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Council Report

Current Condition and Issues Regarding Terrestrial Digital Broadcasting

Introduction

MIC's Information and Communications Council, having received on January 28, 2004 an inquiry concerning appropriate usage of terrestrial digital broadcasting in future and the role of administration in its penetration (inquiry No.8), conducted discussions and investigations ahead of the complete changeover to terrestrial broadcasting in 2011, and submitted its 4th interim report to the MIC minister on August 2, 2007.

The text which follows looks at the current conditions and issues regarding digital terrestrial broadcasting, based on the contents of the 4th interim report.

Main Points of 4th Interim Report from Information and Communications Council

General Overview

It is important in the general overview to have shared awareness of current conditions. Consistent results have already been seen in increasing awareness of digital broadcasting and the increase in shipment volumes for receivers and it is necessary, taking these conditions into consideration, to be aware of even more in-depth shared issues over the three years that remain in the final step of the complete shift to digital broadcasting, in aiming for a complete migration to digital technology.

With regard to the significance of the shift to digital technology, there has been mention of further building up the understanding of the viewing public. It is a fact that many people ask why it is they have to throw away the analog televisions they are watching, and further information will be disseminated to make them aware of the significance of the shift to digital technology, such as the efficient use of frequencies. For example, there is the fact that by making use of the frequencies that have been freed up through the shift to digital technology, it will become possible to have broadcasts other than to televisions, such as multimedia broadcasts to mobile devices, and it will be possible to put in place independent communications that are possible through broadband communications, to bring about a safe and secure society. They can be also expected to be used for emergency services radio, and disaster prevention radio. In addition, it will be possible to sort the frequencies that will open up into various service demand areas such as "telecommunication" including mobile phones and "intelligent transport systems (ITS)." It is important for people to understand that the frequencies that are being freed up by the shift to digital technology will be used to the advantage of society, as shared resources that belong to all the people.

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Issues on the Broadcasting Side (installation of relay stations)

We would like to ask broadcast operators to continue to offer coverage of 100% of what it was in analog times through their own efforts. The state has put in place support measures with regard to taxation and financing, and we would ask that these be put to good use.

In addition, with regard to a roadmap for relay stations, the proposal was that this should be revised by March 2008. In the areas that require the installation of relay stations, there are a number of places that are shown to be difficult to manage through broadcast operators sole efforts and are marked as "under investigation" in the roadmap. Also, there are some locations that are attempting to cover areas which are covered by analog broadcasting relay stations by using CATV or shared viewing facilities as an alternative to the installation of relay stations, and there is a need to revise the roadmaps with more detailed contents with regard to these.

Issues on the Broadcasting Side (supplementary measures)

It is likely that even though the installation of a terrestrial broadcasting environment will move forward as much as possible, there will be some areas with unfavorable conditions due to reasons such as the characteristics of the frequencies. It has been proposed that the state and broadcast operators address this issue by investigating supplementary measures using satellites. The report positions the adoption of this type of method as an interim measure. The use of such measures with satellites is positioned as a stop-gap solution because broadcast operators must not lose their basic positioning which is that is the duty, for Japanese broadcasting, in

particular for terrestrial commercial broadcasting, to carry out their broadcasting business in each administrative area for the people of that area. There is a major basic premise that even after the ending of analog broadcasting in 2011, they will provide broadcasts through their terrestrial network and make efforts to reach the whole of Japan with their signals.

Issues on the Viewing Side (penetration of receivers and increase of their user-friendliness)

The issues on the viewer side are recognized to be the penetration of receivers and an increase in their user-friendliness. The report states it is necessary that tuners with the most basic functions for receiving digital broadcasts be made available on the market quickly and cheaply. This ties in with the increase in options for viewers along with the shift to digital technology as well as a reduction in their burden, and the process for limiting the disposal of existing analog TVs, also tying in with reducing the impact on the environment. However, even if this type of simple and cheap tuner appears, there are cases where antenna or booster adjustment, or installation work indoors may be necessary, so the report points to the necessity of providing viewers with correct information.

As a basic policy, the purchase of receivers befalls to the viewers but it is suggested that assistance be provided to those who, for economic reasons, cannot afford the purchase of a digital receiver. With regard to this matter, the report asks that the state should investigate and announce a concrete support plan by the summer of 2008.

Issues on the Viewing Side (refurbishment of shared viewing facilities, etc.)

Points to consider in order for the refurbishment of shared viewing facilities to proceed smoothly include the leveling of refurbishment periods and management of the work system. For the refurbishment of remote area shared viewing facilities, putting together a concrete system and refurbishment operations in the area are being encouraged. At present, each of the bureaus of telecommunications are in the process of explaining things to the municipalities and those in charge of facilities, in coordination with prefectures, so as to build up understanding of the necessity of concrete refurbishment among those in charge of facilities.

The same kind of approach is also being promoted with regard to collective housing such as shared viewing apartment buildings in urban areas with reception difficulties, so that they can handle digital technology in the same way as remote area shared viewing facilities.

Issues Related to the Ending of Analog Broadcasts

Up until now, MIC has been the principal government agency that has promoted terrestrial digital broadcasting, but from the point of view of the growing number of subjects in which other agencies are involved, there should be a move towards a concerted approach from the government as a whole.

In addition, as steps are taken in the future by viewers to receive terrestrial digital broadcasts, presenting a concrete plan to handle the ending of analog broadcasts will serve as important information for viewers. Therefore, the state and broadcast operators should investigate and put together a plan to be announced by the summer of 2008.

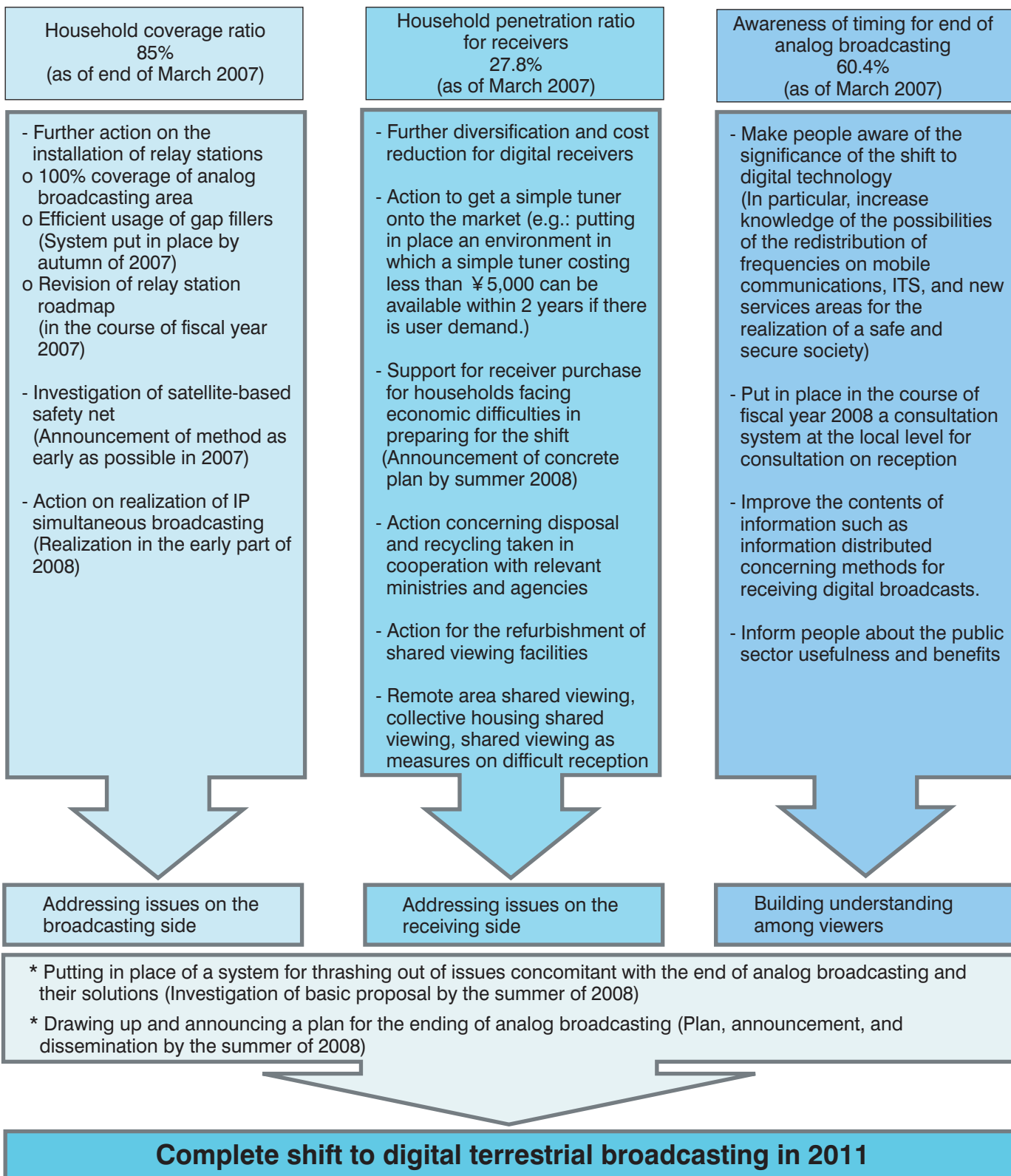
Actions Such as Setting Up of General Headquarters for Digital Terrestrial Broadcasting

As we have entered the final stage in the shift to digital terrestrial broadcasting, MIC set up on September 6, 2007, the General Headquarters for Digital Terrestrial

Broadcasting. The organization of these headquarters is in the hands of MIC as well as the various bureaus of telecommunications. A system is now in place so that, from now on, MIC, the General Headquarters, regional public bodies, retailers, receiver manufacturers, broadcast

operators, and nationwide councils will work together to promote the complete shift to digital terrestrial broadcasting. In addition, the Inter-Ministerial Liaison Conference for the Completion of the Shift to Digital Terrestrial Broadcasting was also established in the Cabinet Office on September 26.

Main Points of 4th Interim Report from Information and Communications Council



TOPICS

Revision of "New Competition Promotion Program 2010"

Introduction

The "New Competition Promotion Program 2010" is a roadmap for putting in place public competition rules to be implemented by the beginning of the 2010s in the telecommunications field. It was formulated on September 19, 2006 and positioned as a concrete implementation plan for the "Process Program for the Reform of the Communications and Broadcasting Field" (announced on September 1, 2006), which had been formulated taking into consideration the "Agreement of the Government and the Ruling Parties Concerning the Framework of Communications and Broadcasting" (June 20, 2006).

A year has passed since this program was formulated and, from the point of view of maintaining transparency in policies, MIC revised this program in order to address appropriately the rapid changes in market environment, along with compiling a progress report showing how this program has advanced during this year.

Major Measures to Follow the Revised New Competition Promotion Program 2010

The program following the revisions will be made up of ten principal pillars (promotion of facility based competition, review of designated telecommunications facilities system (dominant regulations), review of calculation method for interconnection charges of NTT East/West, competition promotion in the mobile communications market, development of environments intended for implementation of IP-enabled communication terminals, review of tariff policies, review of universal service system,

development of environments intended to ensure network neutrality, strengthening dispute settlement functions, enhancing consumer protection measures). The major measures are explained below.

(1) Proper applications of competition safeguard system

In the transition of network structures from PSTN to IP-based networks and advances in market integration, a review shall be required concerning the application of dominant regulations by accurately reflecting the actual status of the markets. For this reason, MIC shall strive to steadily implement the competition safeguard system which was placed in force from fiscal year 2007, with an aim to annually verify the validity of the scope of designated telecommunications facilities and accumulated fair competition requirements concerning the NTT group, including the platform functions (such as authentication and billing, and QoS control), based on the "Guidelines for Applications of Competition Safeguard System" (released in April 2007) and the like, and compiled 2007 annual results from the periodical verifications in the same year.

(2) Review of designated telecommunications facilities system (dominant regulations)

With regard to the designated telecommunications facilities system (dominant regulations), based on the move toward market integration along with transition to IP-based networks, a comprehensive review of the system is undertaken from the viewpoint of promoting the appropriate application of the

dominant regulations, to produce a concrete conclusion in the course of 2008.

(3) Establishment of interconnection rules concerning the next-generation networks (NGNs) of NTT East/West

In light of the fact that NTT East and NTT West launched full-fledged commercial services using NGNs in the second half of fiscal year 2007, MIC drew a conclusion in fiscal year 2007, as to how the interconnection rules applicable to NTT East and NTT West should be regarding NGNs through deliberations in the Information and Communications Council. Subsequently, it shall promptly carry out required system development efforts based on the conclusion in order to secure environments, where competitive carriers can provide their services without delay by using the NGNs. Furthermore, an inquiry was submitted to the council on October 26, 2007 concerning a framework for interconnection rules, and is currently being investigated.

(4) Review of accounting system

Amid the transition of network and market structures, reviews of accounting systems shall be required in order to address such a transition of the environment. For this reason, MIC conducted reviews and the like on the service classifications in the telecommunication business accounting as well as the facility classifications, cost allocation methods, and depreciation costs in the interconnection accounting. It did so based on the report from the "Study Group on Accounting System in Telecommunications Business" (released in October

2007), and took actions such as amending the telecommunication business accounting rule in fiscal year 2007.

(5) Review of calculation method for interconnection charges of NTT East/West

Regarding reviews on the calculation methods for interconnection charges for fiscal year 2011 and onward, and taking into consideration the state of migration from PSTN to IP networks, MIC shall also reexamine interconnection charge calculation methods that are possible candidates for the review above and draw a definite conclusion on the matter within fiscal year 2009. On that occasion, MIC shall pay due attention to consistency between the calculation methods to be reviewed and the nature of the universal service system.

(6) Review of calculation method for interconnection charges for fiber optic networks

The interconnection charge for optical fiber is currently calculated by the forward looking cost method, in which seven years (from fiscal year 2001 to fiscal year 2007) are used as the calculation period. As for the review of the calculation method, basically, a specific study shall not take place until the submission of an application to MIC by NTT East/West.

(7) Competition promotion in the mobile communications market (steady implementation of the "Mobile Business Revitalization Plan")

From the viewpoint of developing an "open mobile business environment" that stimulates the emergence of a wide variety of business models in the mobile business market to further revitalize the market, MIC shall steadily carry out the "Mobile Business Revitalization Plan" (released in September 2007) that includes

three main measures: Review of marketing models in the mobile business, promotion of new entry into the market by MVNO, and promotion of developing market environments towards revitalization of the mobile business.

(8) Development of environments intended for implementation of IP-enabled communication terminals (review on technical standards and authentication systems for communication terminals)

From the viewpoint of attempting to improve international competitiveness of the entire ICT industry in Japan as well as promptly achieving an ubiquitous network that ensures openness, providing a healthy competitive environment in the communication market through development and standardization of products ahead of the rest of the world, MIC shall make efforts to develop required environments based on the "Study Group on Communications Terminals in the IP Era" report (released in August 2007). MIC shall both streamline the system in 2008 regarding technical standards for rapidly diversifying communication terminals to address IP-enablement approaches, if required, and draw a definite conclusion on the administration of authentication systems for the communication terminals based on the results from consideration of the technical standards in 2008.

(9) Review of universal service system to address IP-enablement approaches

It is necessary to strive to gradually review the universal service system, which ensures fixed telephone services, a type of telecommunication services indispensable for people's lives, are provided to every part of Japan amid drastic changes in the market situation indicated by facts such as

broadband penetration. To achieve this end, MIC not only compiled the "Study Group on Future Images of Universal Service Fund System" report in 2007, but also asked the Information and Communications Council to review, based on this report, universal service systems that address IP-enablement approaches in April 2008 and shall draw a definite conclusion through deliberations in the Council within 2008.

(10) Formulation of guideline on packet shaping (targeted for spring 2008)

As the "Conference for Considering Guideline on Operating Standard for Packet Shaping Policy," established in September 2007 by four organizations related to telecommunication business (Japan Internet Providers Association, Telecommunication Carriers Association, Telecom Service Association, and Japan Cable and Telecommunications Association) to develop a guideline on operating standards for packet shaping to address growth in network traffic and ensure bandwidth for general users, will develop the guideline, MIC shall pay attention and provide assistance to considerations in the Conference. (MIC participates in the Conference as an observer.)

(11) Consideration of how network neutrality and competition models should be

Regarding consideration of how network neutrality and competition models should be, while network structures and market environments are changing drastically in front of us, MIC established a new venue for consideration in fiscal year 2007 and summarized a wide range of medium-term policy issues related to how network neutrality and the competition model should be, such as the appearance of business models with earnings models that

differ from the existing ones, effects on the competition environment from increasing borderlessness driven by the Internet and the nature of the Internet governance related to it, and the direction of business expansion in local regions by entities such as ISPs and CATV operators, and shall draw a definite conclusion, with 2008 as the approximate due date.

(12) Consideration towards enhancing platform collaboration

Regarding consideration towards enhancing platform collaboration, from the viewpoint of attempting to make platform functions such as authentication and billing, QoS control, and digital copyright management work together regardless of whether communications are fixed or mobile to promote the creation of new businesses, MIC established a new venue for considering the usage of the platform functions including user IDs, etc. and other matters in fiscal year 2007 and shall compile consideration results, with 2008 as the approximate due date.

(13) Enhancing consumer protection measures

Amid the diversification of prices

and services due to the progress of broadband market deployment and IP-enablement, the penetration of business models in which multi-stake holders are involved, and the like, MIC established a new venue in fiscal year 2007 for considering specific measures intended to enhance consumer protection measures to address drastic market environment changes and shall compile the consideration results, with 2008 as the approximate due date.

Regarding the market withdrawal rules for telecommunication carriers, MIC shall strive to properly implement the "Guideline Concerning Protection of Account Receivables Pertaining to Interconnection, Etc. between Telecommunications Carriers" (released December 2006) as the safeguard system concerning market withdrawal. Additionally, it will strive to translate into reality the user protection measures related to telecommunication carriers' withdrawal from markets when considering the issues in the place described above.

New Competition Promotion Program 2010 Progress Report (Primary)

This progress report is a compilation of the state of progress of this program as of October 23, 2007.

Following the formulation of the "New Competition Promotion Program 2010," MIC took into consideration the report from the Information and Communications Council on "the development of the interconnection rules pertaining to the revision, etc. of the collocation rules," and took the necessary measures. In addition, it held the meetings of the likes of the Study Group on Mobile Business, the Study Group on Network Neutrality, the Study Group on Future Images of Universal Service Fund System, and the Study Group on Accounting System in Telecommunications Business, conducted concrete investigation on each subject, and moved rapidly to implementation as conclusions were reached.

MIC will move to implement steadily the various types of measures based on the "New Competition Promotion Program 2010" so as to move towards putting in place fair competition rules that will be enforced by the early years of the 2010s in the telecommunications business field.

Major Measures in the New Competition Promotion Program (Revised)

