Section 3

Trends of Convergence of Telecommunications and Broadcasting

1 Background of convergence of telecommunications and broadcasting

The penetration rate of broadband services has been drastically increasing in recent years, with 22.37 million subscribers as of the end of 2005. Broadband networks are being established with the goal of making broadband services available anywhere by FY2010.
The term "convergence of telecommunications and broadcasting" refers to a variety of phenomena accompanying digitization and broadband. These phenomena include progress in the online distribution of image and sound contents, sharing of terminals, and networks, and cross entry between telecommunications and broadcasting.

2 Meaning of convergence of telecommunications and broadcasting

The market size for telecommunications and broadcasting industries in Japan is currently estimated at about 20 trillion yen, and the market size has grown at a stable pace **(Graph 1-3-1)**. In the future, it is expected that the convergence of telecommunications and broadcasting will accelerate, and new entry and the development of new competition are expected to make this convergence a new, leading industry which will contribute to economic growth.

Meanwhile, from the perspective of the user, the convergence of telecommunications and broadcasting will result in a variety of services expected to be available, and it is expected that everyone can benefit from technological innovations such as the advancement of IP.

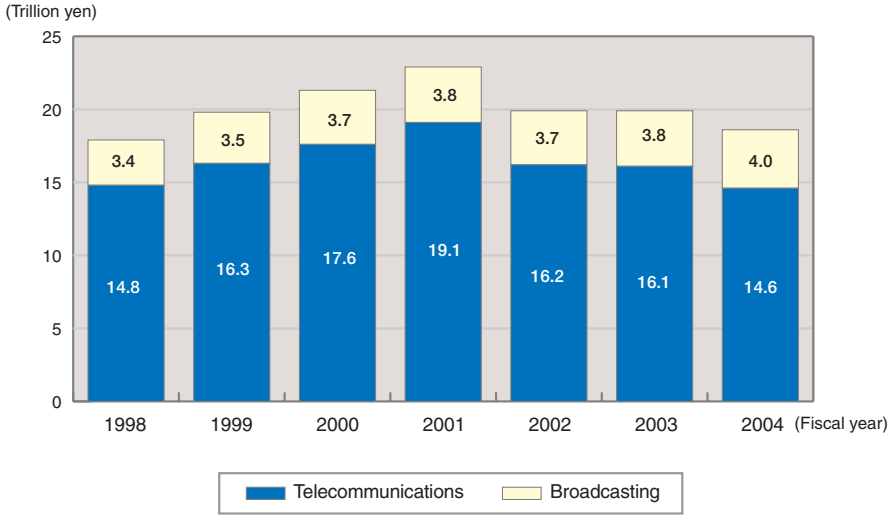
Further, the acceleration of the trend of the convergence in telecommunications and broadcasting, as well as the stimulation of telecommunications/broadcasting industry, will lead to more powerful information sending and improved content production; this is expected to contribute to strengthening the software power of Japan through such means as diffusing Japanese culture to all over the world.

3 Recent trends of convergence of telecommunications and broadcasting

(1) Advancement of the distribution of video and audio contents on the Internet

Telecommunications carriers have begun to provide VOD-type image delivery services (i.e. "Internet broadcasting"), which can be replayed on a PC, as part of the Internet connection service they operate, or through cooperation with content providers. In addition, by setting up STBs (set top boxes) in members' homes, some carriers have provided VOD-type image delivery services through their own communications networks. Meanwhile, broadcasting companies have begun their

Figure 1-3-1 Transition in the Market Size (Sales) of Telecommunications and Broadcasting industries



own Internet-based VOD-type image delivery services by taking advantage of the rich image contents they own, and by using online delivery Web sites which they operate, or through cooperation with Internet service providers.

(2) Sharing networks and terminals

Digital technology has seen significant progress, and the communication capabilities of networks have drastically risen through the use of broadband; the communication lines are now available both to telecommunication services and to broadcasting services.

In January 2002, the "Law Concerning Broadcast on Telecommunications Service" was enacted, setting legal stipulations for broadcasting using telecommunications services. As of May 2006, 49 companies had registered as broadcasting providers using satellite services and 16 companies had registered as broadcasting providers using cable services.

Among the broadcasting providers using cable services, there are 12 companies using, in part, facilities of telecommunications carriers. There are also 4 companies that operate their businesses nationwide using, in part, facilities of telecommunications carriers and using the IP multi-casting method, which is a type of Internet protocol.

In December 2003, terrestrial digital television broadcasting began. One of the intents of digitizing terrestrial broadcasting is to provide bi-directional services by connecting broadcasting with the Internet. Such bi-directional services enable the viewers and listeners to have access to a wide variety of services. Television is one of the most familiar information sources to the people, used in practically every household. Therefore, the digitizing of television leads to the formation of the ICT foundation for households.

(3) Cross entry and business cooperation in telecommunications and broadcasting field

Some cable television providers are now involved in the telecommunications industry by providing telecommunications services, and an increasing number of companies are providing services of both telecommunications and broadcasting.

In addition, there are now companies that provide so-called "triple-play" services, in which one company provides Internet access services, image delivery services, and telephone services.

4 Panel on Frameworks of Communications and Broadcasting

Convergence of telecommunications and broadcasting advance as communications is in transition to IP and broadband, and as broadcasting is digitized. In the midst of these changes, the Ministry of Internal Affairs and Communications (MIC) held "the Panel on Frameworks of Communications and Broadcasting" between January and June of 2006 for the purposes of responding to various questions and requests of the people, and promoting a variety of services to be provided to the people in a timely manner. In the meetings, the following topics were discussed: (1) problems in communications and broadcasting, seen from the perspective of the people; (2) problems in achieving convergence of telecommunications and broadcasting; (3) reasons for arising these problems; (4) future vision of convergence of telecommunications and broadcasting; and (5) the role that the government should play.

In the meetings, comprehensive proposals were made concerning the establishment of the new law on convergence, the review of regulations related to telecommunications, the deregulation of broadcasting, the reform of NHK, and other topics, which targeted the year 2011 when the world's most advanced infrastructure of telecommunications and broadcasting will be completed, toward achieving the goal of becoming a "broadband, mobile, and television superpower" in which Japan can exercise its strengths.