

Nationwide Broadband: Strategy for Japan

9th World Forum on e-Democracy (Issy-Les-Moulineaux, France)

17 October, 2008

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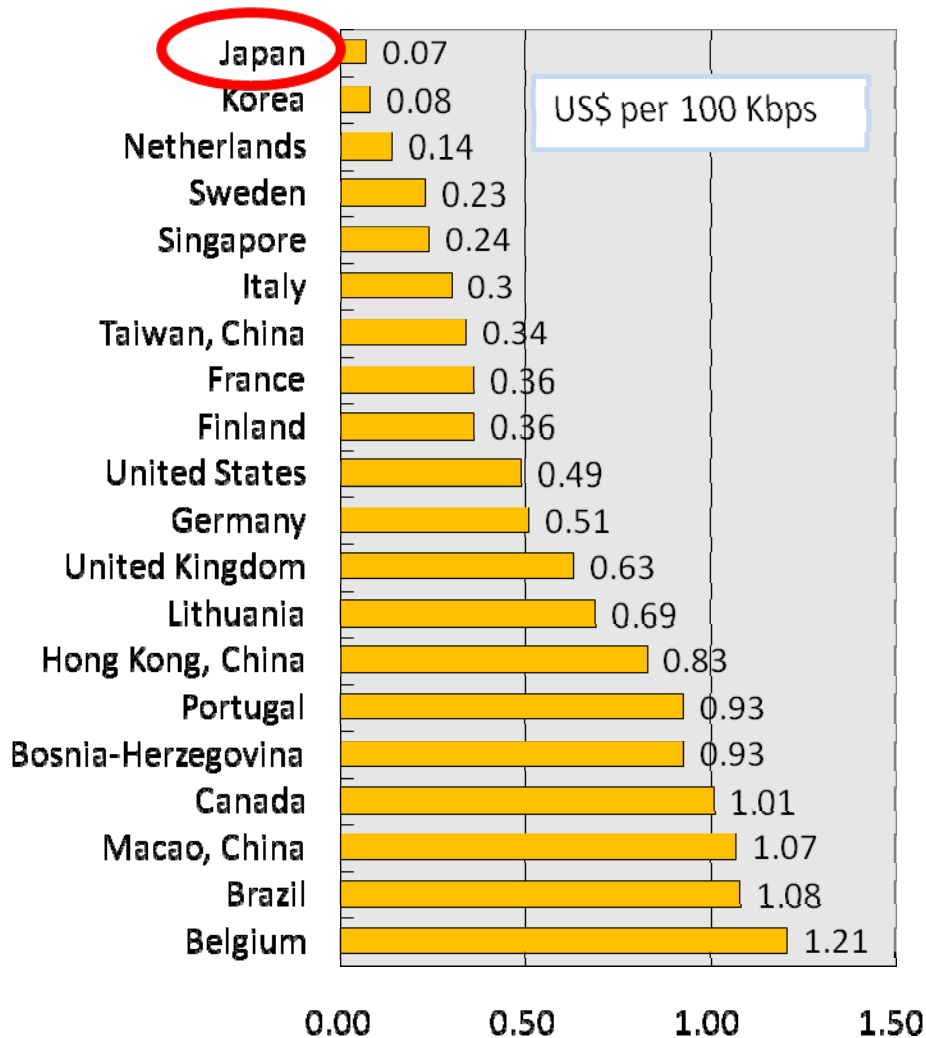
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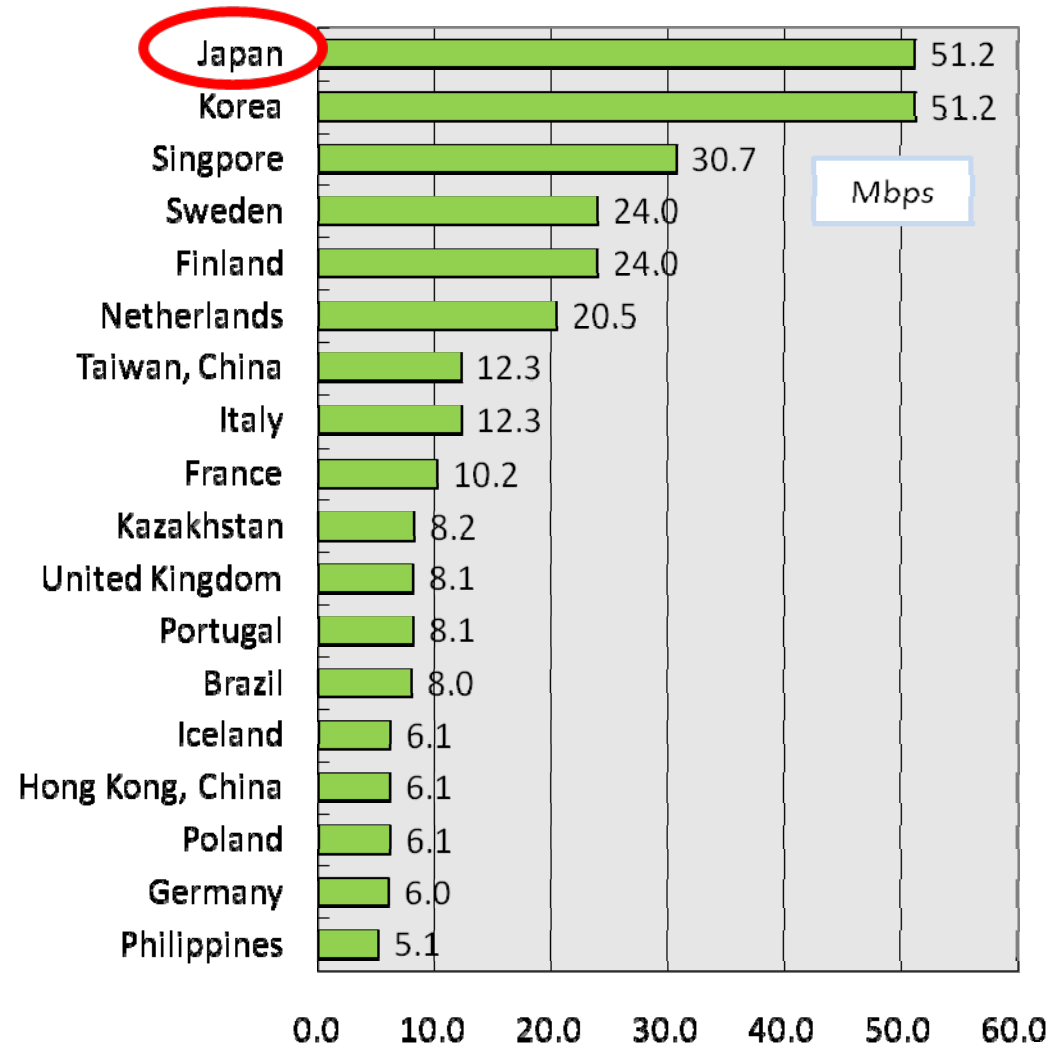
Global Comparison (1)

ITU Internet Reports 2006 "digital.life" (Dec. 2006)

ADSL Price



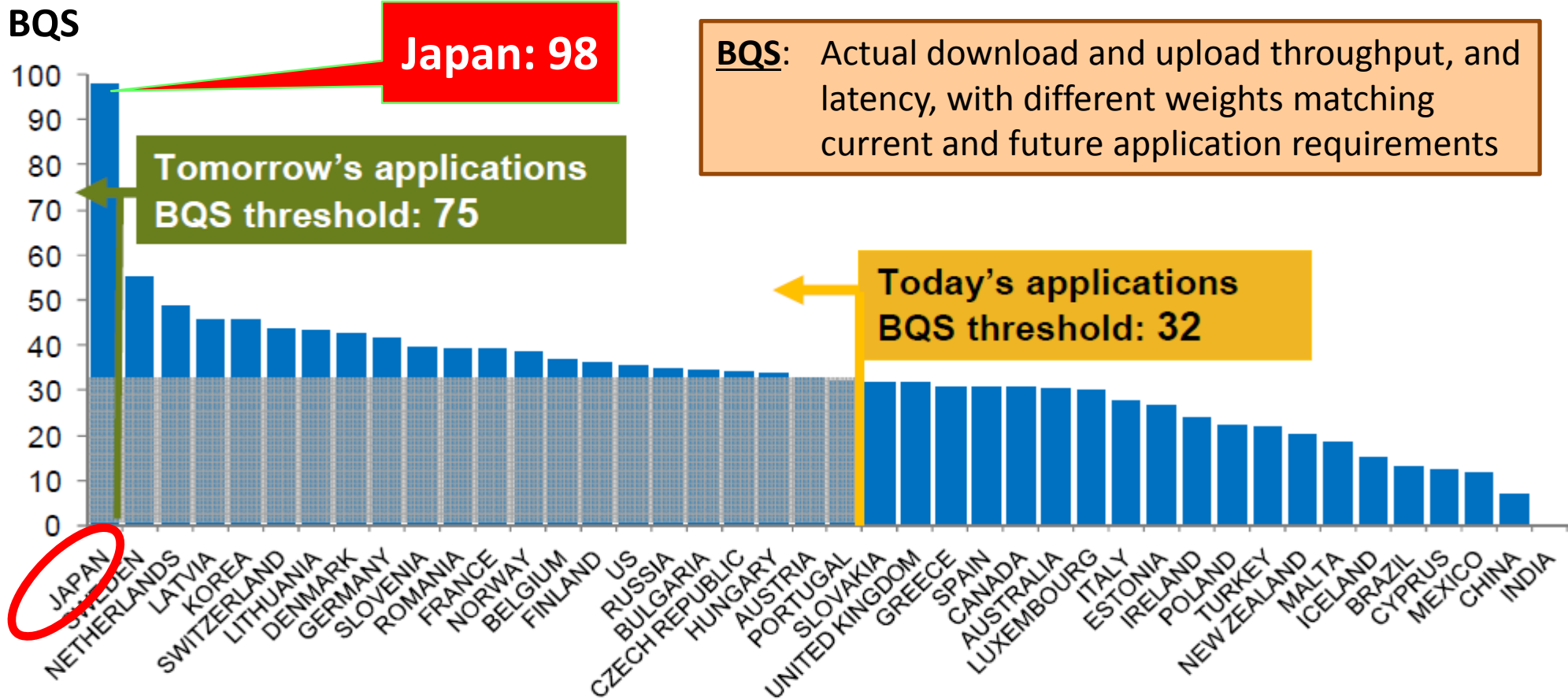
ADSL Speed



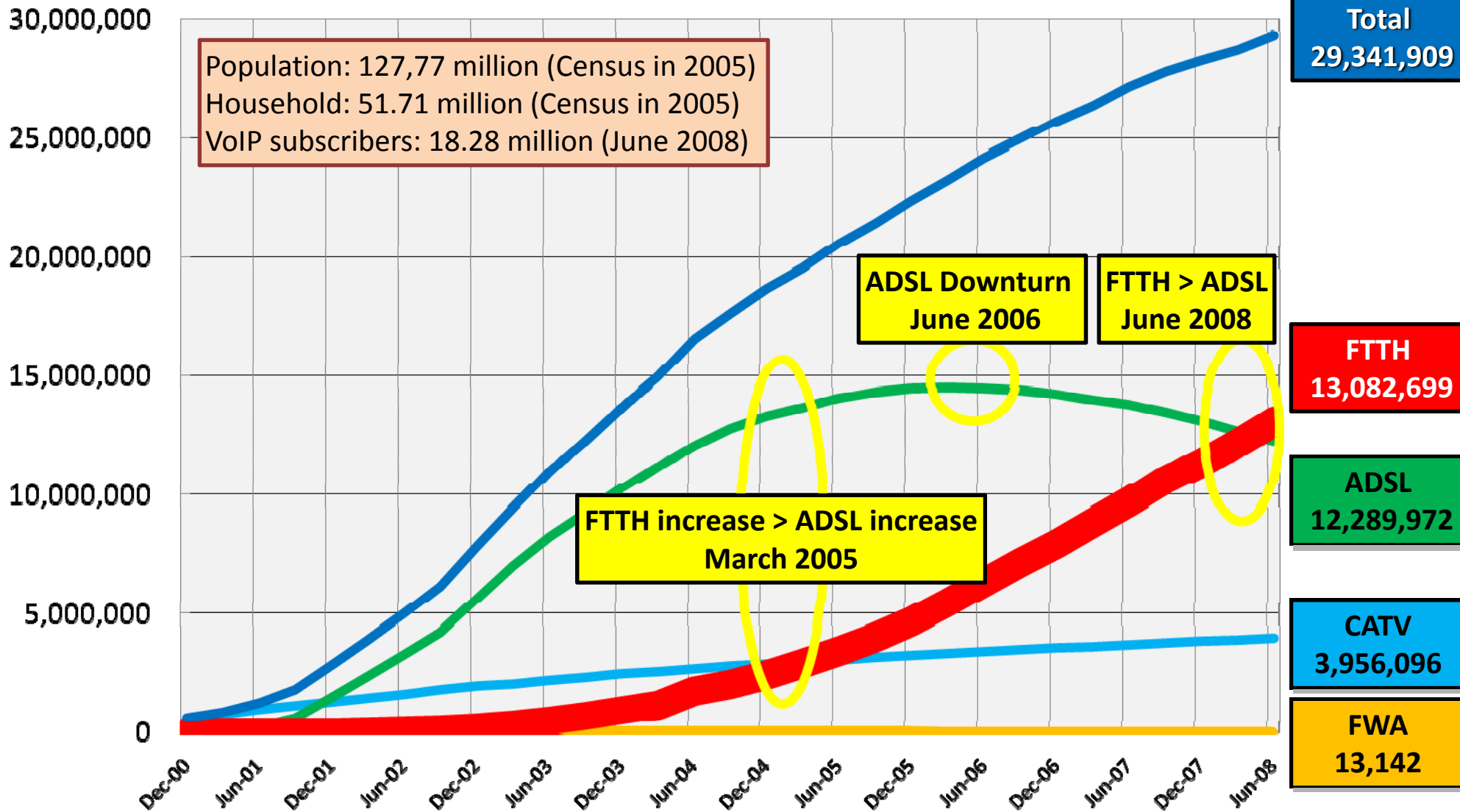
Global Comparison (2)

University of Oxford & Universidad de Oviedo "Broadband Quality Score" (Sep. 2008)

- Japan has much the highest Broadband Quality Score (BQS).
- Japan leads in quality to handle Next-Generation Internet Applications (High-quality video streaming, etc.).



Number of Broadband Subscribers in Japan



Key Drivers for Japan's Broadband Expansion

- 1. Clear mid/long-term Vision/Policy targets set by the Government**
- 2. Introduction of Competition Measures by MIC**
 - Unbundling Rule (line-sharing) and Co-Location Rule
- 3. Demand-pull market expansion due to wide spread of broadband contents**
 - Large photo files, e-mail with attached files, YouTube, websites with Flash function, Peer-to-peer file sharing etc.
- 4. A Monthly Flat Rate**
- 5. Introduction of attractive new price packages by competitors**
 - Yahoo! BB (¥2,280/month, Sep. 2001)
 - K-Opti.com (FTTH/VoIP Combo ¥5,200/month, Sep. 2004)
- 6. NTT's steady investment in optical fiber network that accommodates wide FTTH expansion**
 - Access Network Opticalization Ratio: 43%(FY2000), 89%(FY2007)

Chronology

Phase 2 (2004-present)

- Sep. 2004 K-Opti.com, a subsidiary of an electric power company, started low-priced combo service of FTTH & VoIP for ¥5,200/month, cheaper than total price of ADSL & ordinary phone of ¥5,547/month

Phase 1 (1999-2004)

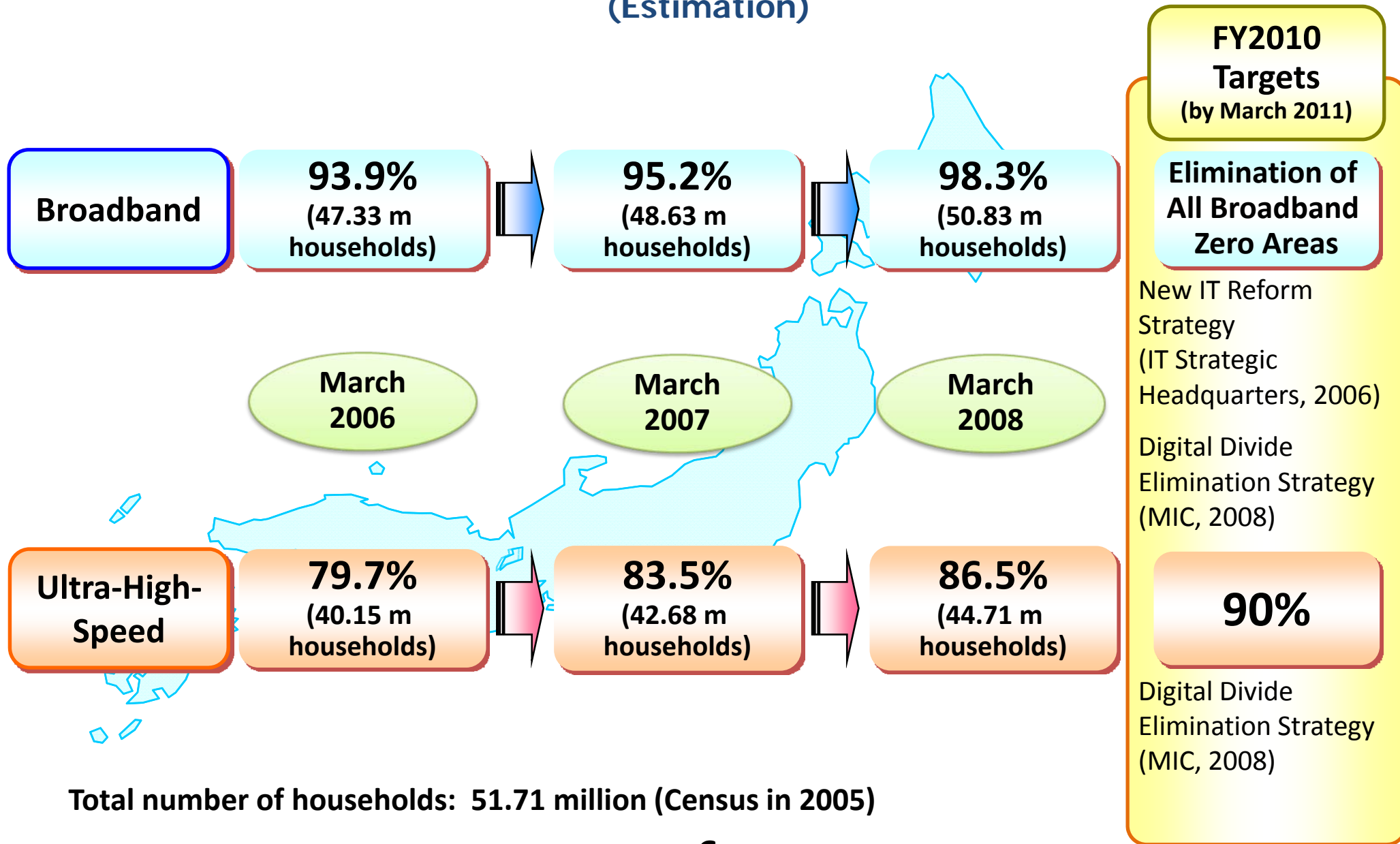
- Sep. 2001 Yahoo! BB started low-priced ADSL service (8Mbps, ¥2,280/month)
- Apr. 2001 Unbundling Rules for Optical Fiber
- Sep. 2000 Unbundling Rules (line-sharing) for Copper Cable (¥97/month)
- Sep. 2000 Co-Location Rules
- Dec. 1999 Tokyo Metallic Com. started ADSL commercial test (¥5,500, later transferred to commercial)

Phase 0 (1994-1999)

- Government-led strategic target of optical fiber deployment and NTT's steady investment.

Ratio of Households Covered

(Estimation)

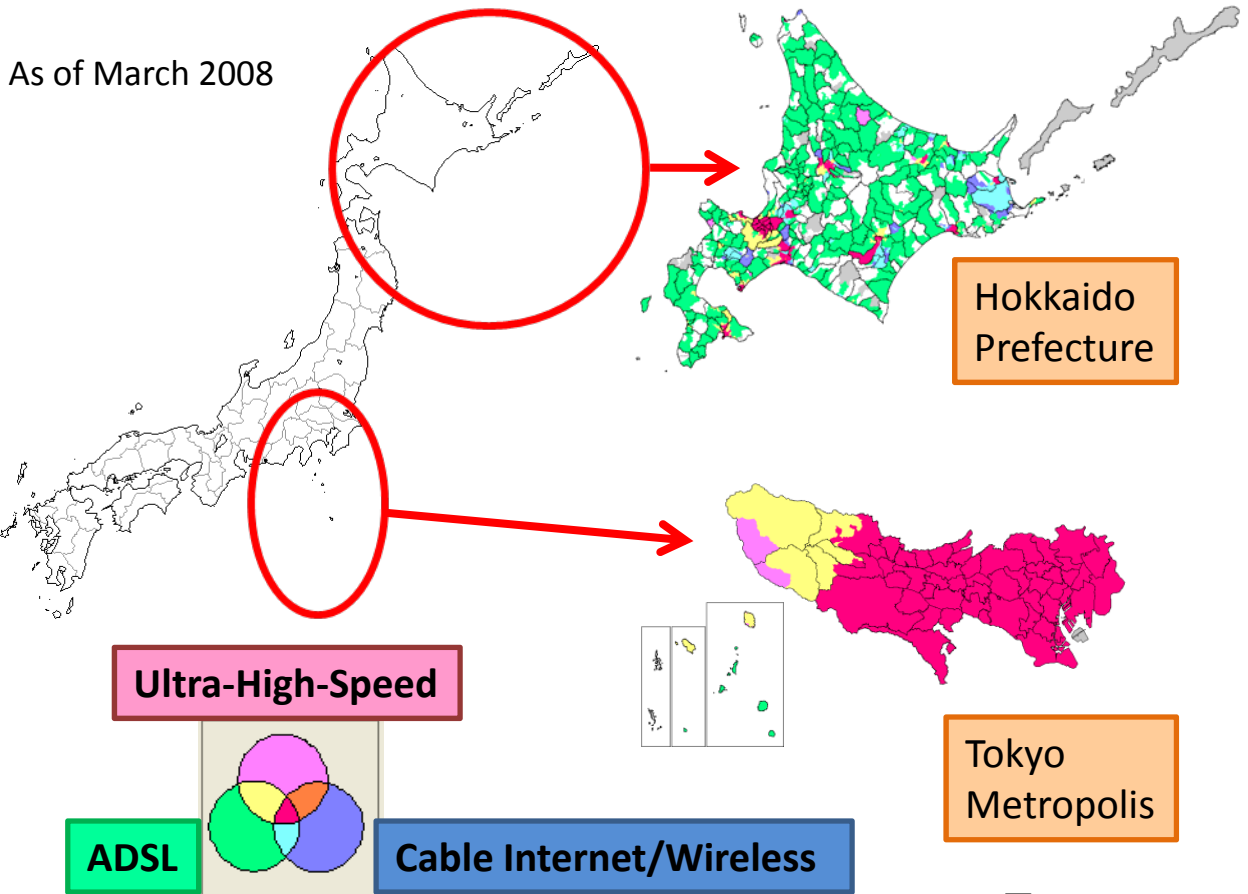


Broadband Availability Map & Five Types of Broadband Service Provision

Broadband Availability Map is regularly updated by MIC based on the inputs from 11 Local Broadband Promotion Committees, each of which is comprised of MIC's Local Branch Office, Prefectures, Local Governments, and Telecommunications Operators.

Five Types of Role-Sharing between Private and Public Sectors for Broadband Service Provision

As of March 2008



| Type | Build | Operate | Comments |
|------|----------------|----------------|---|
| 1 | Private Sector | Private Sector | Potential Subscriber list required. |
| 2 | | | |
| 3 | | | |
| 4 | Public Sector | Private Sector | Installation cost subsidized by government. |
| 5 | Public Sector | Public Sector | |

Promotion Schemes for Nationwide Broadband Deployment

Measures for Local Governments

Grants/Subsidies

1. Local Information and Communications Infrastructure Development Grants (ICT Grant)

- Grants equivalent to one third of total project cost will be provided to local governments that will build broadband facilities to address the digital divides.
- Budget: 6.2 billion yen (FY2008—April 2008 to March 2009)

2. Local Intranet Infrastructure Facility Development Promotion Grants

- Grants equivalent to one third of total project cost will be provided to local governments that will build broadband or ultra-high-speed local public networks connecting public facilities such as schools, libraries, and municipal offices.
- Budget: 3.4 billion yen (FY2008—April 2008 to March 2009)

Local Government Financial Measures

Local Governments are allowed to use Special Local Allocation Tax and to issue local government Bonds such as Depopulated Area Development Bonds for a variety of their policy needs, and they may utilize these schemes for building broadband facilities such as optical fiber and ADSL.

Measures for Telecommunications Operators

Interest Aid

National Institute of Information and Communications Technology (NICT) will grant a subsidy of interest aid with the maximum interest of 2% for a loan made by a telecommunications operator from a fund for building broadband facilities such as optical fiber and DSL for providing telecommunications service.

Debt Guarantee

NICT will guarantee 80% of a loan made by a private telecommunications operator from a fund for building broadband facilities such as optical fiber and ADSL for providing telecommunications service.

Tax Breaks

1. Accelerated Tax Depreciation (National Tax)

Accelerated tax depreciation is allowed for telecommunications operators building broadband facilities such as optical fiber and ADSL for providing telecommunications service.

2. Reduction of Tax Bases for Fixed Asset Taxes (Local Tax)

Partial reduction of the tax base for fixed asset taxes is allowed for telecommunications operators building broadband facilities such as optical fiber and ADSL for providing telecommunications service.

Note: Conditions apply for each scheme.