

The EU-Japan Business Dialogue Round Table

Working Party 3

On:

“INFORMATION SOCIETY”

(Full text of Recommendations)

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May 27-28, 2003

Brussels

Promotion of the deployment of broadband services

1. Introduction

Building upon the July 2002 EU-Japan BRDT on “New Multimedia Services”, the ICT Working Party wants to stress that the advent of a mass market for interactive, multimedia services over a variety of broadband networks represents huge business opportunities for the ICT sector at large, as well as growth for the whole economy and can contribute significantly to addressing social problems.

We are convinced that the promotion of broadband services will play an important role in achieving the Information Society which is the goal of eJapan/eEurope initiatives. For their part, the ICT Working Party members support the rapid penetration of broadband throughout Europe and Japan. In order to see continued investment in growth by means of new services provided on broadband networks, a number of key conditions need to be addressed on the public policy side, both in Japan and Europe.

The ICT Working Party also takes the opportunity to express its supports to the work of the Global Business Dialogue on eCommerce (GBDe) and suggests that Governments should adopt and implement its set of Recommendations, which would significantly pave the way towards a dynamic broadband services environment.

2. Current status

In Europe:

The progress of the Action Plan for eEurope2002, adopted in June 2000, was reported in February 2002. The report listed a number of achievements, such as the doubling of the penetration rate of the Internet among residential users and the reduction in Internet access charges, but concluded that it was necessary to continue the eEurope initiative in order to stimulate secure services, applications and content based on a widely available broadband infrastructure. As a result, the Action Plan for eEurope2005 was adopted in June 2002. This plan, which acknowledges the tremendous potential offered by broadband development calls for achieving, by 2005, in particular: (1) modern online public services (e-government, e-learning services, and e-health services), (2) a dynamic e-business environment, (3) the widespread availability of broadband access at competitive prices, and (4) a secure information infrastructure.

Since the publication of the eEurope 2005 Action Plan, in order to assess the situation of the

telecommunications sector, the European Commission published a Communication “Electronic Communications: The Road to a Knowledge Economy”. Presented and endorsed at the recent Spring Summit and the Telecom Ministers Council, the Communication calls: (1) EU Member States to have a comprehensive broadband strategy in place by the end of 2003, (2) public administrations to have broadband connections by end 2005, (3) Europe to achieve widespread access and aim to reach half of Internet connections to be broadband by 2005. The Communication concludes that the deployment of broadband will be helped by the creation of conditions that stimulate demand and supply e.g. by the development of attractive content, services and applications and by investment in secure multi-platform broadband infrastructures.

Broadband deployment in Europe is now gaining momentum and has shown increased growth rates in the last quarter of 2002, continuing in 2003, in particular in ADSL. More than 75% of the European population can already be served with ADSL connections. A total of 6.8 million subscribers have used ADSL end of year 2002. A realistic target is now the doubling of current ADSL subscribers by the end of 2003. On the other hand, fiber cable installations in Europe have been far less dynamic than in Japan, developing differently in each Member States: there is a risk of seeing the gap with Japan grow.

At the same time, wireless local area (WLAN) broadband access networks are increasing rapidly in numbers. It is expected that the development of WLAN and 3G radio networks will provide, together with fixed broadband, a multi-platform broadband access environment in Europe in the near future.

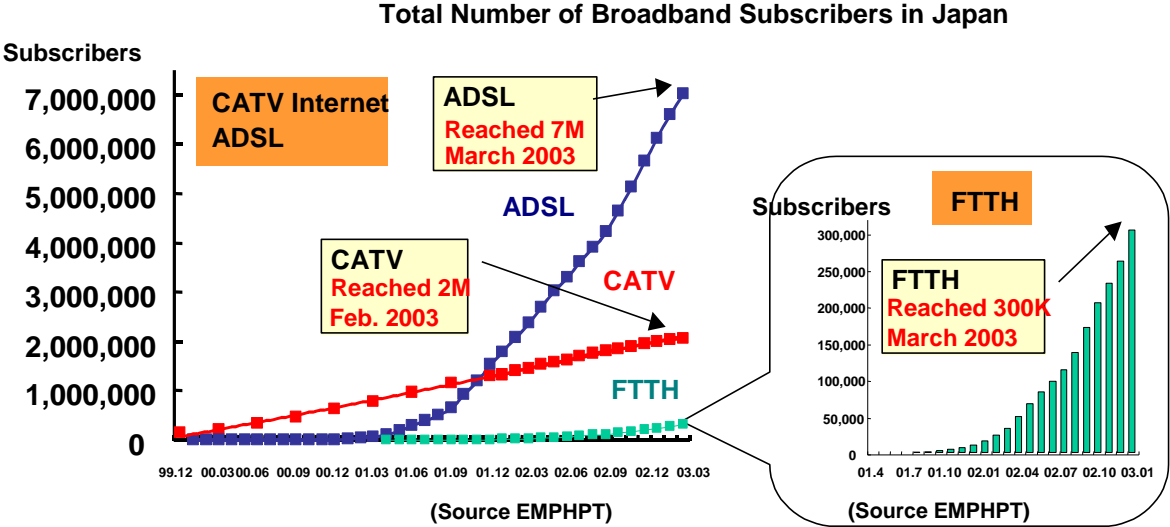
In Japan:

In the framework of the eJapan strategy, measures have been taken with an emphasis on five goals: (1) the formation of the world’s most advanced information and telecommunications networks, (2) the promotion of education and the development of human resources, (3) the facilitation of e-commerce, (4) the digitization of the administration and the application of IT in other public areas, and (5) the ensuring of security and reliability in advanced information and telecommunication networks. Today, the construction of the environment for providing high-speed access to 30 million households and ultra-high-speed access to 10 million households is well under way, giving a good prospect for building the national infrastructure as the first phase of the proposed IT revolution. It is recognized in Japan that we are at the threshold of the second phase of the IT revolution, in which IT will be applied to society effectively and the mechanisms of society will be reorganized accordingly to create new domains of value.

In Japan, the number of ADSL subscribers has tripled over the last year to about 7.5 million, and the deployment of ADSL is still increasing rapidly. The number of subscribers to

ultra-high-speed access services exceeded 3 hundred thousand, and the entry of new providers has accelerated competition in this market, resulting in an increase in the number of subscribers of more than 10 times compared with last year, and still showing signs of rapidly growing penetration.

Fiber cables in Japan have been installed at a rate close to 10M fiber-km a year, roughly two times the size of all the Western European fiber cable market today. This means that at least 10



million homes in Japan will have fiber right in the street for future connection. (1)

3. Issues

Positive impact of broadband on Society:

In Japan, the “IT Basic Strategy II” being studied now has identified four major issues: the viewpoint from individuals, the rejuvenation of a vigorous society through accelerated structural reform, the creation of new domains of value through the use of IT, and the exploration of new international relations based on IT. Based on IT Basic Strategy I, which strengthened the foundations of the IT infrastructure, we now aim to increase the efficiency and productivity of society and organizations by actively pursuing IT utilization in industries and in our daily lives.

Similarly, eEurope2005 puts forward as its goals, among others, modern online public services (e-government, e-learning services, and e-health services), and a dynamic e-business environment. Both Japan and Europe face a number of social problems, such as a dwindling birthrate and an aging population, unemployment, and environment and energy problems, and it is hoped that eJapan/eEurope will offer solutions to these problems.

¹ Kessler Marketing Intelligence (KMI) analysis

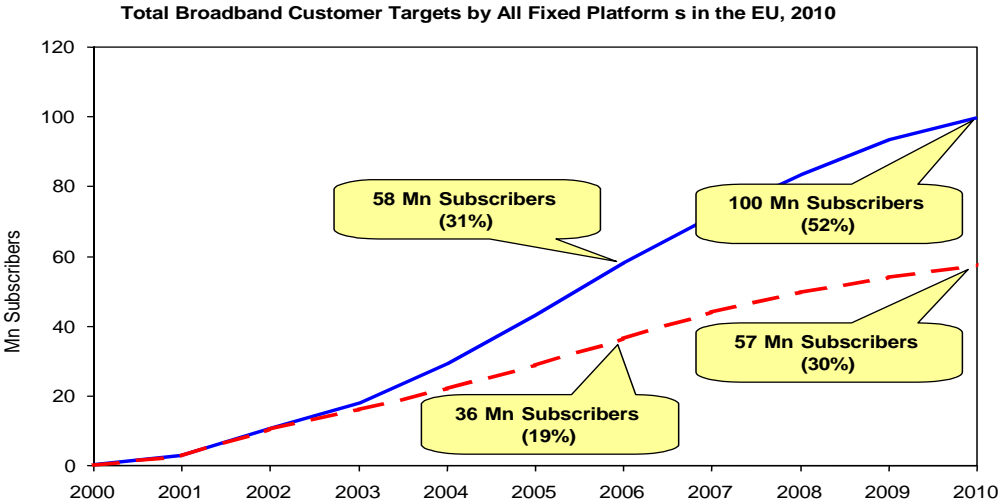
To achieve these goals and solve these problems, it is essential to develop not only one-way applications, such as content delivery, but also interactive applications, such as teleworking and collaborative working. For broadband to have a maximum positive impact on society, it is also necessary to make use of applications on multi-platform broadband infrastructure, complemented by traditional PC broadband connection with TV sets and other broadband-equipped electronic devices. It is therefore necessary to promote ultra-high-speed, two-way broadband services that will allow high quality visual communication and collaborative working. All these initiatives must be set in the appropriate regulatory and competitive conditions.

Positive impact of broadband on the Economy:

The roll-out of broadband can have a significant multiplier effect on the overall economy.

An analysis made for Europe shows that broadband investments are expected to boost European GDP by approximately 70 billion Euro a year (2) on average between 2002 and 2005.

For this economic benefits to become a reality, and in the perspective of the Lisbon Summit objectives, the broadband penetration roadmap - including here all fixed platforms – should target 100 million broadband subscribers by 2010 (3), corresponding to an average household



² Contribution to GDP includes the direct effect of broadband CAPEX, as well as the indirect effect -through CAPEX multiplier- on other sectors of the economy; Source: Monitor Analysis based on “The Impact of New Technologies on Economic Growth” October 2002, CEPREDE - RG Klein Institute

³ Monitor Analysis

penetration of over 50% (Cf. Figure below, blue curve) (4).

To achieve this goal in Europe and meet the Lisbon Summit objectives, it is essential that EU Member States adopt a pro-active attitude and strive to meet the eEurope commitments.

Meanwhile, IT investment by Japan's private sector during 2000 increased significantly to 20.8 trillion Yen (a 21.7 % increase over the previous year), accounting for about four out ten capital investments in the private sector. Moreover, information communications stock in the form of accumulated plant-and-equipment investment in information communications is estimated to have elevated economic growth in 1995-2001 (six-year average) 1.13% in support of growth of the Japanese economy.⁵

As mentioned in IT Basic Strategy II, the time has come for Japan to promote actively IT utilization in industries and our daily lives and to reform Japanese socio-economic system by taking advantage of IT infrastructures. Both public and private sectors should accumulate their efforts under appropriate allocation of roles in order to bring Japan's economy back to the path of economic growth by realizing structural reform and new value creation.

4. Recommendations

(1) The following actions should be promoted to achieve the IT society aimed at by eJapan/eEurope and to help economic growth and help solve social problems.

(a) Solution of social problems (e.g. unemployment) through the eJapan/eEurope initiatives

Implement measures to solve social problems (e.g., consequences of dwindling birthrate, aging population, and unemployment) through the use of IT, such as the promotion of teleworking, the introduction of flexibility in working arrangements, and other measures. The use of broadband can greatly help in this respect, for instance: (1) video telephony can help fight citizen isolation, (2) teleworking from the home in office like conditions can help limit road traffic congestion, (3) e-health is a progress which can serve every citizen, (4) remote monitoring can contribute to increase citizen security, (5) distributed call centers, broadband SMEs and broadband public services are an asset for the decentralized development of society.

4 The dotted-line red curve shows a pessimistic scenario where broadband household penetration would not exceed 30% by 2010.

⁵ 2002 WHITE PAPER on Information and Communications in Japan (MPHPT)

(b) Public authorities at national level should lay down specific national targets for broadband subscribers

Each country should lay down an ambitious and publicly declared target to equip its citizens and enterprises with broadband connections and create a favorable environment for long-term investment in broadband technologies. The Japanese Government should foster an environment necessary to achieve the target set out in IT Basic Strategy II: to have 30 million households use high-speed Internet and 10 million households use ultra-high speed Internet via optical fiber by 2005. In the EU, all possible ways to reach the objective of half of the Internet connections to be broadband connections by 2005 must be explored. A policy such as the one adopted in France to connect 10 million citizens to broadband within 5 years is an example of the right approach. Also, the development of ultra-high speed in the access and metropolitan networks, as user needs and service grow, should become a EU priority and take advantage of the Japanese experience.

(c) Development of solutions and business models

Develop new solutions and new business models based on broadband services, through alliances and collaboration across industries, and promote their implementation through trial services, etc. Equitable risk and revenue sharing models between the actors of the multimedia value chain must be encouraged. Policy makers can greatly help as facilitators by bringing all stakeholders together in continued dialogue on key challenges. IT Basic Strategy II particularly focuses on seven fields that are closely related to the lives of Japanese citizens: medical treatment, food, daily life, finance of small and medium-sized businesses, knowledge, work and labor, administrative services. These are fields in which we can expect substantial benefits from reform. Concretely, IT Basic Strategy II explains the merit of IT utilization as well as the measures of implementation, issues, and evaluation process. In order to maximize the effects of IT utilization, it is necessary to have close coordination between all related ministries. Moreover, by realizing and displaying to the public the full benefits of IT utilization in the aforementioned seven fields, we should aim to eventually expand IT utilization in other fields.

(d) Global expansion of high quality broadband networks and ensuring their interoperability

A seamless, global, high-speed and high quality network environment is necessary to allow the shared use of assets across national borders. Thus, actions are needed to promote the development of a global network architecture that takes openness, interoperability and compatibility of quality requirements into consideration, and also to promote actions towards international standardization. The role of open and interoperable standards in the field of terminal equipment/CPE/set-top-boxes is also key to create critical mass and economies of scale needed to boost broadband services.

(e) Creation of business opportunities through cooperation with communities

When promoting IT utilization, we must consider both the suppliers' and users' perspectives. The achievement of the "society full of intellectual stimulation for individuals" will increase the opportunity for individuals to participate in a variety of communities. Thus, actions are needed to create community-related business opportunities in such a society and support the activities of NPOs and NGOs. The ICT Working Party encourages its members fostering relationships with NGOs and NPOs bringing their expertise to social issues in Japan and across Europe.

(f) Development of new business models through linkage between telecommunications and broadcasting with the appropriate regulatory conditions

The development of new business models through the shared use of metadata for video content in both telecommunications and broadcasting should be promoted. New multimedia services can be fostered through the business models which breakdown traditional sector borders such as between telecommunications and broadcasting. It is important that legal definitions distinguish clearly between traditional broadcasting services and new multimedia services.

As part of the implementation of the WIPO Treaties, appropriate legal frameworks for effective technological protection measures should be adopted and implemented. These legal frameworks should prohibit both the act of circumventing industry agreed technological protection measures and the manufacturing, offering or distribution of circumvention devices, services and products, while providing appropriate exceptions such as those set forth in the EU-Copyright Directive, that would maintain the overall balance between rightsholders, service providers and users. All stakeholders should intensify their search for inter-industry consensus on open and interoperable standards for effective technological protection of content in order to support the supply of demand-oriented media-rich content to foster new forms of consumption. Proper DRM solutions should also be based on open, interoperable and globally harmonized standards to open opportunities for all stakeholders in the digital value chain. Especially, such solutions should be designed in a way that increases the business opportunities for all such stakeholders. One of the clear benefits of technological protection measures is that, when effectively implemented, they can eliminate the need for, and the legitimacy of, copyright levies in those countries where such levies are imposed. The industry supports the rapid development and deployment of effective standard technological measures in order to avoid the proliferation of new copyright that could have a potentially negative impact on economic growth, business investments and global competitiveness and potentially undermine remunerative business models. In this respect, industry supports flexible arrangements between collecting societies and their members to support the introduction of DRMs.

Hence the Japanese government should take appropriate measures to achieve the two targets as set out in the IT Basic Strategy II: (1) If the copyright holder is willing, the government should help create an environment for network distribution of content (content for private broadcasting by 2003 and all content by 2008); (2) The government should promote as far as possible, real time viewing of the most recent Japanese content, especially those that needs to be reported promptly, including broadcast programs, in major cities around the world through broadcasts, cable TV, and the Internet. In order to achieve this, the government must devise measures for the resolution of copyright issues and legal access to Japanese content overseas.

(2) Both the government and private sector should contribute to the successful deployment of broadband.

One necessary pre-condition to unleash the enormous potential of broadband is to curb digital piracy and ensure robust protection of intellectual property rights in the digital environment. This should be achieved through a combination of legislated protection of intellectual property, the establishment of open and interoperable technological protection measures agreed by industry and government regulation to prohibit harmful circumvention related activities. Governments should also provide rightsholders with effective and convenient ways of pursuing copyright enforcement actions in each jurisdiction where infringement occurs.

Furthermore the government should promote policies to develop an environment that facilitates the use of broadband services including giving incentives such as tax breaks to enterprises and consumers using IT and broadband infrastructure, so that the concerted efforts of the two sectors will create synergy.

In implementing Item (1), the private sector should promote the construction and implementation of business models that capitalize on broadband services.

(3) It is necessary to monitor the progress of eJapan/eEurope periodically, and both the government and the private sector should develop and implement actions to accelerate such progress.

Because both technology and markets are subject to dramatic change in an IT society, it is necessary to monitor the progress of eJapan/eEurope periodically, and the government and the private sector should cooperate not only in conventional benchmarking but also in reviewing their action plans from time to time and implementing necessary modifications

(4) It is necessary to establish a competitive environment that stimulates investment in broadband

Much progress can be made in the deployment of broadband infrastructure and services if broadband providers feel secure in making substantial investment in innovative products and services. Establishment of a competitive environment inspired by competition principles and ensuring that a level playing field exists for all markets participants will stimulate investment in broadband infrastructures and services and foster innovation.