



Communications News

Vol. 17 No. 13
October 13, 2006

Biweekly Newsletter of the Ministry of Internal Affairs and Communications (MIC), Japan

ISSN 1349-7987

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TOPICS

MIC announces New Competition Promotion Program 2010

Having taken into consideration the changes in market environment resulting from the progress in the shift to IP, such as the advances in the move to broadband, the transition from PSTN (public switched telephone network) to IP (Internet Protocol) networks, and the diversification of business models, MIC is looking to promote

greater competition in the telecommunications market and improve user benefits. In order to do this, MIC has formulated a "New Competition Promotion Program 2010" concerning measures to be implemented from the point of view of putting in place fair competition rules by the beginning of the 2010 decade.

TOPICS

Revision of Asia Broadband Program

MIC held the Asia Broadband Promotion Conference (chaired by Mr. MORISHITA Yoichi, Executive Advisor, Matsushita Electric Industrial Co., Ltd.) on August 31, 2006, in order to actively promote concrete measures based on the Asia Broadband Program (hereinafter referred to as the "Program"). Along with discussions concerning review on the Program, MIC carried out revisions to the Program in consultation with other concerned government ministries.

Background

The Program, which is based on the e-Japan Priority Policy Program-2002 (Decision of Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society, June 18, 2002), and Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2002 (Cabinet Decision of June 25, 2002), was defined by the MIC and concerned government

ministries on March 28, 2003, as an action plan to put in place a broadband environment in Asia.

In order to put in place a broadband environment in Asia, MIC and concerned government ministries are taking various measures based on the Program.

In accordance with the Program, reviews are conducted taking into consideration progress in diffusion of broadband platforms in Asia and implementation status of measures proposed in it, MIC

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and concerned government ministries have revised the Program having taken these conditions into account.

Future plans

The Program aims to activate the flow of information within Asia and

to make Asia as a whole a global information hub by 2010.

In the future, MIC and concerned government ministries plan to work actively, in cooperation with other Asian governments, NPOs and international organizations, based on the revised

Program, with a view to putting in place a broadband environment in Asia.

Web site for further reference
Asia Broadband Program Website
<http://www.dosite.jp/asia-bb/en/index.html>

Revision of the Asia Broadband Program (Outline)

Outline of Revision of the Asia Broadband Program (overall structure)

Asia Broadband program (March 28, 2003)

- I. Basic Concepts
 - (1) Strengthening of relationships among Asian countries/economies
 - (2) Significance of broadband platforms in Asia
 - (3) Current status of Asia
 - (4) Need for efforts to address preparation of broadband environments
- II. Goals
- III. Measures to be taken
 - (I) Perspectives
 - (II) Measures for preparing network infrastructures pertaining to broadband platforms
 - (1) Basic concepts
 - (2) Specific measures
 - (III) Relevant measures for introducing and diffusing broadband platforms
 1. Preparation of common key infrastructures
 - (1) Basic concepts
 - (2) Specific measures
 2. Promotion of use of broadband platforms
 - (1) Basic concepts
 - (2) Specific measures
 3. Promotion of digital content distribution
 - (1) Basic concepts
 - (2) Specific measures
 4. Support for developing national strategies, policies/schemes
 - (1) Basic concepts
 - (2) Specific measures
 5. Support for developing countries/economies
 - (1) Basic concepts
 - (2) Specific measures
- IV. Review of this Program

August 31, 2006, revision of Asia Broadband Program (Draft)

- I. Basic Concepts
 - (1) Strengthening of relationships among Asian countries/economies
 - (2) Significance of broadband platforms in Asia
 - (3) Current status of Asia
 - (4) Need for efforts to address preparation of broadband environments
- II. Goals
- III. Measures to be taken
 - (I) Perspectives
 - (II) Measures for preparing network infrastructures as a base of broadband as platforms
 - (1) Basic concepts
 - (2) Specific measures
 - (III) Measures for preparing applications, content and common platforms
 1. Enhancement of applications
 - (1) Basic concepts
 - (2) Specific measures
 2. Promotion of digital content distribution
 - (1) Basic concepts
 - (2) Specific measures
 3. Preparation of common platforms
 - (1) Basic concepts
 - (2) Specific measures
 - (IV) Measures related to human capacity building
 - (1) Basic concepts
 - (2) Specific measures
 - (V) Cross-sectional measures
 1. Support for developing national strategies, policies/schemes
 - (1) Basic concepts
 - (2) Specific measures
 2. Support for developing countries/economies
 - (1) Basic concepts
 - (2) Specific measures
 - IV. Follow-up to this Program

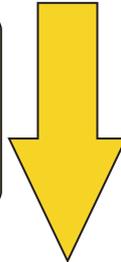
Outline of Revision of Asia Broadband Program (I Basic Concepts)

Asia Broadband Program (March 28, 2003)

IV Review of this program

This program is to be reviewed considering progress in diffusion of broadband platforms in Asia and implementation status of measures proposed in this Program, etc.

- There is a divide in the state of penetration of communications infrastructure between various Asian countries as well as between urban and rural areas
- The level is not sufficient to achieve the goals

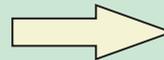


- Promotion of various projects based on Asia Broadband Program
- The Asia Broadband Promotion Conference was held three times

I. Basic concepts

(1) Strengthening relationships among Asian countries/economies

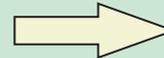
- Rapidly develop flows and exchanges of people, products, funds and information between the various countries in the region
- The significance of Asia for Japan has been growing further.



No change

(2) Significance of broadband platforms in Asia

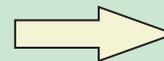
- Awareness of the importance of ICT has grown worldwide
- The penetration of broadband is linked to the development Asian society, economies and cultures
- ICT plays an important part in strengthening mutual ties



Report of results of WSIS (World Summit on the Information Society)

(3) Current status of Asia

- 1 The existence of an information divide between Asian countries/economies and between urban and rural areas
- 2 Not enough demand for broadband, and no progress in usage
- 3 Divide between the volume of information communications between Asian countries and the volume of information communications between Asia and North America and Asia and Europe, and the volume of information communications between Europe and North American countries and vice versa.



No change in items 1 and 3. For 2, growing awareness of the need for broadband to be reflected

(4) Need for efforts to address preparation of broadband environments

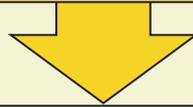


No change

Outline of Revision of Asia Broadband Program (II Goals)

II . Goals

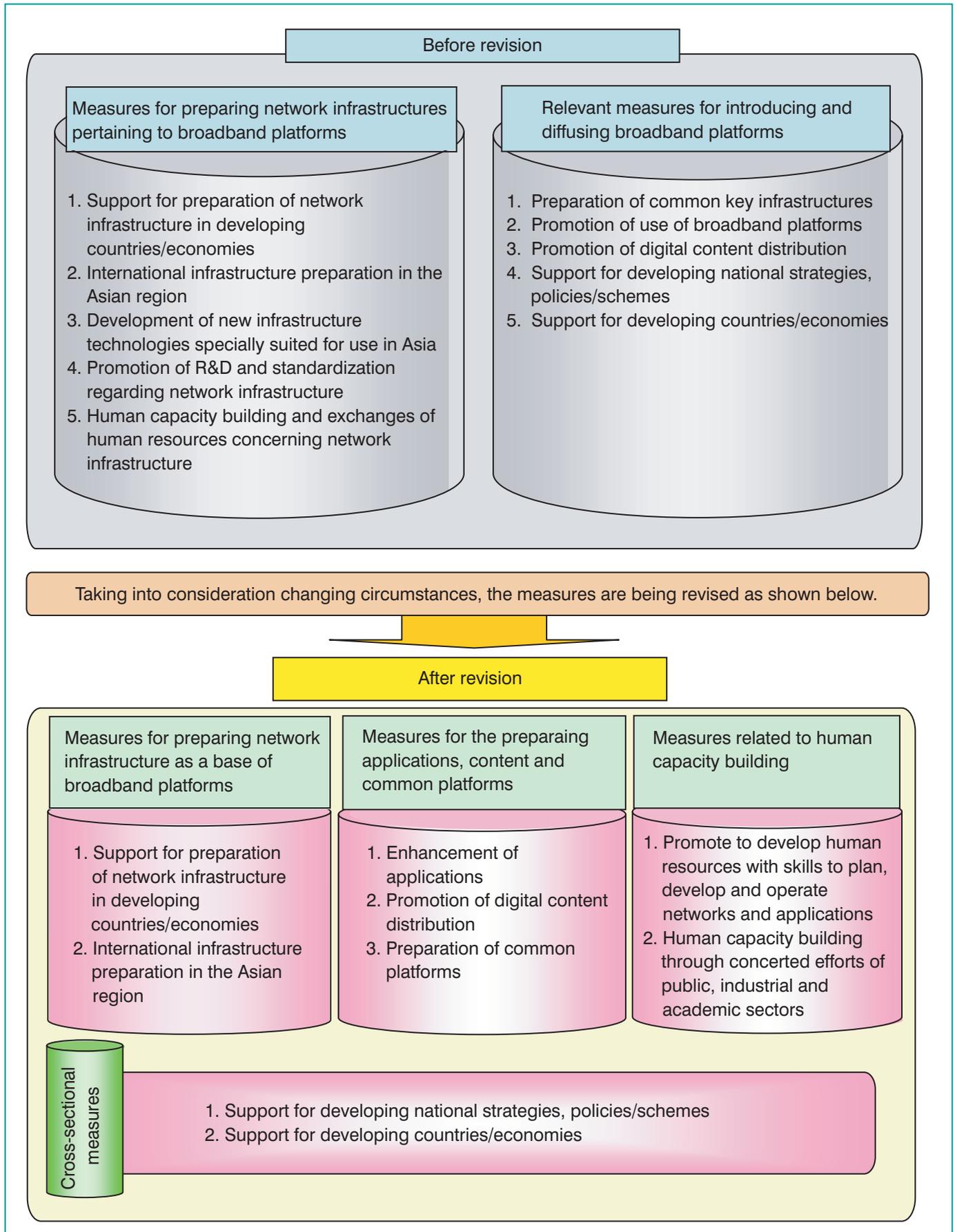
Since action needs still to be taken in order to achieve goals, the goals will be maintained and reflect the fact that next-generation networks are being noticed as future infrastructure.



Through realization of the followings, setting 2010 as the target year, a common goal in Asia is to invigorate information flows within the region to make Asia as a whole global information hub.

- (1) Enable all people in Asia to gain access to broadband platforms including access from various public facilities, and to use applications utilizing broadband advantages to the fullest.
- (2) Construct international intra-regional broadband networks with sufficient bandwidths for linking directly countries/economies in Asia. Increase amounts of information flows (network bandwidth) between "Asia and North America" and "Asia and Europe" to the same level as those between "North America and Europe."
- (3) Construct next generation networks in Asia and make Asia the leading region in ICTs such as IPv6 and mobile communications technology.
(Before revision: Facilitate transition of IPv4 networks to IPv6-ready networks in Asia, and make Asia the leading region in ICTs such as the next-generation mobile communications technology.)
- (4) Prepare environments under which Asian people are able to use ICT in a safe and easy-to-use manner.
- (5) Digitize and archive major cultural assets in Asian countries/economies, to share them within the region and transmit them to the rest of the world via broadband.
- (6) Develop machine-translation technologies between major languages in Asia, and put them into practical use.
- (7) Dramatically increase the number of engineers and researchers in the ICT field in Asia.

Outline of Revision of Asia Broadband Program (III Measures to be taken)



Outline of Revision of Asia Broadband Program (III Measures: Principal New Major Points 1)

I Measures for preparing network infrastructures as a base of broadband platforms

1. Support the putting in place of network infrastructures in developing countries
 - (1) Support for putting in place basic network infrastructure and in anticipation of the introduction of IP phones *
 - (2) Policy dialog (share perceptions concerning the importance of broadband networks) *
 - (3) Eliminate the divide between urban areas and rural areas *
(encourage the installation of tele-centers through methods such as long-distance digital links, the use of FWA or pilot projects)
 - (4) Investigate methods to support the putting in place of communications infrastructure in island nations *
 - (5) Support the building of information systems for disaster prevention *
(monitoring and warning systems for disaster prevention or environment conservation, tsunami early-warning systems)
2. International infrastructure preparation in the Asian region

II Measures to put in place common key infrastructures for applications and contents

1. Enhancement of applications *
2. Promotion of digital contents distribution
 - (1) Joint investigation for the promotion of information flows *
 - (2) Portal site to promote the use of digital archives *
3. Preparation of common platforms
 - (1) Develop technology for electronic tags and sensor networks *
(cooperation between Japan, China, and Korea, research and development of basic technologies for international development)
 - (2) Research and cooperation on next-generation IP networks, cooperation regarding standardization of next-generation mobile phones (cooperation between Japan, China, and Korea) *
 - (3) Make use of ultra high-speed and highly efficient research and development test bed networks *
 - (4) Implement tests using the ultra-high speed Internet satellite (WINDS) *
 - (5) Deal with nuisance emails (cooperation based on agreements such as multinational MOUs) *
 - (6) Promote the penetration of digital TV broadcasting and IP broadcasting *

(*) signifies a new major point

Outline of Revision of Asia Broadband Program (III - Measures: Principal New Major Points 2)

III. Measures related to human capacity building

1. Promote to develop human resources with skills to plan, develop, and operate networks and applications *
 - (1) Human resources development programs in the third party countries (High-level human resources training in places such as the Vietnam Telecommunications Study Center) *
 - (2) Support the initiatives of capacity building of the people to utilize ICT *
 - (3) Training through local subsidiaries *
 - (4) Perusal of websites offering educational contents *
 - (5) Construct a database of participants in training programs, and to make follow-up scheme *
2. Human capacity building through concerted efforts of public, industrial, and academic sectors
 - (1) Train people through cooperation between industry and academia (internships, joint research, personnel exchange etc.) *
 - (2) Build a curriculum for practical ICT personnel training (using or bringing together individual educational contents materials in private company) *

IV Cross-sectional measures

1. Support for developing national strategies, policies/schemes
 - (1) Wide-ranging public-private coordination and harmonization (methods such as the Japan-India ICT Forum) *
 - (2) Developing best practices (sharing of example such as public-private success stories) *
 - (3) International seminars and generation of information via the Internet *
2. Support for developing countries/economies

In coordination with various countries and international organizations (promotion of effective support) *

(*) signifies a new major point

STUDY GROUP REPORT

Outline of the Report on a Framework for Competition Rules to Address the Transition to IP-Based Networks

Outline

MIC set up the Study Group on a Framework for Competition Rules to Address the Transition to IP-Based Networks on October 28, 2005. The group studied a framework for an interconnection and tariff policy and compiled a final report in September 2006 (http://www.soumu.go.jp/joho_tsusi/n/eng/pdf/060926_1.pdf)

with consideration of comments from 44 parties.

Table of contents for draft report

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- (3) Development of vertical market integration

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 - (5) Ensuring that competition rules are flexible, transparent and consistent
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 - (1) Dynamic changes in the import of systems and in market structures
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 - (1) Basic rules for network neutrality
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2. Equal access to networks
 - (1) Openness of interface between layers
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3. Equitable cost distribution of networks
 - (1) The need for boosting communications networks to handle the sharp increase in IP traffic
 - (2) A framework for the market mechanism and cost sharing

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(2) Promoting competition in the mobile terminal market

2. Strengthening dispute settlement functions

(1) Flexible revision of the range of the parties concerned in disputes

(2) Revision of the range of dispute settlement cases

(3) Amendment of opinion submission system

3. Revision of universal service system

(1) The need to revise the universal service system in conjunction with the move to IP

(2) Basic viewpoints of reference on the occasion of the revision

(3) Study schedule for the revision

4. Clarification of the market exit rules

5. Other actions required of government

1) Ensuring the transparency of competition rules

(2) Deliberating on the future of telecommunications numbering systems

(3) Addressing issues at the international level, such as international disputes over peering

(4) Ensuring that domestic competition rules are consistent with the international marketplace

Chapter 7 – Toward a formulation of new competition promotion program

STUDY GROUP REPORT

Final report from the Study Group on Countermeasures against Illegal/Harmful Information on the Internet

Background

On August 1, 2005, MIC set up the Study Group on Countermeasures against Illegal/Harmful Information on the Internet to deliberate upon 1) voluntary countermeasures to be taken by providers against illegal/harmful information on the Internet, and ii) ways and means to support these effectively. Following the compilation of a final draft report by the study group, MIC invited public comments from June 30 to July 21, 2006, and received 39 comments during that period.

The study group has recently compiled and announced its final report, having taken these comments into consideration.

Outline

Background to setting up the study group

Whereas the rapid development and penetration of the Internet has brought great convenience to

users, the flow of illegal/harmful information on the Internet has become a social problem.

MIC compiled the conclusions of the government regarding countermeasures to illegal/harmful information on the Internet, and having announced these on June 30, 2005, set up the Study Group on Countermeasures against Illegal/Harmful Information on the Internet in August. The group would mainly investigate voluntary countermeasures by providers and electronic bulletin board administrators and ways to support their effective application.

The illegal information referred to here is information that breaks the law and harms the rights of others or their interests as protected by the law, whereas harmful information is information that, while not being illegal, could endanger public safety and order, and cause harm to specific people.

Outline of investigation

With regard to harmful/illegal information on the Internet, in addition to countermeasures against the senders (arresting those transmitting illegal information) and countermeasures by recipients (information filtering by recipients), there are cases when measures can be taken by those offering the platform for the flow of information, such as ISPs (providers) and electronic bulletin board administrators, with dispositions such as measures to actually stop transmissions. The study group carried out its investigations principally around the discussion points listed below, on ways to promote voluntary countermeasures by ISPs and electronic bulletin board administrators.

Topics investigated by the study group

- (1) The criminal liability of ISPs and electronic bulletin board administrators who have left other people's illegal information posted up
- (2) Voluntary countermeasures by ISPs and electronic bulletin board administrators to deal with illegal information on the Internet, and measures to support these.
- (3) Voluntary countermeasures by ISPs and electronic bulletin board administrators to deal with harmful information on the Internet, and measures to support these.
- (4) The operation of disclosure of sender information within the law of providers' responsibility
- (5) Anonymity on the Internet
- (6) Information transmitted from overseas

Results of investigations concerning discussion points

1. Limitations in countermeasures by ISPs and electronic bulletin board administrators

Technical limitations in countermeasures by ISPs and electronic bulletin board administrators were sorted on the premise of investigating voluntary measures, and investigations were carried out concerning measures to stop transmissions, by those who are able to deal with individual input or data files such as administrators of electronic bulletin boards or servers who are managing data files or servers (referred to below as "electronic bulletin board administrators").

In addition, since there is a large volume of new illegal and harmful information that flows into the Internet each day, and it is possible to upload the information on which transmission stoppage measures have been taken onto a different server, there are limits to

countermeasures by electronic bulletin board administrators.

Taking the above into consideration, it is vitally important that harmful/illegal information should be dealt with both by measures against the senders (arresting senders of illegal information) and measures by recipients (filtering of information by recipients). In particular, it is necessary to actively promote filtering of information by recipients since it avoids legal issues as it is the choice of the recipient, and it allows for a relatively quick response to the new illegal/harmful information that circulates each day.

2. Results of investigation on individual discussion points

(1) Legal liability concerning voluntary countermeasures by electronic bulletin board administrators

a. Legal liability of electronic bulletin board administrators in leaving information posted by others.

(Civil liability)

The scope of legal liability for electronic bulletin board administrators who have left information which, through its distribution, might harm the rights of others or their interests as protected in the law, is regulated under article 3-1 of the Law on Restrictions on the Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identity Information of the Sender (referred to below as the Provider Liability Limitation Law.). There is no liability on the part of electronic bulletin board administrators with regard to the flow of information which, by its distribution, does not cause harm

to the rights of others or their interests as protected by the law.

(Criminal liability)

Looking at examples of court cases, criminal liability is not established just by electronic bulletin board administrators leaving illegal information, and doing so simply knowing this to be illegal, but by the recognition that the administrators actively contributed to the distribution of the information. But the extent of "contribution" needed to establish liability is not clear, and it is necessary to observe trends in court cases closely in the future.

b. Legal liability in cases where electronic bulletin board administrators have taken measures to prevent the transmission of information posted by others

(Civil liability)

When measures are taken to prevent the transmission of information by electronic bulletin board administrators, there may be civil liability in cases where conditions of obligations not being carried out or illegal activity are fulfilled.

However, there is no civil liability where the measures for preventing transmissions are based on the contract. Also, the prevention of transmission of illegal information is understood not to be included in liabilities associated with self-defense or emergency defense.

In cases where measures have been taken to stop transmission in error of information that is not illegal, it is understood that there is no liability if there was sufficient cause to believe that information to be harmful, or there is no bad faith or negligence.

(Criminal liability)

There may be criminal liability in cases where measures to prevent the transmission of information by electronic bulletin board administrators constitute part of a criminal offense.

However, there is no criminal liability where the measures for preventing transmissions are based on the contract. Also, the prevention of transmission of illegal information is understood not to be included in liabilities associated with self-defense or emergency defense.

In cases where measures have been taken to stop transmission in error of information that is not illegal, intent is hindered and there is no criminal liability if there was a mistaken belief that such transmissions were illegal.

(2) Proposals for dealing with illegal information on the Internet

a. Measures to provide support to electronic bulletin board administrators to determine the illegality of information

It would be possible to promote measures to prevent the transmission of illegal information and provide support to electronic bulletin board administrators in determining illegality by putting together a system that would allow them to determine this accurately and simply. This would be done through organizations (structures) that have the specialized knowledge and experience to carry out the investigations and come up with appropriate decisions on the illegality of the information distributed.

In concrete terms, along with displaying examples and standards for determining illegal information, support can be provided to measures by electronic

bulletin board administrators in preventing transmissions by formulating guidelines to deal with illegal information. These would contain steps for addressing the issues that can be referred to by electronic bulletin board administrators with regard to requests for measures to prevent transmissions from organizations such as the police, which have specialized knowledge concerning the interpretation of laws on illegal information that harms social interests protected by the law and applications regarding concrete examples.

(3) Proposals for dealing with harmful information on the Internet

a. Policies to support countermeasures against information that violates public order and morals

Whether a particular piece of information is seen as harmful or not depends on the recipient, and there is therefore a need to investigate cautiously the setting of uniform standards and spurring of voluntary countermeasures with regard to contracts between electronic bulletin board administrators and users.

On the other hand, however, taking into consideration the fact that, in recent years, there have been cases of illegal incidents resulting from opportunities offered by information distributed on the Internet, it would be appropriate to give support to the prevention of transmissions by electronic bulletin board administrators with regard to information that violates public order and morals, by laying out a format in the shape of a model contract on the part of telecommunications carriers organizations.

b. Policies to support

countermeasures against information harmful to young people

With regard to countermeasures for specific groups such as young people, the determination of what information is harmful differs according to the user and it therefore seems that the introduction of filtering to select information on the user side would be an effective countermeasure.

On the other hand, knowledge and penetration concerning filtering remain at low levels despite promotional activities on the part of various organizations. Along with continuing to promote activities to educate and greater penetration, with a view to promoting the use of filtering, reviews of filtering services that meet the needs of users are expected.

In addition, there is a need to increase the awareness of parents and educators concerning the safe and secure use of the Internet, in order to protect young people from harmful information. So, there is a need to actively promote educational activities aimed at these people.

(4) Proposals regarding a sender information disclosure system

With regard to the disclosure of sender information as stipulated in article 4 of the Provider Liability Limitation Law, the following issues come up: (a.) misunderstandings regarding the system, (b.) confusion on determining conditions, (c.) non-use of a civil preservation system, and (d.) confusion on determining operators that would be concerned with demands for sender information disclosure.

With regard to (a.) and (b.), taking as reference court cases that deal with sender information,

the provision of action directives for electronic bulletin board administrators through the formulation at telecommunications carriers organizations of guidelines concerning the disclosure of sender information that include an easy-to-understand procedure, so that the person whose rights have been harmed can obtain the disclosure of sender information, would be an effective policy to bring rapid relief to victims of infringement of their rights while considering the sender's legal rights.

In addition, with regard to (c.) and (d.), measures that would widely spread knowledge should be investigated.

(5) Anonymity on the Internet

Whereas one side of anonymity on the Internet is that it promotes freedom of expression, another side is that it encourages the transmission of illegal and harmful information. There are also methods for preserving anonymity at various levels on the Internet, making it very difficult to eliminate anonymity altogether.

With regard to anonymity on the Internet, when voluntary

measures by electronic bulletin board administrators are not a sufficient countermeasure to illegal and harmful information and the reason for this is the existence of anonymity on the Internet, there could be an investigation so as to grasp the reason why anonymity has become a problem, and consider the possibilities for technical or economic countermeasures that could be taken in response, while taking fully into consideration the freedom of expression through anonymity, and the relationship with confidentiality in communications.

(6) Information transmitted from overseas

With regard to information that is transmitted by servers located overseas, Japanese providers do not have the possibility of managing these servers and it is technically difficult for them to take any effective measures.

Also, international cooperation is complicated as there are cases where information complies with laws in the country where the server is located, but is illegal in Japan, making it difficult to deal with it through criminal

investigation organizations. On the other hand, with regard to information such as child pornography which is also illegal in the country where the server is installed, effective countermeasures can be taken through international cooperation between criminal investigation organizations in the various countries, as well as hotlines that receive calls from general users.

The Internet Hotline Center started operating in Japan in June 2006 and it is expected that international cooperation will take place in the future through that organization.

Summary

In the future, it is desirable, based on support by the administration with regard to illegal/harmful information on the Internet, and taking into consideration the proposals made by this study group, to encourage voluntary countermeasures by telecommunications carriers and users, and put in place an environment in which everyone can benefit from the convenience of the Internet while giving maximum consideration to freedom of expression.

STATISTICS

Communications Industry Forecasts of Business Conditions -- The Results (Prompt Report) of July 2006 Survey on "Overall Results of Japan's Communications Industry" --

MIC has compiled the results (prompt report) of the survey on "overall results of Japan's communications industry (telecommunications and broadcasting)," conducted in July 2006, for the second quarter (Q-II) of FY2006 and the third quarter (Q-III) of FY2006.

- The sales forecast diffusion index (DI) *1 shows: the telecommunications business continues to be in "plus" (meaning that a majority of operators expecting an increase of sales.). Commercial broadcasters remain in "minus." Cable TV operators continue to be in "plus."

- The business conditions diffusion index (DI)*2 shows: Telecommunications carriers and

cable TV operators continue to be in "plus" (meaning that a majority of operators expecting an increase of business conditions.). Commercial broadcasters continue to be in "minus".

Notes:

*1. Sales forecast diffusion indices (DIs) : the "percentage points of companies saying that their sales amounts are increasing compared to the previous quarter" minus

the "percentage points of companies saying that their sales amounts are decreasing compared to the previous quarter."

*2. Business conditions diffusion indices (DIs): the "percentage points of companies saying that business conditions are improving compared to the previous quarter" minus the "percentage points of companies saying that business conditions are worsening compared to the previous quarter."

Sales forecasts

The sales forecast diffusion indices (DIs) in the second and third quarters of FY2006 indicate the following:

- Telecommunications carriers continue to indicate a positive trend (a majority of operators expecting an increase in sales), with figures of +33.3 for both Q-II and Q-III of FY2006.
- For commercial broadcasting, there is a major negative trend for Q-II at -45.2, with a smaller negative trend of -14.3 for Q-III of FY2006.
- Cable casting continues to show a major upward trend, with figures of +35.3 for both Q-II and Q-III of FY2006.

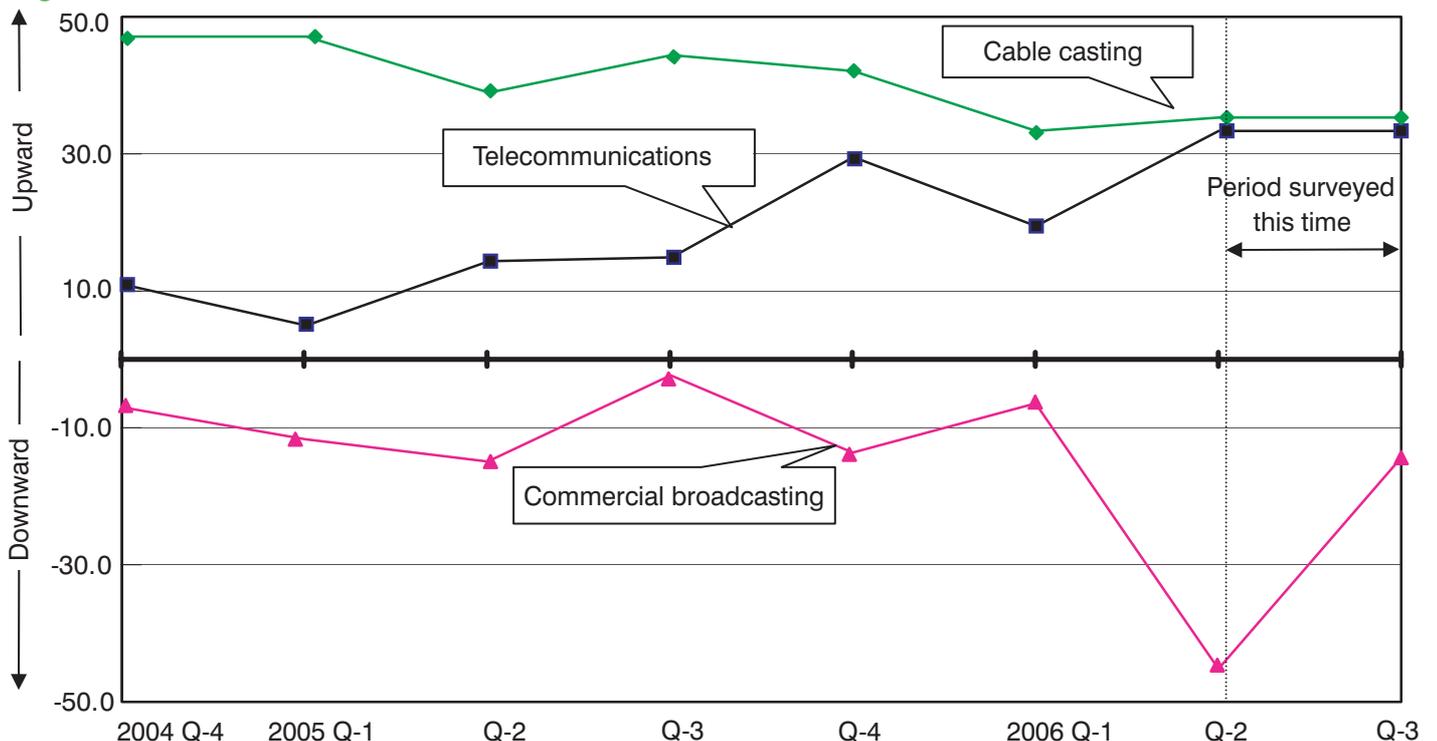
Table 1 Sales forecast diffusion indices (Unit: percentage points)

Type of Business	FY2004	FY2005				FY2006		
	Q-4	Q-1	Q-2	Q-3	Q-4	Q-1	Q-2	Q-3
Telecommunications	10.9	4.9	14.3	14.9	29.5	19.5	33.3	33.3
Broadcasting	8.3	5.0	0.0	11.5	3.2	4.6	22.0	0.0
Commercial broadcasting	7.0	11.6	14.9	2.3	13.6	6.4	45.2	14.3
Cable casting	47.1	47.1	38.9	44.4	42.1	33.3	35.3	35.3
(Reference)								
All industries	6.1	0.2	19.5	16.1	13.4	0.1	22.3	15.5

Notes:

1. The sales forecast diffusion index (DI) indicates the "percentage points of companies saying that their sales amounts are increasing compared to the previous quarter" minus the "percentage points of companies saying that their sales amounts are decreasing compared to the previous quarter."
2. Indices for Q-II and Q-III of FY2006 are estimated at the end of Q-I of FY2006. Other indices are estimated as of the end of the previous quarter.
3. Figures for "all industries" are those for sales forecasts of large-scale corporations, excerpted from the "Business Outlook Survey (April through June 2006)" of the Economic and Social Research Institute, Cabinet Office, and the Policy Research Institute, Ministry of Finance.

Fig.1 Trends in sales forecast diffusion Indices



Financial position

The financial position indices for Q-II and Q-III of FY2006 are as follows:

- The telecommunications and commercial broadcasting businesses continue to retain a positive trend (their financial positions are in surplus).
- The cable television business has deteriorated from zero in the previous period to a negative trend, with figures of -5.9 for both quarters.

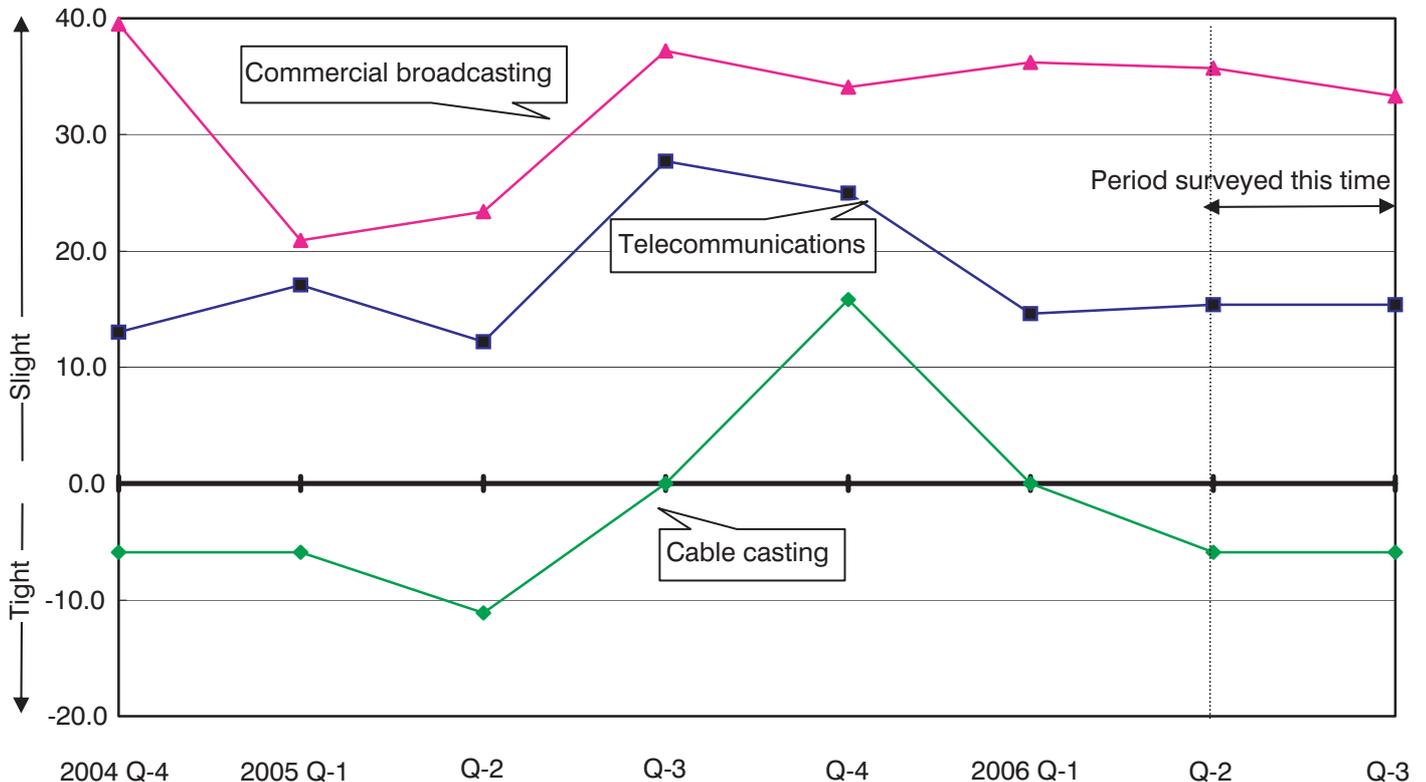
Table 2 Financial position diffusion indices (Unit: percentage point)

Type of Business	FY2004	FY2005				FY2006		
	Q-4	Q-1	Q-2	Q-3	Q-4	Q-1	Q-2	Q-3
Telecommunications	13.0	17.1	12.2	27.7	25.0	14.6	15.4	15.4
Broadcasting	26.7	13.3	13.8	26.2	28.6	25.8	23.7	22.0
Commercial broadcasting	39.5	20.9	23.4	37.2	34.1	36.2	35.7	33.3
Cable casting	5.9	5.9	11.1	0.0	15.8	0.0	5.9	5.9
(Reference)								
All industries	3.8	4.5	4.4	3.6	3.3	3.5	3.3	3.3

Notes:

1. The financial position diffusion index (DI) indicates the "percentage points of companies saying that their financial position is in surplus compared to the previous quarter" minus the "percentage points of companies saying that their financial position is tight compared to the previous quarter."
2. Indices for Q-II and Q-III of FY2006 are estimated at the end of Q-I of FY2006. Other indices are estimated as of the end of the previous quarter.
3. Figures for "all industries" are those for sales forecasts of large-scale corporations, excerpted from the "Business Outlook Survey (April through June 2006)" of the Economic and Social Research Institute, Cabinet Office, and the Policy Research Institute, Ministry of Finance.

Fig.2 Trends in financial position diffusion indices



Business conditions forecasts

The business survey indices for Q-II and Q-III of FY2006 are as follows:

- The telecommunications business continues to show an upward trend (a majority of companies anticipating an improvement in business), with figures of +12.8 for Q-II and +10.3 for Q-III respectively.
- The commercial broadcasting business continues to show negative results, with -35.7 for Q-II and -2.4 for Q-III.
- The cable television business continues to show an upward trend with both Q-II and Q-III at +5.9.

Table 3 Indices for forecasts on business conditions

Type of Business	FY2004	FY2005				FY2006		
	Q-4	Q-1	Q-2	Q-3	Q-4	Q-1	Q-2	Q-3
Telecommunications	4.3	4.9	6.3	13.0	20.5	9.8	12.8	10.3
Broadcasting	3.3	1.7	6.2	1.6	6.3	4.5	23.7	0.0
Commercial broadcasting	0.0	0.0	10.6	7.0	4.5	12.8	35.7	2.4
Cable casting	11.8	5.9	5.6	11.1	10.5	15.8	5.9	5.9

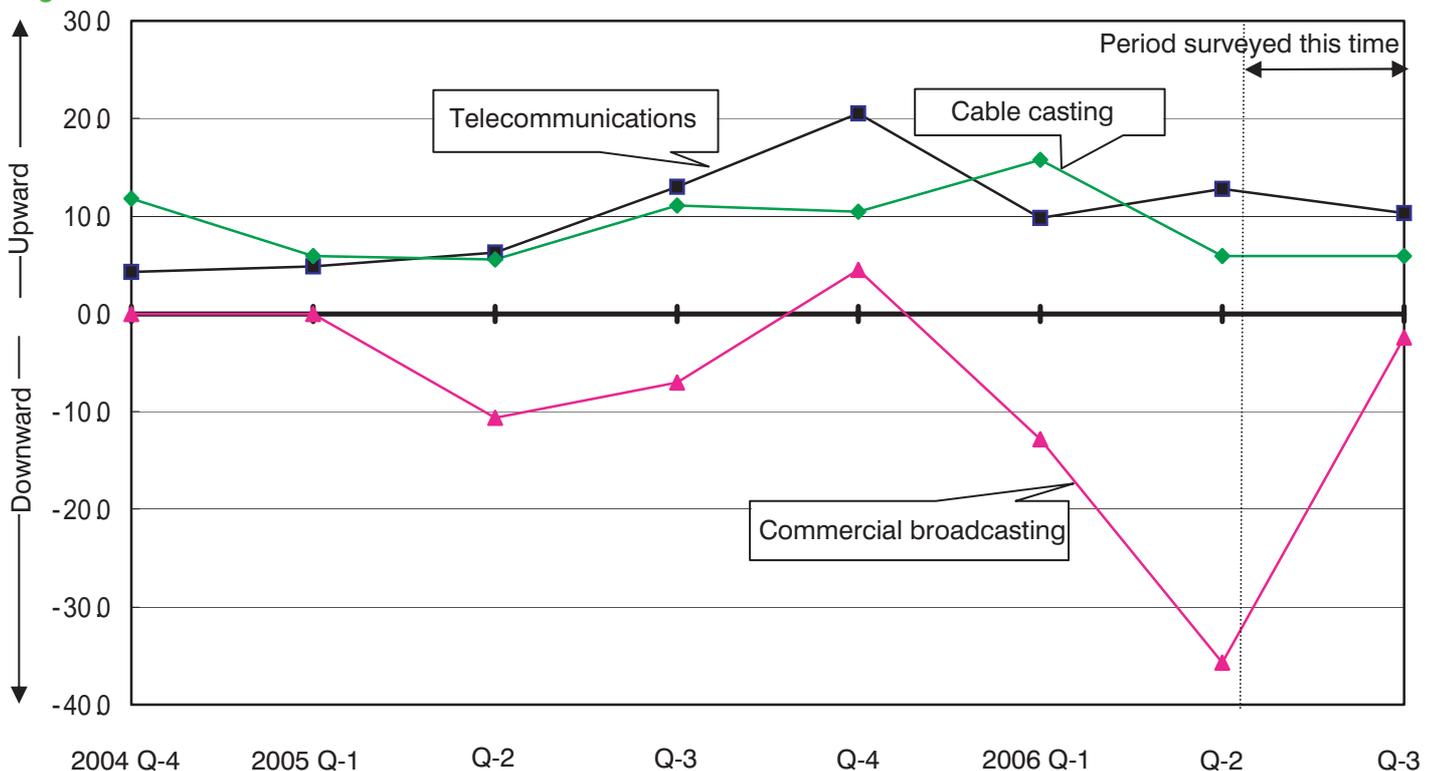
(Reference)

All industries	0.6	0.9	9.7	10.5	6.1	1.8	13.6	12.0
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Notes:

1. The business conditions diffusion index (DI) indicates the "percentage points of companies saying that business conditions are improving compared to the previous quarter" minus the "percentage points of companies saying that business conditions are worsening compared to the previous quarter."
2. Indices for Q-II and Q-III of FY2006 are estimated at the end of Q-I of FY2006. Other indices are estimated as of the end of the previous quarter.
3. Until the FY2005 survey, the survey was on "Business Conditions in the Industry"
4. Figures for "all industries" are those for sales forecasts of large-scale corporations, excerpted from the "Business Outlook Survey (April through June 2006)" of the Economic and Social Research Institute, Cabinet Office, and the Policy Research Institute, Ministry of Finance.

Fig.3 Trends in indices for forecasts on business conditions



The survey on business trends in the telecommunications industry

The "overall result of Japan's communication industry" is designed to grasp the business trends in the communications industry (telecommunications and broadcasting). The survey has been carried out on sales, sales forecasts etc. since April 1995.

Businesses surveyed

The number of surveyed businesses for each type of

business (telecommunications carriers and broadcasters) is calculated proportionally with the type's share in revenues for FY2005. To be statistically significant, the sampling number, as calculated from the number of parent populations in the communications industry, is set at 133. The businesses surveyed are sampled in descending order from the one with the largest sales down to the 133rd one.

Survey method

Conducted by questionnaires

(mailing of survey card, responses by businesses via fax or the Internet).

Survey items

Sales, financial position and business conditions forecasts (conducted only in July, October, January and April*) and sales (every month).

* Reporting sales forecast, etc., as of June, September, December, and March next month

Response rate

Type of Business	Number of operators surveyed	Number of responses	Response rate (%)
Communications industry overall	133	111	83.5
Telecommunications	63	49	77.8
Broadcasting	70	62	88.6
Commercial broadcasting	50	44	88.0
Cable casting	20	18	90.0