# Japan's Best Practice for Telecommunications Market WTO Basic Telecommunications Agreement 10th Anniversary Symposium Panel C: Regulatory Challenges/Best Practices February 20, 2008 Shun SAKURAI **Director-General for Policy Coordination** Ministry of Internal Affairs and Communications (MIC), JAPAN

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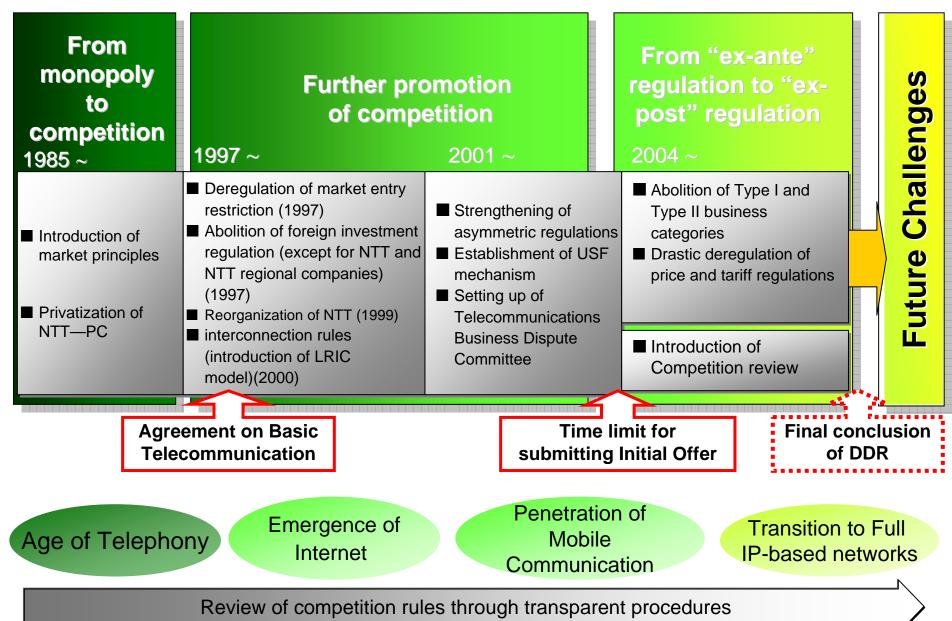
# **0** Brief Introduction

# 1 Development of Regulatory Framework

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

# **2 Future Challenges**

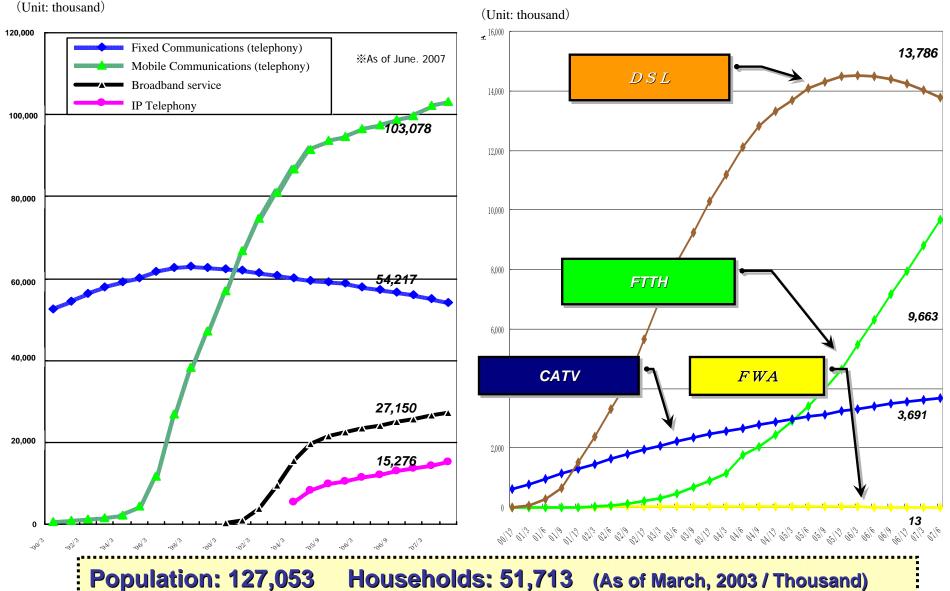
## **Outline of Japanese Telecom Competition Policy**



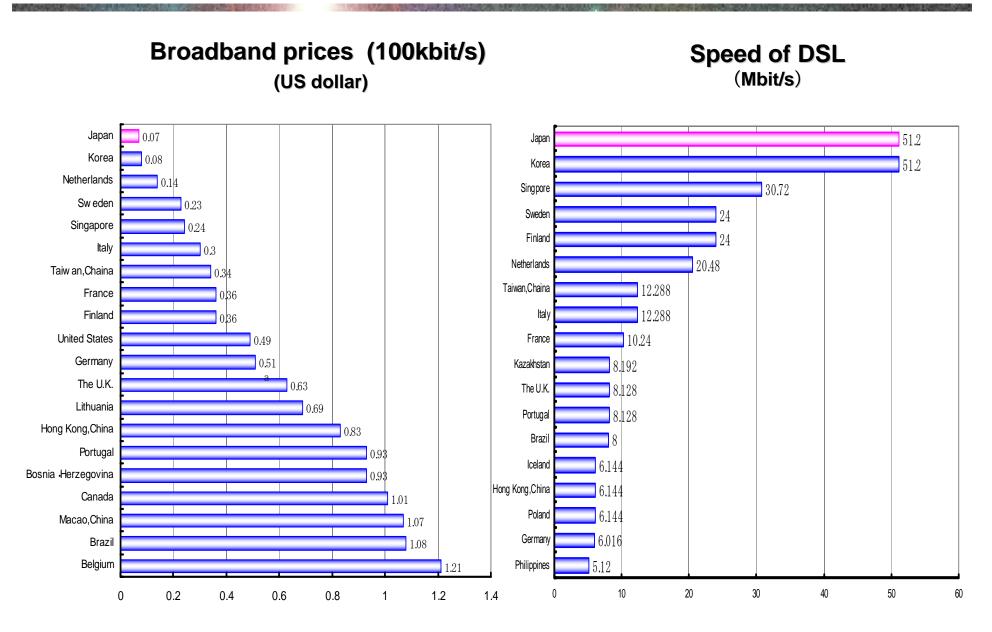
# The Number of Japan's service subscribers



#### [Number of Broadband Service Users]



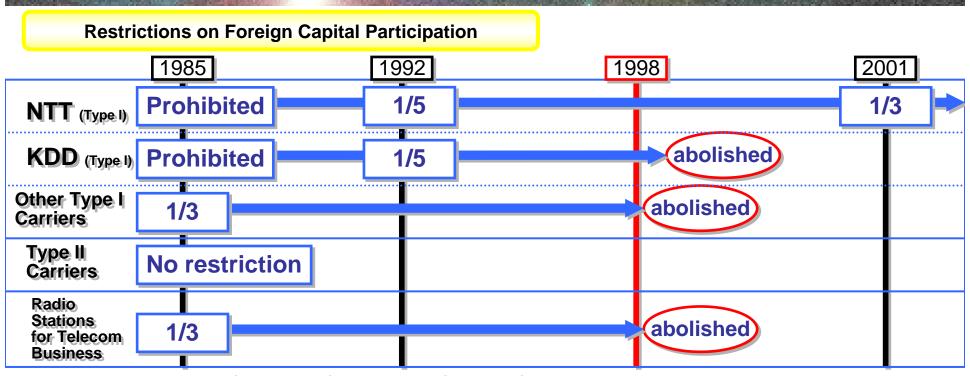
# **Japanese Broadband Service in Global Comparison**



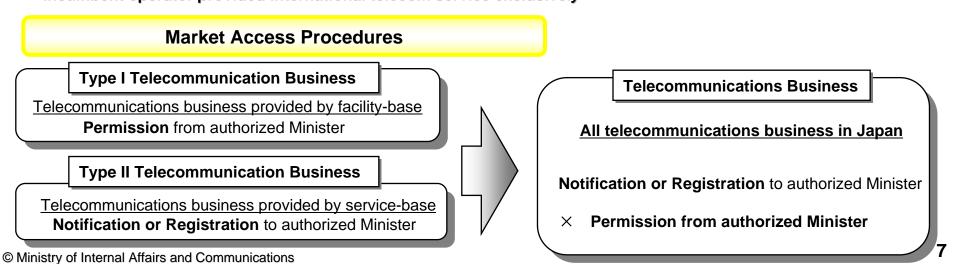
# **Development of Regulatory Framework**

(1) Deregulations on Market Access

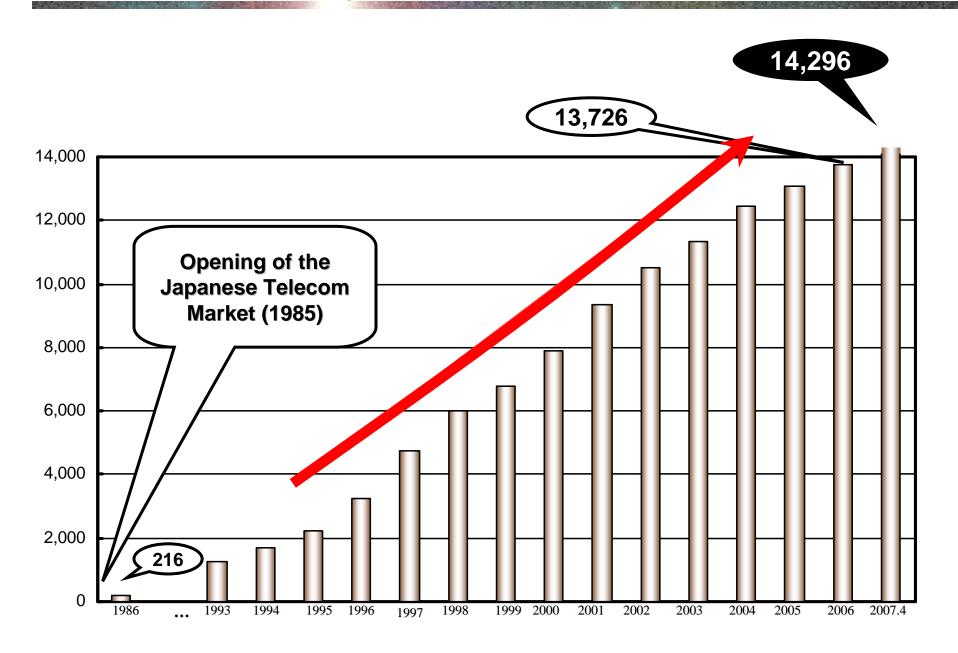
#### **Deregulations on Japanese Telecommunications Market**



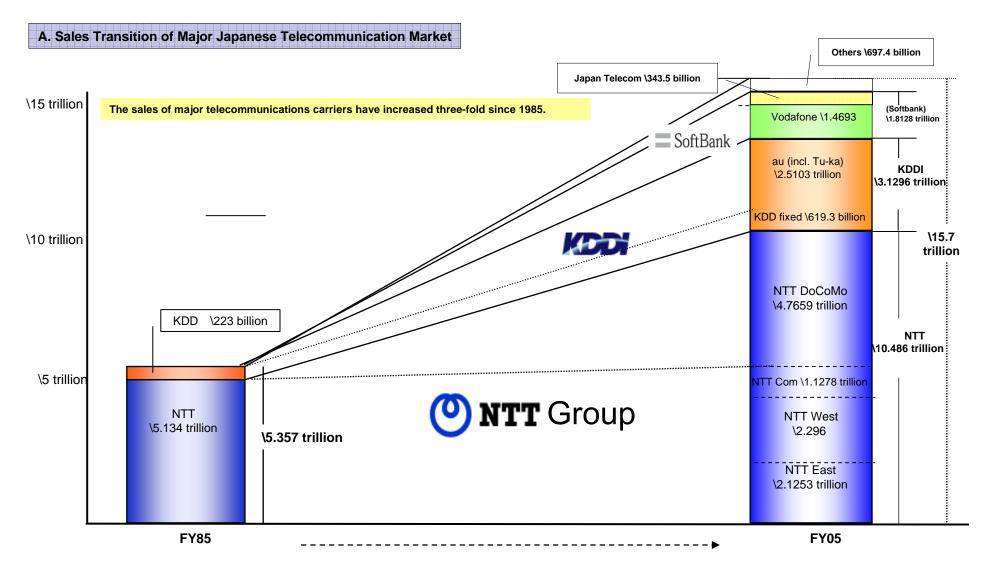
- \* Incumbent operator provided domestic telecom service exclusively
- \*\* incumbent operator provided international telecom service exclusively



# The number of Competitive Carriers



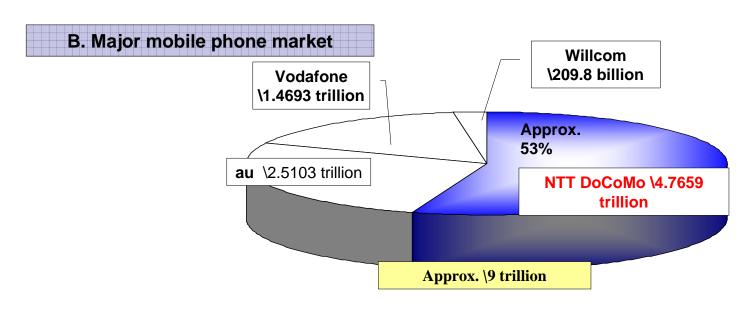
# Japan's Telecom Market (FY 2005) overall

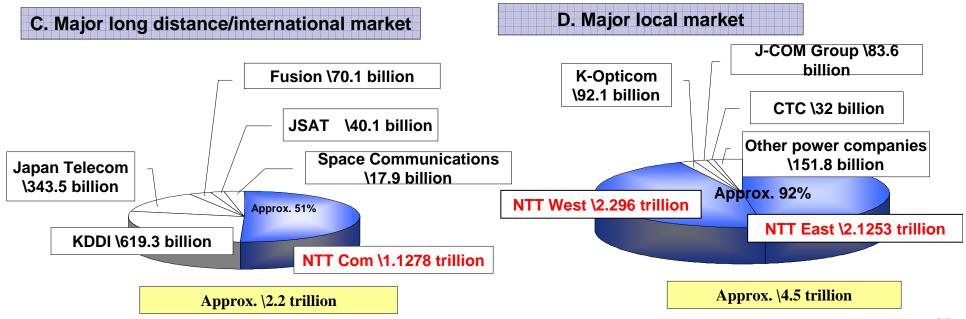


Note 1: The above diagram is created from the financial statements (total sales revenue) based on accounting regulations for telecommunication carriers submitted by carriers that provide basic telecommunication services and the financial reports based on the accounting regulations for telecommunication 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

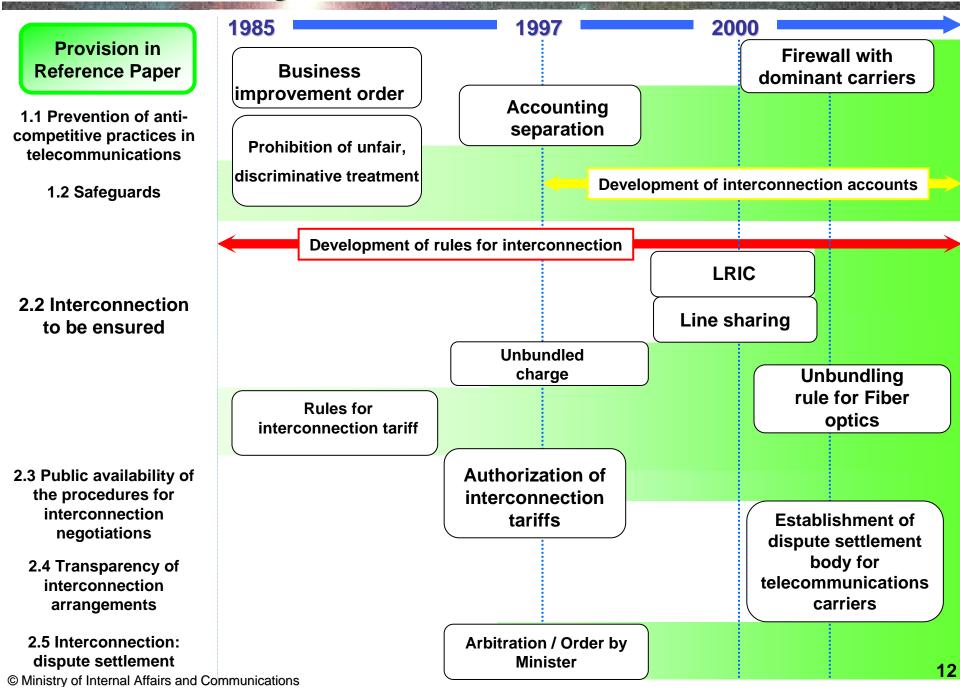




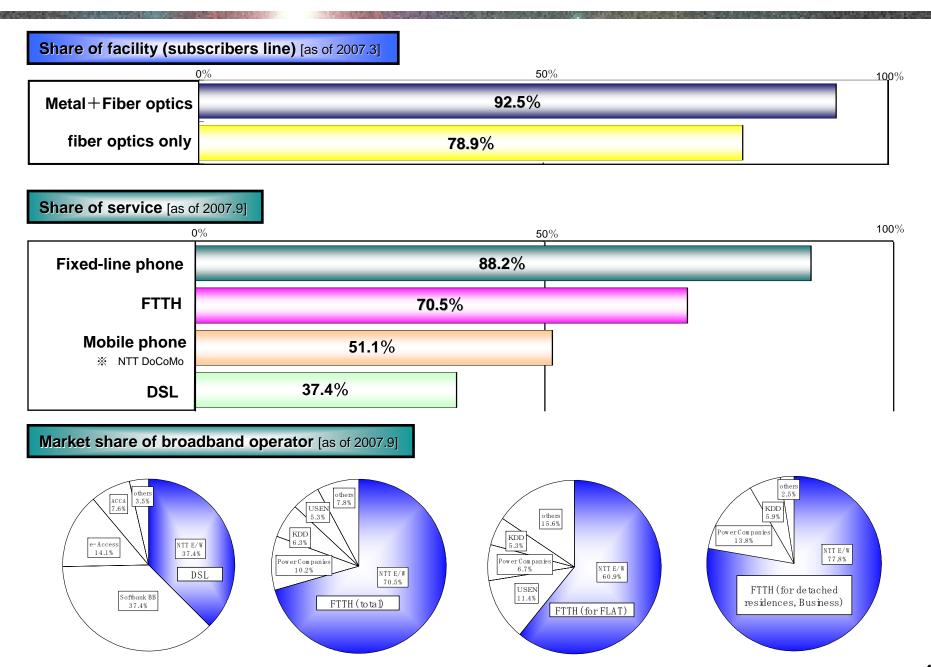
# <u>Deregulations</u> <u>in Japanese Telecommunications Market</u>

(2) Asymmetric Regulations on Dominant Carrier

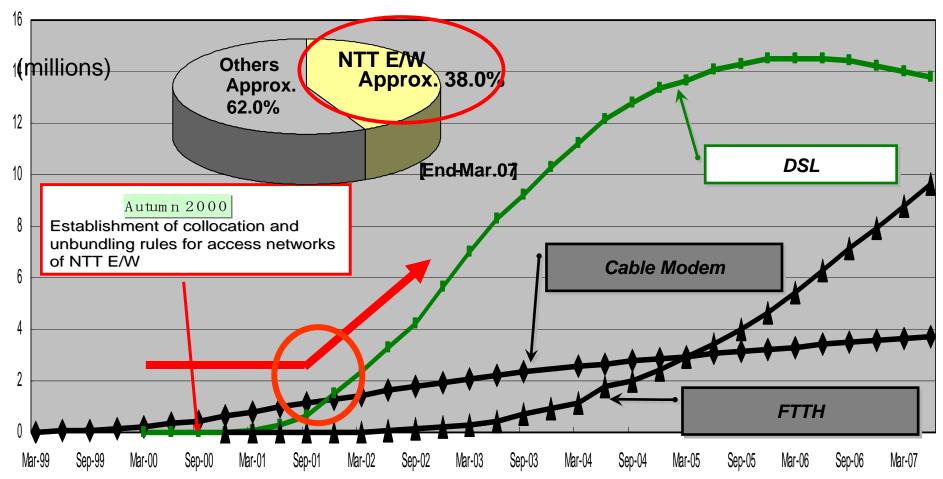
## **Enhancement of Regulations on Dominant carriers**



#### **NTT's Market Share**

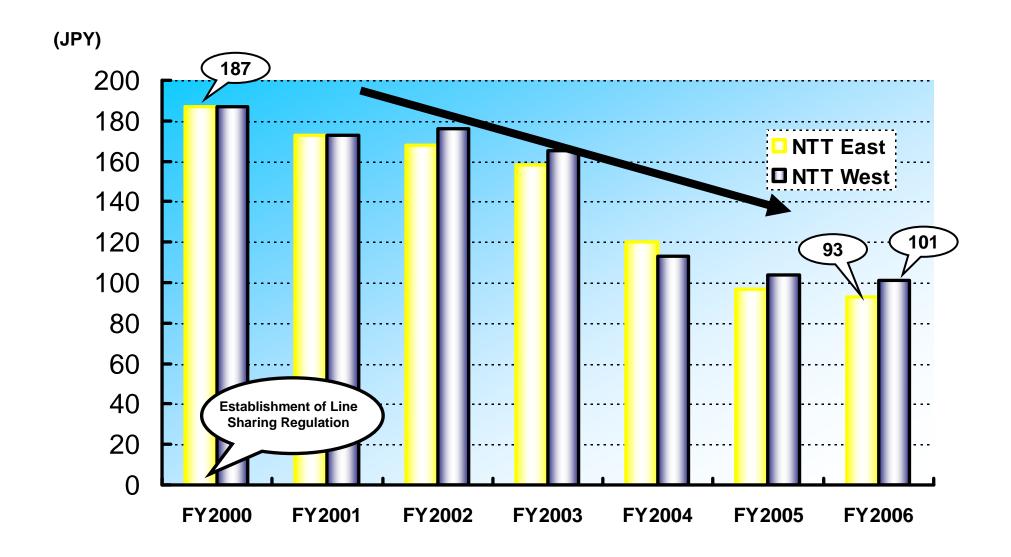


## The Era of Broadband -Development of DSL service-



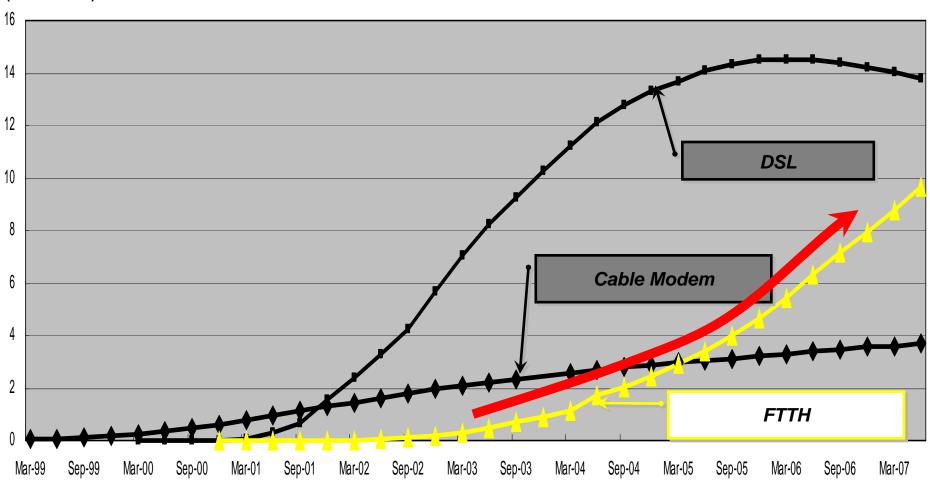
- Unbundling rules are stipulated by detailed function and facility. e.g. Metal subscriber line, Optical subscriber line...
  - >> Unbundling regulation on Access line has provided further opportunity of non-facility based supplier to enter telecom market.
- At the same time, the provision of collocation 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**



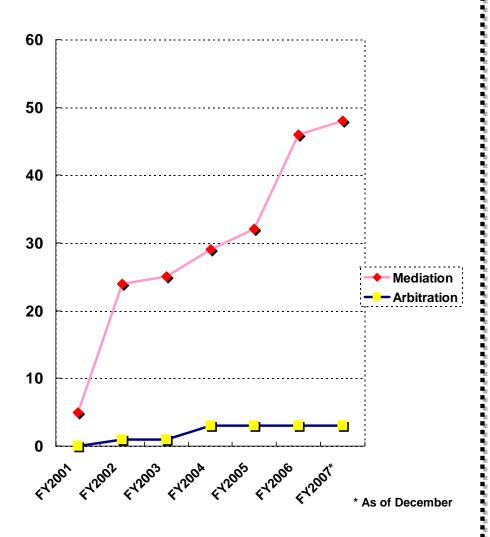
# The Era of Broadband -Development of FTTH service-

### (millions)

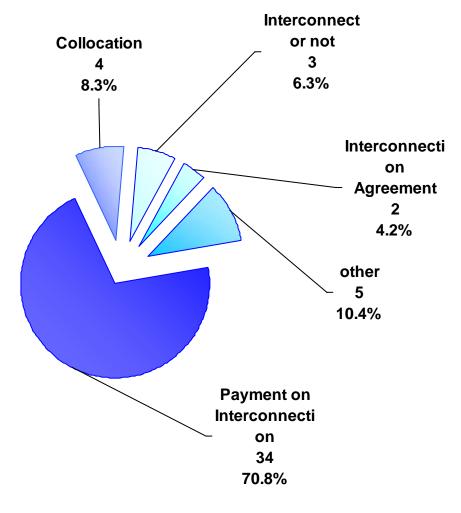


# The Telecommunications Business Dispute Settlement Commission

#### **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)

1.Promotion of Facility Competition

Review of Designated Telecommunications Facilities System

2.Review of Interconnection Policies

Review of Calculation Method for Interconnection Charges of NTT East and West

3.Review of Universal Service System

Review of Calculation Method for Calculating Interconnection Charge of PSTN (concluded in 2007)

4. Review of Tariff Policies

Review of Calculation Method for Interconnection Charges for Fiber Optic Networks (dealt with after the submittal of an application by NTT East and West)

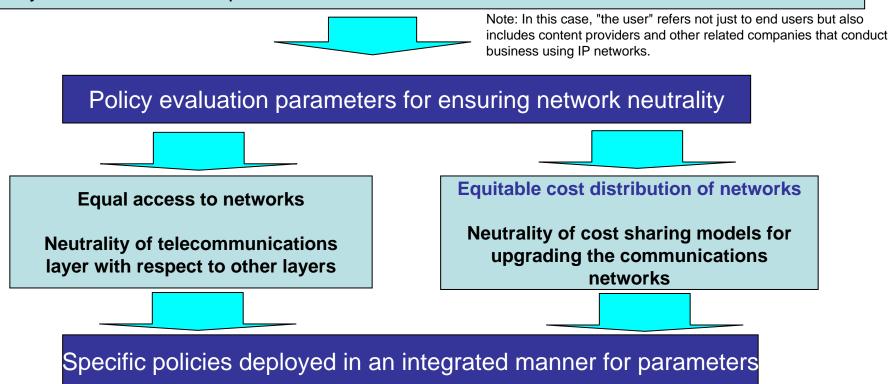
5. Other Main Policies

Calculation method for interconnection charges in relation to next-generation networks

## **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.



#### Universal Service in the Transition to IP Networks

early 2010s Present 2010 Ensuring all regions can have broadband access (National Broadband Strategy 2010) Approximately 30 million FTTH subscribers (NTT mid-range corporate strategy) **IP Network** PSTN · Market integration through the spread of broadband and IP (phased disappearance of service demarcation) Full IP networks Universal System for Transition Period (Phase 1) (Phase 2) telephony (PSTN is maistream) (Coexistence of PSTN and IP network) (Completion of shift to IP network) Scope to be included as universal provision Subscriber line access · How public telephones and Inclusion and/or exclusion of mobile service, broadb **Service** emergency notification will be Public telephones service handled with regard to the spread · Emergency calls rational of the change of the concept from "universal access" sing because in at one component of broadboard coming **Eligible Telecommunications Carriers (ETCs)** The way to ensure "last resort" of universal service provision Requirements for ETCs, taking into consideration factors such as the diversity Provision by NTT East / Supply of primary entities providing broadband infrastructure (ex: local governments), etc. West Relationship between network maintenance costs and service maintenance System costs Service area requirements ETCs are expected to meet · Rational for fee regulations (price-cap system), etc. **Cost Calculation Method** Cost calculation method for multiple transmission configurations (fixed, Cost calculation which Mechanisms for assumes PSTN (system wireless, etc.) where costs are borne Measures for avoiding increased cost burdens upon users Preservation in relation to the Cost Allocation Method number of numbers Rational for specifying beneficiaries and for cost allocation method in case the owned) range of universal service is enhanced Other Issues to be considered for the transition period How long will PSTN be preserved? Other Measures to replace number priority DB existing in the each The way to preserve universality with local central office regard to factors other than geographic disparity

The way to finance the cost for removing legacy networks.

# Thank you.

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