

MPHPT

August 12, 2002, Vol. 13, No. 9

Please feel free to use the articles in this publication, with proper credits

COMMUNICATIONS NEWS

Biweekly Newsletter of the Ministry of Public Management, Home Affairs, Posts and Telecommunications, Japan

Report on “Interconnection Rules in the IT Age” Released

Since February 2002, MPHPT has been holding the “Study Group on Interconnection Rules in the IT Age” (Chair: Prof. SAKAI Yoshinori, Graduate School of Science and Engineering, Tokyo Institute of Technology) in order to deliberate upon the opening-up of Operations Support Systems (OSSs) and the relationship between interconnection charges and user charges. After a series of meetings, the study group has compiled its outcomes as a report.

[Steps in the past]

In line with the “Second Report on Desirable Pro-Competitive Policies in the Telecommunications Business Field for Promoting the IT Revolution,” stating that a study group shall be established to investigate the opening up of OSSs and the approach to proper relations between user charges and interconnection charges (released by the Telecommunications Council on February 13, 2002), the number of meetings of the study group totaled to seven since its first meeting held on February 21, 2002.

So as to ensure transparency of its deliberation process, in June 2002, MPHPT made a draft report of the study group open for perusal upon inviting public comments. This report was compiled while paying due respect to such public comments.

[Outline of the report]

I. Opening up of OSSs

1. Matters related to OSSs

With regard to DSL services, OSSs with higher necessity to be opened are as follows:

- 1) Automatic notification system for the conformity confirmation result

Where confirmation of conformity is available through automatic matching, it is adequate to shorten the time period for reply through introduction of an automatic notification system for the conformity confirmation result.

Where confirmation of conformity is not available through automatic matching, it is adequate to shorten the time period for reply through introduction of a function to automatically add information on some services (which cannot be shared; such as off-talk communications, signal monitoring, etc.) to the notification of the conformity confirmation result.

2) Automatic disclosure of subscriber’s names

In cases where a subscriber’s name does not match the name of principal, it is appropriate for NTT East and NTT West to reply by attaching the correct name of said subscriber thereto, so that interconnecting carriers can directly verify identity of said subscriber.

However, in light of protection of proprietary information, NTT East and NTT West shall be required to set forth provisions in their tariffs that information on contractor’s names of telephone services may be disclosed to interconnecting carriers and to conduct public awareness campaigns thereon. (In this case, NTT East and NTT West shall ensure methods for not disclose information on users who explicitly state their will.)

2. Matters related to optical services

With regard to optical services, OSSs with higher necessity to be opened are as follows:

- 1) Disclosure of detailed information

on the schedule of additional interoffice transmission optical line facilities construction

When expansion plans of optical line facilities become clear, it is appropriate that such plans be disclosed with detailed schedules containing data on the month and the year.

CONTENTS

- Report on "Interconnection Rules in the IT Age" Released ----- 1
- Interim Report from the Study Group Concerning Satellite Broadcasting Released ----- 3
- Results of the Second Meeting of "China-Japan-Republic of Korea ICT Working Group at DG Level" and "Japan-China Policy Dialogue on Regulations and Pro-Competitive Policies" ----- 4
- "Study Group on Network-human Interface" Compiles Report ----- 4
- Regular Personnel Changes ----- 5

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/>

- 2) Disclosure of information on the number of interoffice transmission optical circuits to be interconnected in waiting lists

Because such information is useful in responding to users when said users inquired rule-of-thumb dates when circuits are in operation, it is appropriate to disclose the information.

- 3) Disclosure of information on a specific plan such as floor expansion of buildings

With regard to vacancy information on collocation, in addition to information disclosure on the Internet at present, when floor expansion of switch rooms, etc. is underway, it is appropriate to disclose information thereon.

- 4) Disclosure of information on estimated due completion dates for construction work of optical subscriber local loop

NTT East shall construct an intracompany OSS that provides estimated due completion dates for construction work of optical subscriber local loop within designated buildings, areas, etc. for inquiry. Thus, it is appropriate that equivalent information to such data shall be disclosed to interconnecting carriers; however, NTT West is, in response to each inquiry from interconnecting carriers, making available the results of on-site investigations.

- 5) Disclosure of information on progress of construction work of optical subscriber local loop

It is appropriate that NTT East and NTT West shall disclose information under control. (Specific matters of information to be disclosed are to be decided through continuous negotiations between NTT East/NTT West and interconnecting carriers.)

3. Underlying basis for cost sharing

Upon opening up of OSSs, the underlying basis for cost sharing is as follows:

- 1) Principles

The beneficiary-payment principle shall be applied to carriers including

NTT East and NTT.

- 2) Calculation methods for development costs, etc.

Upon construction of systems for opening up OSSs, it is appropriate that NTT East and NTT shall disclose information on methods for selecting system developers and for calculating development costs, etc. to relevant parties.

[Price squeeze]

II. Desirable relations between interconnection charges and end user fees

1. Case studies in foreign countries

- 1) Imputation rules in the U.S.

The imputation rules stipulate that that total charges per basket of unbundled network elements shall not exceed the service charges as provided through use of the basket of unbundled network elements in question.

- 2) Stack tests in the U.K.

Oftel (the Office of Telecommunication of the U.K.) imposes ex-ante non-discrimination tests, stack tests, on BT (British Telecommunication plc) for avoiding hindrance of competition by setting a predatory pricing toward opponent carriers.

-- New tariffs > 1. retail costs + 2. interconnection charges --

2. Deliberations at the study group

- 1) Necessity of verification

With regard to interconnection charges, at present, the costs for interconnection are calculated by actual cost methods based on interconnection accounting results and a long-run incremental cost (LRIC) method based on an LRIC model. The actual cost methods are based, however, many different methods of calculation, for example, calculation from accounting results of the previous business year, calculation through forecasts of demands and costs during a given period of time in the future, etc. Furthermore, upon calculation of costs, the cost is allocated in accor-

dance with accounting assumptions or premises.

As shown above, there is no single just method for reasonably calculating the costs. Thus, it is recommendable that verification from various viewpoints would lead to fairer methods for calculating interconnection charges.

- 2) Object services

It is appropriate that verification shall be conducted in accordance with an order of priority based on analysis by market on progress of competition and possibility of unfair price setting. Accordingly, it is appropriate that object services of verification upon authorization of interconnection charges include, in particular, Internet-related services such as DSL services, etc. among leased and data services.

- 3) Unit to be verified

It is appropriate that NTT East and NTT West shall continue to conduct verifications to date. As for verifications upon authorization of interconnection charges in the days ahead, those verifications shall be conducted in line with more detailed service-by-service units.

- 4) Timing of verification

In order to make cost calculation fairer, it is appropriate that, upon authorization of interconnection charges, verifications on relationships with end-user fees shall be conducted.

- 5) Methods for verification

It is appropriate that verifications on whether operating costs of NTT East and NTT West are appropriate shall be conducted on a service-by-service basis.

- 6) Assessment for verification results

When implementing verifications, there is a need to consider the status of price competition in the market in question and trends in market shares. Upon compensating for variation in the verification, it is not a realistic idea to impose an obligation to raise end-user charges that directly affect consumers. Thus, it is appropriate that interconnection charges shall, in principle, be lowered.

Interim Report from the “Study Group Concerning Satellite Broadcasting” Released

On July 19, 2002, an interim report was compiled at the sixth meeting of the “Study Group Concerning Satellite Broadcasting” (Chair: Mr. TAGAYA Kazuteru, Vice-President for Education, Chiba University) that was established in March 2002 for deliberating on future directions of satellite broadcasting as well as how to diffuse satellite broadcasting services in the immediate future. Upon reception of the interim report, MPHPT released this report to the public. The study group will continue to study related matters based upon the interim report, then compile its findings as a final report in around December 2002.

In this interim report, the following four points are compiled taking into consideration new circumstances surrounding Japan’s satellite broadcasting that are

brought about by the commencement of BS (broadcasting satellite) digital broadcasting and the 110 degrees east longitude CS digital broadcasting, and the enforcement of the Law Concerning Broadcast on Telecommunications Service:

- i) Status of satellite broadcasting as mass media and the direction of its development;
- ii) Desirable promotion methods of satellite broadcasting as a whole;
- iii) Desirable promotion methods of BS digital broadcasting; and
- iv) Desirable promotion methods of CS digital broadcasting.

For details refer to the Japanese web site:

http://www.soumu.go.jp/s-news/2002/020719_2.html

to operate satellites on a stable basis, it is necessary to study desirable back-up systems, etc. concerning the 110 degrees east longitude CS digital broadcasting.

- v) Desirable methods for providing content: It is effective to utilize killer content, etc. It is also advisable that a copyright protection system be introduced through methods for copy control, etc.

Other tasks: It is vital to cope with crosscutting problems in response to environmental issues, an ongoing aging society and internationalization.

3. Desirable promotion methods of BS digital broadcasting

- i) Assessment on the progress of diffusion and desirable methods thereof hereafter: There is a need to improve services including content, lower receiver/tuner prices and promote awareness campaigns. Furthermore, showing incomparable advantages of the Hi-Vision broadcasting is needed. It is vital for stakeholders to take coordinated measures for raising public awareness.
- ii) Desirable BS analog broadcasting in the future: With regard to the desirable termination of BS analog broadcasting and trends in the sense of viewers/listeners, it is vital that, taking into consideration the desirable future satellite broadcasting as a whole, after obtaining a conclusion based upon deliberations thereon, the Japanese nationals shall be informed of relevant measures to be taken.
- iii) Desirable principle of excluding multiple ownership of mass media in the future: Relaxation of the principle of excluding multiple ownership of mass media shall be taken into consideration in order to prepare an environment under which killer and popular content can be provided.

Desirable provisioning of services: The transmission capacity shall be changed flexibly according to formats and content of broadcast pro-

Interim Report of the “Study Group Concerning Satellite Broadcasting” (Summary)

1. Status of satellite broadcasting as mass media and the direction of its development

- i) Status of satellite broadcasting as mass media: Satellite broadcasting has different roles from those of terrestrial broadcasting to some extent. Its relationship with cable TV includes tie-ups and competition simultaneously. Satellite broadcasting and broadband media can yield synergy.
- ii) Status of each satellite broadcasting: It is necessary to widen the scope of regulatory frameworks for facilitating operations of satellite broadcasting. Integrated tuners for receiving both the 110 degrees east longitude CS digital broadcasting/BS digital broadcasting shall be classified as one category.

Direction of its development: Common recognition that all broadcasting media will, basically, be digitalized was established. The most essential task is to diffuse digital broadcasting

in the field of satellite broadcasting.

2. Desirable promotion methods of satellite broadcasting as a whole

- i) Desirable methods for providing services: The most basic service is to provide acceptable service for viewers/listeners. To this end, it is vital to air high-quality content, etc. and smoothly offer new services.
- ii) Desirable receivers and reception environment: It is essential to lower receiver/tuner prices and receivers/tuners contributing to diffusion of digital broadcasting. Furthermore, a reception environment surrounding condominiums, etc. shall be improved.
- iii) Desirable public relations activities for viewers/listeners: It is anticipated that each broadcasters will make its compliance program public and relevant organizations shall provide viewers/listeners with correct and adequate information, etc.
- iv) Desirable satellite operations: So as

gramming, so that advantages of digital broadcasting can be utilize to the fullest while combined and multifaceted services can be provided.

4. Desirable promotion methods of CS digital broadcasting

i) Assessment on the progress of diffusion and desirable methods thereof hereafter: It is necessary to elaborately meet needs of viewers/listeners, improve/increase diversified broadcast programming incorporating advantages of digital broadcast-

ing and enhance picture quality through use of broadband suitable for each broadcast program. In addition, it is essential to promote diffusion of the 110 degrees east longitude CS satellite broadcasting and expand the paid video distribution market as a whole.

ii) Desirable provisioning of services: Services utilizing advantages of digital broadcasting as far as possible are anticipated to be operational, thus, with respect to the 110 degrees east

longitude CS satellite broadcasting, the flexible review of regulatory frameworks is recommended.

Desirable business operations in CS digital broadcasting: It is necessary for each broadcaster to deliberate on their roles to play including operations of platforms. In addition, collaboration and cooperation among relevant broadcasters shall be considered.

“Study Group on Network-human Interface” Compiles Report

Human-network Inter-relationship -- Toward Prodigiously User-friendly, Highly Satisfactory and Exciting Networked Society

With the advent of a society where information and communications networks surrounding people are expanding and IT is used by anyone anywhere at anytime, there is a need for viewpoints concerning what kind of information and communications networks are required by consumers.

To this end, MPHPT has been holding the “Study Group on Network-human Interface” (Chair: Prof. HARASHIMA Hiroshi, Interfaculty Initiative in Information Studies and Graduate School of Interdisciplinary Information Studies, the University of Tokyo) since March 2002 in order to study the desirable next-generation “network-human interface” which enables people to enjoy the benefits of IT. The study group compiled its outcomes as a report.

Taking into consideration future usage/images of information and communications networks based on the viewpoints above, this report sees objectives and functions of network-human interface as:

- Realization of free and comfortable daily-lives supported by information and communications networks (realization of a networked society in which ordinary people can enjoy the benefits of easy-to-use networks);
- Free from surrounding dangers and anxieties (realization of a networked society in which anyone can enjoy the benefits of networks without fear); and
- Creation of new ways of enjoyment through information and communications networks (realization of a

networked society in which everybody can enjoy the benefits of exciting networks).

The report proposes promotion measures, including interdisciplinary R&D on network-human interface by gathering experts in diversified fields and verification experiments with public involvement (in particular the residents), toward the realization of network-human interfaces.

MPHPT will, paying due respect to the report, promote measures for realizing the advanced information and telecommunications network society at an early stage, under which the Japanese nationals can fully enjoy the benefits of IT in a true sense.

Results of the Second Meeting of “China-Japan-Republic of Korea ICT Working Group at DG Level” and “Japan-China Policy Dialogue on Regulations and Pro-Competitive Policies”

I. Second Meeting of “China-Japan-Republic of Korea ICT Working Group at DG Level”

This ICT Working Group was estab-

lished in response to a proposal made by Mr. Zhu Rongji, Premier of the State Council of the PRC at the ASEAN+3 Summit Meeting held in November

2000. Its first meeting was held in Okayama Prefecture, Japan in September 2001. This time, the second meeting of the group, was held in Kunming,

China, for two days from July 23 to 24, 2002, with participation of representatives from Japanese government, the Communications Research Laboratory, telecommunications carriers and communications equipment manufacturers.

The outline of the meeting is as follows:

1. Participants (government officials)

Japan: (MPHPT) Mr. NABEKURA Shinichi, Director-General, Telecommunications Bureau; Mr. TANAKA, Director, International Cooperation Division; Mr. FURUICHI, Senior Advisor, Telecommunications Policy Division; and others

(METI) Mr. YOSHIKAI, Deputy Director-General, Commerce and Information Policy Bureau; and others

(MOFA) Regional Policy Division, Asian and Oceanian Affairs Bureau

China: Ministry of Information Industry (MII): Mr. Qu, Deputy Director-General, Department of Foreign Affairs; Mr. Chen, Deputy Director-General, Telecommunications Administration Bureau; and others

Korea: Ministry of Information and Communication of Korea (MIC): Mr. Yang, Director-General, International Cooperation; Mr. Jeong, Director, Mobile Telecom Export Assistance Team; and others

2. Matters discussed

The Japanese, Chinese and Korean sides introduced their policies and exchanged opinions on the following matters:

- i) Regulatory policies
- ii) Foreign investment control
- iii) e-commerce/e-government
- iv) The next-generation Internet (IPv6) and broadband Internet
- v) The third-generation mobile communications (3G)

- vi) Information and network security
- vii) Support for e-ASEAN Initiative

Based upon deliberations at the opinion exchange session, the three countries agreed to proceed with concrete trilateral cooperation by setting up the following five sub-groups under the ICT Working Group:

- i) Regulatory policies
- ii) The next-generation Internet (IPv6) and broadband Internet
- iii) The third-generation mobile communications (3G)
- iv) Information and network security
- v) Support for e-ASEAN Initiative

Then, the three delegates recognized that concerted efforts to hold a China-Japan-Republic of Korea information and telecommunications ministers meeting be made.

3. Future schedule

From now on, the three decided to i) appoint a liaison officer for each subgroup from the three countries, ii) promote cooperative activities, and iii) report the results of i) and ii) to the next ICT Working Group.

4. Next ICT Working Group

An agreement was reached to hold the third ICT Working Group in the Republic of Korea in 2003.

II. Japan-China Telecommunications Policy Dialogue on Regulations and Pro-Competitive Policies (Director-General Level)

In line with the "Japan-China ICT partnership" as concluded at the Japan-China ICT Ministers' meeting held in January 2002, following the Japan-China Telecommunications Policy Dialogue by visits of officials of the Chinese Ministry of Information Industry (MII) in March and May 2002, the Policy Dialogue at Director-General level was held

on July 25, 2002, in Beijing, China in order to promote cooperation in the field of regulations and pro-competitive policies.

1. Participants

Japan: (MPHPT) Mr. NABEKURA Shinichi, Director-General, Telecommunications Bureau; Mr. TANAKA, Director, International Cooperation Division; Mr. FURUICHI, Senior Advisor, Telecommunications Policy Division; and others

China: Ministry of Information Industry (MII): Mr. Qu, Deputy Director-General, Department of Foreign Affairs; Mr. So, Director-General, Telecommunications Administration Bureau; and others

2. Matters discussed

The Japanese and Chinese sides introduced their pro-competitive policies and exchanged opinions. The Japanese side explained the draft report of the Telecommunications Council containing the review of business classifications as new efforts. The Chinese side introduced pro-competitive policies taken after the break-up of China Telecom, support measures for telecommunications users, etc.

With regard to regulations and pro-competitive policies, the Japanese side conveyed requests from Japanese companies to the Chinese party, including publication of a manual for entry into the Chinese telecommunications business, advancement of implementation of Chinese commitments at WTO, relaxation of the ratio of foreign investment control.

3. Future cooperation

The both parties agreed to continue to promote the Policy Dialogue on Regulations and Pro-Competitive Policies by government officials.

Regular Personnel Changes

On August 2, 2002, regular personnel changes were made. In relation to the information and communications field, the following persons assumed new posts:

- Deputy Director-General of the Information and Communications Policy Bureau, concurrently Director-General of Commission's Secretariat, Telecommunications Business Dispute Settlement Commission: TAKECHI Kenji
- Counselor of the Minister's Secretariat: TERASAKI Akira
- Director-General of the International Affairs Department, Telecommunications Bureau: MORI Kiyoshi