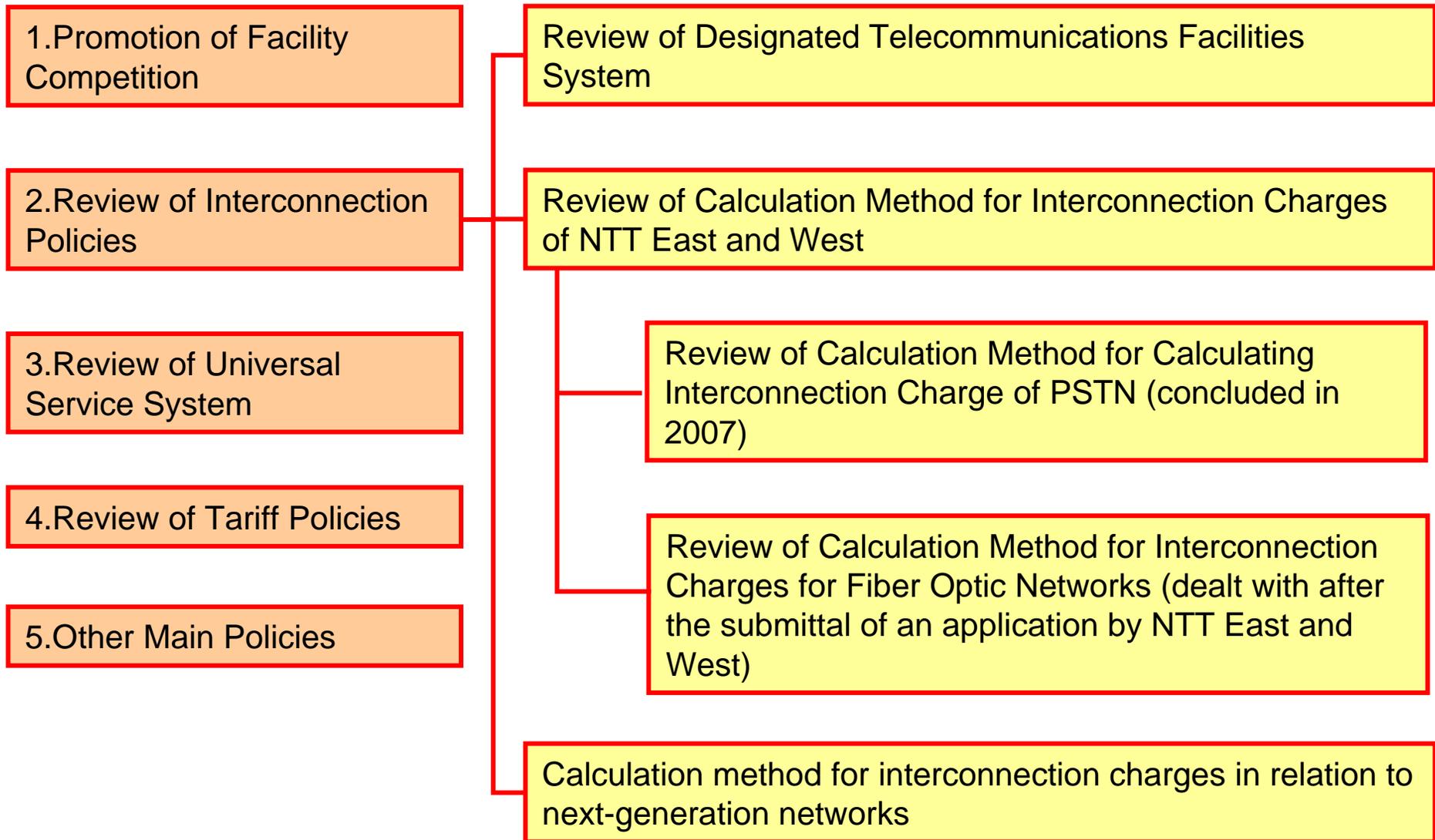
Number of Mediation by Case



Future Challenges

New Competition Promotion Program 2010

*Comprehensive Review of Competition Rules to Address the Transition to IP Based Networks
(Comprehensively implemented by early 2010s)*



Basic Framework for Network Neutrality

Network neutrality (from the user perspective)

- (1) IP-based networks should be accessible to users and easy to use, allowing ready access to content and application layers.
- (2) IP-based networks should be accessible and available to any terminal that meets the relevant technical standards, and should support terminal-to-terminal (or “end-to-end”) communication.
- (3) Users should be provided with equality of access to telecommunications and platform layers at a reasonable price.

Note: In this case, "the user" refers not just to end users but also includes content providers and other related companies that conduct business using IP networks.

Policy evaluation parameters for ensuring network neutrality

Equal access to networks

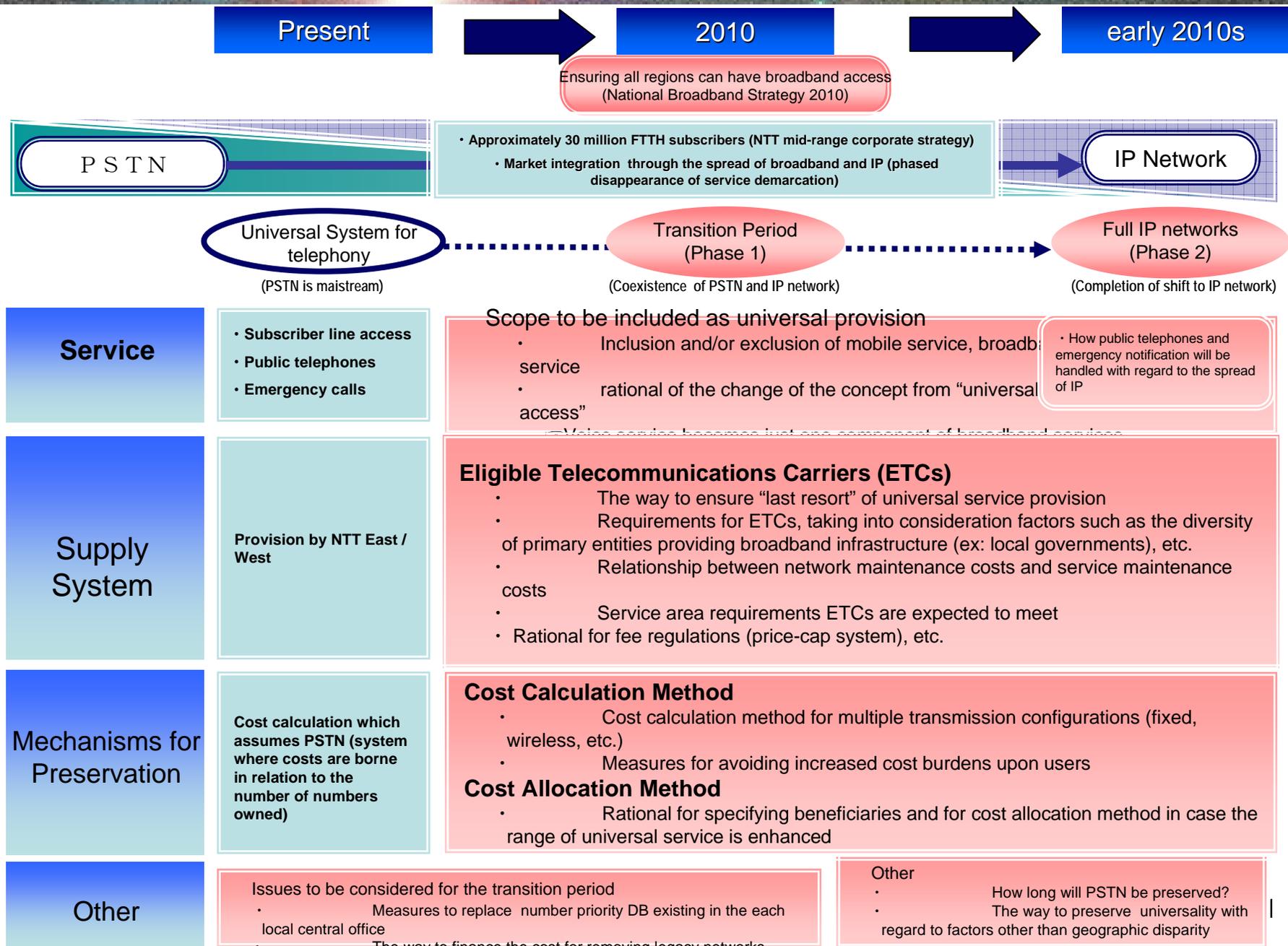
Neutrality of telecommunications layer with respect to other layers

Equitable cost distribution of networks

Neutrality of cost sharing models for upgrading the communications networks

Specific policies deployed in an integrated manner for parameters

Universal Service in the Transition to IP Networks



Thank you.

s-sakura@soumu.go.jp
