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COMMUNICATIONS NEWS

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Senior Vice-Minister KOSAKA Attends the 3rd GBDe Conference

|| The Third Conference of the Global Business Dialogue on e-Commerce (GBDe) was held, September 13 and 14, 2001, in Tokyo. ||

GBDe was set up as a private organization to discuss issues affecting the development of electronic commerce and present proposals to governments and international organizations worldwide. Its members are made up of industry leaders involved in e-commerce in the

Americas, Europe, Africa, Asia and Oceania.

Some 800 representatives from private and the government sectors including President Gloria Macapagal ARROYO of the Philippines, attended the third GBDe Conference.

Unfortunately, some members from North America were absent due to the terrorist attacks on September 11. Mr. Kenji KOSAKA, Senior Vice-Minister for Public Management, Home Affairs, Posts and Telecommunications, Japan, gave the opening address at the Gala Dinner held on September 13; Mr. Kobo INAMURA, Director-General for Policy Planning, participated in the Convergence/e-Government Roundtable as a panelist; and Mr. Koichi UCHIDA attended the Digital Bridges Roundtable as a panelist, they reported the latest status of the Internet use and e-commerce in Japan, in addition to explaining Japan's policy measures and initiatives concerning e-commerce.



Photo: The Gala Dinner was held at Hotel Nikko Tokyo, on September 13, attended by both private and government sectors. Senior Vice-Minister KOSAKA respectfully expressed his heartfelt condolences to the victims of the terrorist attacks, then explained Japan's policy measures and initiatives concerning e-commerce.

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International Policy Division,
International Affairs Department,
Ministry of Public Management, Home
Affairs, Posts and Telecommunications
1-2, Kasumigaseki 2-chome,
Chiyoda-ku, Tokyo 100-8926, Japan

- We welcome your comments by:
feedback-newsletter@soumu.go.jp
Fax: +81-3-5253-5924
Tel.: +81-3-5253-5920
- MPHPT information is available at:
<http://www.joho.soumu.go.jp/eng/>

Survey on Price Variances between Domestic and Overseas Telecommunications Services

The following is a summary of the FY2000 survey results on price variances between domestic and overseas telecommunications services.

1. Japan's Internet connection charges have dropped dramatically recently,

in particular for DSL, which is now cheaper in Tokyo than in New York.

2. Since the introduction of MYLINE (carrier preselection service) in May 2001, telephone charges are also declining considerably, both for local

and long-distance services. As competition has continued to increase, Japan's telecommunications services have become much cheaper than they were during the same period last year, considerably closing the gap between domestic and overseas prices while bringing Japan steadily in line with equivalent services found in the West.

- The depreciation of the yen (from US\$1 = 110.35 yen to 126.00 yen) has also been a factor in narrowing the gap between domestic and overseas prices.

Note: It should be noted that as regards telecommunications services, it is not always possible to make generalizations concerning the size of the gap between domestic and overseas prices, due to differences in the prevailing circumstances for each country such as the existence of various tariff systems as well as standard and discount rates, regional price variances within the same country, and the large influence of fluctuations in currency exchange rates. With these reservations, the results of this survey can be regarded as one index of the situation.

1. Survey background

This survey has been conducted every year since FY1994, in conjunction with the recognition in the April 1995 emergency economic measures that domestic and overseas price variances were a problem whose resolution required a concerted governmental effort. The following is a summary of the results of the FY2000 survey, the survey period for which is in principle February 2001.

2. Survey subjects

(1) Internet connection, (2) domestic telephone, (3) mobile phone, (4) international telephone and (5) leased circuit charges were compared in the following six cities of Tokyo, New York, London, Paris, Dusseldorf and Geneva. Currency conversions were made using the August 1, 2001 TTS rates (customer telegraphic transfer rates).

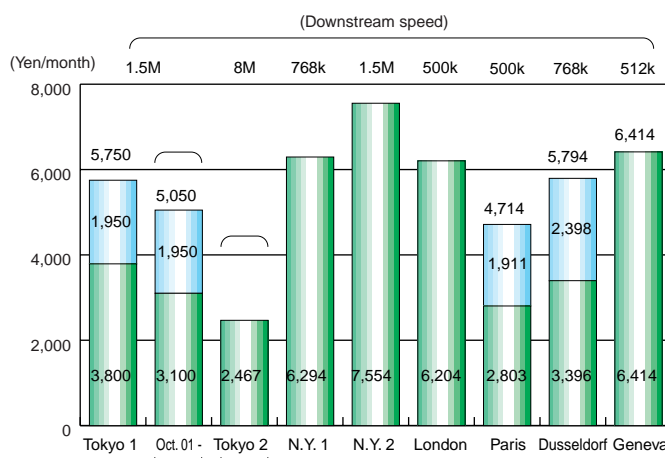
3. Outline

Noteworthy points concerning each category of charges are as follows:

1) Internet

- A variety of carriers, including NTT East and NTT West, are offering high-speed DSL Internet access at flat rates, and as a result of plummeting prices in Japan for such services in recent months, combined with a rise in the price of such services in the U.S., the situation has been reversed, and DSL service is now cheaper in Tokyo than in New York.
- U.S. cable Internet access charges have also risen, closing the gap with Japan, whose cable Internet charges are now nearly on par with the rest of the world, even if Dusseldorf is cheaper.
- Due to the drop in prices in Japan compared with the same period last year, the flat-rate service offered to ISDN users by NTT East and NTT West now costs only 1.2 times the equivalent service in New York, down from 1.8 times for the previous year. This represents a considerable closing of the gap, and makes Tokyo cheaper than London for this service.
- Further spread of such services is expected, including the

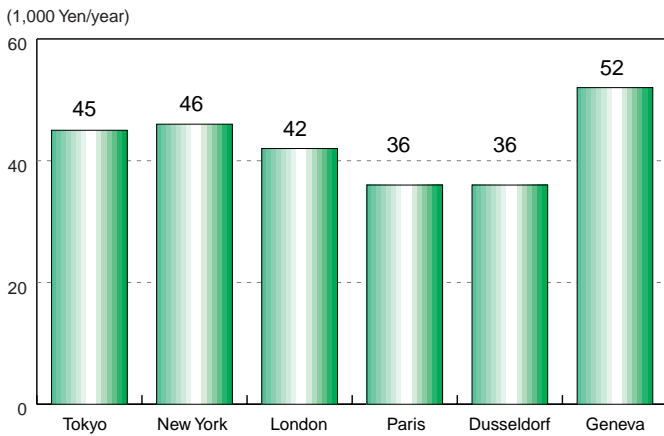
fiber-optic Internet access service which was launched in parts of Tokyo and Osaka in August 2001, and will be expanded to cover other regions.



- Notes:
- The case of one month (30 days), 24 hours per day, assumed to be connected to a local access point.
 - "Tokyo 1" is based on "FLET'S ADSL" service (communications fee: 3,800 yen, since July 2001) (ref. from October 2001, the service will be provided at 3,100 yen) + "OCN ADSL access FLET'S Plan" (ISP access fee: 1,950 yen). "Tokyo 2" is Yahoo Japan's ADSL service: communications fee + ISP access fee (2,467 yen, from September 2001)
 - "New York 1" is Verizon Communications' service for households: communications fee + ISP access fee (US\$ 49.95 from May 2001) "New York 2" is Verizon Communications' service for households: communications fee + ISP access fee (US\$ 59.95)
 - London is BT's "Home500": communications fee + ISP access fee (34.03 L)
 - Paris is FT's "netissimo1" (communications fee: 165.55 franc from 2001.9) + FT "Wanadoo" (ISP access fee: 112.88 franc)
 - Germany is DT's ISDN standard with DSL (communications fee: 59.78 DM) + "T-online DSL Flat" (ISP access fee: 42.24 DM)
 - Geneva is Swiss Telecom's "Broadway Basic": communications fee + ISP access fee (87.44 CHF)

2) Domestic telephone services

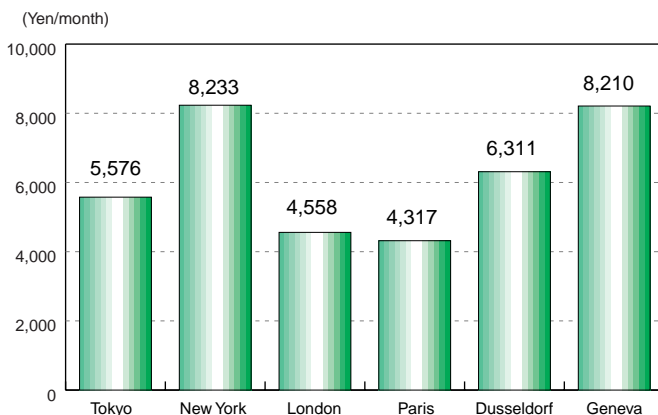
- The daytime weekday standard charge of 10 yen for 3 minutes, which had remained the same for 25 years, was reduced to 8.5 yen, becoming cheaper than ever before in comparison with other countries.
- Since the start of MYLINE, long-distance call charges have been reduced, with intra-prefectural calls now on par with international standards. The price gap between inter-prefectural calls in Japan and the equivalent in other countries has closed, but apart from the standard charge for New York, Japan is still more expensive than other countries in this category where discounted and night-time rates are concerned.
- The initial subscription fee and monthly basic charges are expensive compared with other cities, but costs of transferring lines is cheap.
- In the future we can expect to see lower inter-prefectural standard charges, expansion of discounted calls and new fee plans.



- Notes:
1. OECD's model that sets average call duration by distance and time band for comparing telephone fees of countries. (using 52 hours a year for residence and 128 hours for office)
 2. Tokyo is home office discount (free monthly flat rate, 25% discount on interprefectural and international calls if monthly charges of interprefectural and international calls are over 2,000 yen) + Long-term contract discount (more than three years, 5% discount on interprefectural and international calls) + "Time Plus" (local call time expansion service; at monthly flat rate 200 yen, for example, local daytime call charge 8.5 yen per three minutes will be 8.5 yen per five minutes.)
 3. The long-distance portion of "New York" is AT&T's "7 Cents Plan."
 4. London is "BT together" (in monthly charge 11.99 pounds sterling (including basic charge), 2.04 pounds sterling monthly free call + 10% discount on communications charge.)
 5. No discount services applicable for models in Paris, Dusseldorf and Geneva.

3) Mobile phone services

- * Package plans composed of fixed subscription fee and a predetermined amount of call charges provided free are now in the mainstream, but many different plans still exist. This makes a simple comparison with other countries difficult; however, if compelled to do so, it has to be admitted that Tokyo prices are higher than those of other cities.
- * In a comparison of prices for a 3-minute daytime call on a weekday, the standard charge for a call within a single service area is lower than Geneva, but higher than other cities. For calls outside service areas, Tokyo is cheaper than New York and Geneva, but somewhat more expensive than other cities.



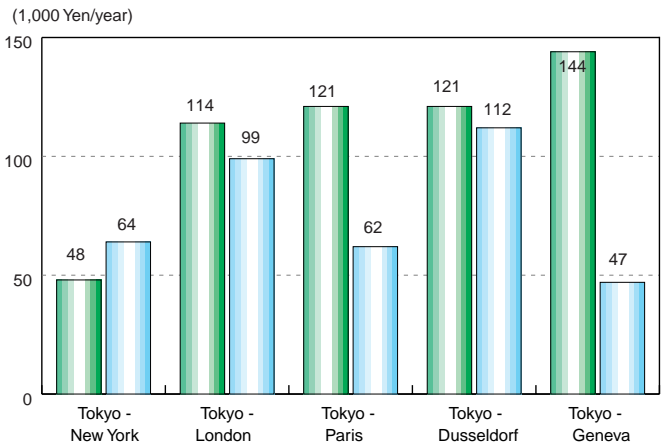
- Notes:
1. The model based on actual average usage of Japan's all mobile phone carriers by distance and time band (125 min-

utes call per month).

2. "Tokyo" is "Ohanashi Plus L" (free call for 3,400 yen worth), "New York" is Digital Choice 200 (charging at reception \$ 0.05/minute is added), "London" is "My time 200," Paris is "Hiners 3hours," Dusseldorf is "Protel Standard" and Geneva in "Natel(R)Swiss."

4) International phone services

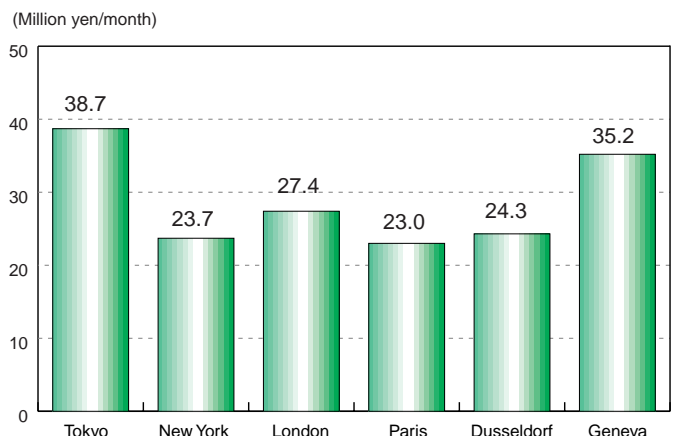
- * Standard charges for calls from Tokyo to New York are somewhat cheaper than vice versa, but Tokyo is more expensive where discount rates are concerned.
- * Between Japan and Europe, it is more expensive for both standard and discount rates to make calls from Tokyo, and further reductions in standard rates and expansion of discount calls can be expected.



- Notes:
1. "Tokyo model" is based on communications traffic (using about 18 hours a year for residence, about 352 hours for office.)
 2. The discount of "Tokyo" is: NTT Communications' "Shaberich" + Long-term contract discount.
 3. The discount of "New York" is AT&T's "One Rate International Value Plan."
 4. Call from London is BT's "Premier Line."
 5. Call from Paris is FT's "Plimaliste."
 6. No applicable discount services in Dusseldorf or Geneva.

5) Leased circuit (dedicated line) services

- * Direct comparisons are difficult due to differences in service quality, etc., but where standard dedicated lines are concerned, Tokyo is conspicuously more expensive than other cities, including short-distance leased lines used for last-mile connections to the Internet.
- * However, with certain exceptions, a simplified service with reduced monitoring / maintenance and backup (economy



service, or the equivalent ATM leased circuit service which is offered in various grades according to level of maintenance and backup) is on par with the world average. With the diffusion of broadband, further diversification of service menus attuned to customer needs can be expected.

- Notes: 1. "Tokyo" is the case where NTT East's "Digital Access 1500" is used.
2. Qualities of services, such as back-up or failure restoration, differ across cities.

6) General conclusions

- i) According to this fiscal year's survey, although there are some differences in the types of service, overall telecommunications service prices in Japan are rapidly approaching the same level as those in other developed countries.
- ii) The Ministry of Public Management, Home Affairs, Posts and Telecommunications will continue to push for reduced telecommunications service prices through promotion of fair competition, aiming to ensure that Japan becomes a world leader in telecommunications services.