

Summary of Minutes of the 82nd Interconnection Committee Meeting

Date and time: Friday, September 22, 2006 16:00 - 17:20

Location: Conference Room 901, MIC

Attendees: Interconnection Committee - Mr. Toukai, Committee Chair; Mr. Sakai, Deputy Chair; Mr. Aida, committee member; Mr. Sato, committee member

MIC - Mr. Sakurai, Director General; Mr. Taniwaki, Director; Mr. Ninomiya, Senior Planning Officer; Mr. Katagiri, Deputy Director; Mr. Yokote, Deputy Director; Secretary

【Summary of Agenda Items】

1. Authorization of changes to interconnection tariffs concerning Category 1 designated telecommunications facilities of NTT East and NTT West (addition of new maintenance menu pertaining to leased circuits, etc.)

- MIC explained the outline of the proposed changes to interconnection tariffs and the draft report to the Telecommunications Business Division of the Information and Communications Council. Deliberations followed.
- As a result, the draft report was approved for submission to the Telecommunications Business Division without change.

2. Authorization of changes to interconnection tariffs concerning Category 1 designated telecommunications facilities of NTT East and NTT West (offering functions for interconnection services for directory assistance)

- MIC explained the outline of the proposed changes to interconnection tariffs and the draft report to the Telecommunications Business Division of the Information and Communications Council. Deliberations followed.
- As a result, the committee deliberated on the draft report and agreed to incorporate what had been discussed into it and report it to the Telecommunications Business Division as the deliberation results of this committee. Then, the committee decided to leave what would be included in the draft report or others concerning it to the discretion of Mr. Toukai, Committee Chair.

Mr. Sato, committee member: I would like MIC to explain in more detail why NTT must similarly change the DSL line sharing maintenance menu when they change a

maintenance menu for their subscriber telephony.

MIC: The interconnection charge for DSL line sharing includes the cost of additional MDF. Even if an additional MDF fails, telephones connected to the MDF themselves will malfunction. For this reason, repairing a faulty telephone will amount to repairing its corresponding additional MDF.

Mr. Sato, committee member: Have they conducted repair work on telephones on Saturdays and Sundays in the past?

MIC: We heard that basically, NTT has not conducted any repair work on Saturdays and Sundays.

Mr. Sato, committee member: Then, this review of the current maintenance menus will improve services for telephone users. Will NTT East and NTT West ask their users to share the cost burden?

MIC: As we understand, they will not ask users to share any additional burden.

Mr. Sakai, Deputy Chair: Can we assume that NTT East and NTT West concluded that it was not right to enable users to select individual maintenance menus because of the substantial cost?

MIC: That is right.

Mr. Sato, committee member: Regarding the coefficient (= 1.02) used for the calculation of interconnection charges, NTT East and NTT West used the ratio of Mean Time to Repair. I would like MIC to give us the original unit.

MIC: It is originally time (minutes) for the actual repair work.

Mr. Sato, committee member: Have they not performed any maintenance work on Saturdays and Sundays in the past?

MIC: They calculated the Mean Time to Repair by conducting 100% inspections on their leased lines.

Mr. Sato, committee member: Do they try to apply the MTTR for leased lines to that for the public network?

MIC: In the calculation of MTTR, they tentatively used the performance record on the leased lines because they did not have any performance record on their public networks. As they decided that they would fully settle any conflicting results when they have collected actual data of MTTR on the public networks, MIC believes their way of handling the matter is appropriate. Note that the council stated its point of view in the draft report, indicating that data should be treated equally when actual MTTR values are calculated.

Mr. Sato, committee member: If the additional maintenance menu for Saturdays and Sundays is added, the average time for repairs will be longer. Does that mean a service man or men will take longer to get to a site because they are staying somewhere?

MIC: That is correct.

Mr. Sato, committee member: If NTT East and NTT West provide repair work on Saturdays and Sundays in future, do they take appropriate measures to prevent this situation, such as changing the current duty rosters on those days?

MIC: Since they are completely changing the maintenance system for daytime slots for weekdays to the one for daytime slots for seven days a week, we expect them to change the current maintenance system to the best shift in line with the change of maintenance

menus.

Mr. Sato, committee member: I think they do not mean to set a higher unit cost for repair work because of Saturdays and Sundays, but they mean to keep the unit cost constant and create more time for maintenance work.

MIC: That is correct.

Mr. Toukai, Committee Chair: I assume that Point of View 3 states that it may be possible for NTT East and NTT West not to raise user charges. Opinion 3, however, includes the implication that they may want us to differentiate charges for DSL line sharing from other interconnection charges. Consequently, I think that MIC should first state what MIC thinks about this point in the point of view and then write a specific way to clarify the relations between interconnection charges and user rates. What do you think of my opinion?

MIC: As we stated our opinions about the issue in Point of View 2, we omitted it in Point of View 3.

Mr. Toukai, Committee Chair: If that is the case, I would like MIC to add a statement to the effect that what makes any selections impossible in DSL line sharing has been already described in Point of View 2.

MIC: Understood.

Mr. Sakai, Deputy Chair: We could imagine some may argue like this. An additional cost may be only 1 to 2 yen for subscriber and public telephones, but are users convinced the maintenance menu will shift to daytime slots for a full week, which will cost more? If the user charges are kept the same, however, it would be possible to believe that users may not be convinced.

MIC: They now assume a coefficient of 1.02 for MTTR. This absolutely presupposes the current maintenance system. If they change to a new maintenance system based on the seven-day daytime maintenance service, the coefficient may be lower.

Mr. Sato, committee member: If that is the case, the change will have only a small effect. However, NTT should not directly turn a raise of one yen to a burden of interconnecting telecommunications carriers, but they should make a little more effort to manage to reduce their basic rates by one yen and eventually keep the interconnection charges generally the same and improve their services. I think that would be one of the opinions.

MIC: We mention what the member has just said in Point of View 8.

Mr. Toukai, Committee Chair: Then, MIC will inform the Telecommunications Business Division that it is appropriate to approve these applications as described in the draft report.

2. Authorization of changes to interconnection tariffs concerning Category 1 designated telecommunications facilities of NTT East and NTT West (offering functions for interconnection services for directory assistance)

Mr. Aida, committee member: I have a question about the Overview figure in page 8 about the outline of the applications. How does the Guidance work and how do we operate the buttons in the real situation?

MIC: Let us explain based on information provided by NTT East and NTT West. First, a user will be informed of the number that the user inquired about with an automatic voice response like the current directory assistance service. Then, an audio guidance message will be played to prompt the user to push buttons if he wants to make a call at the number. When the user pushes the number, the call will be transferred. In addition, directory assistance services for visually-impaired persons, for example, will be provided not with automatic voice messages but with an operator.

Mr. Aida, committee member: I am concerned if guidance messages can make users familiar with the fact that their calls will be connected to a network of NTT Communications. A user who uses the My Line service usually receives a telephone bill from a particular long-distance telephone carrier, but when he uses this service, they will receive a bill from NTT Communications because the call is connected to the NTT Communications network. I think it would be wrong if NTT East and NTT West do not clearly tell their users that this service will be connected to NTT Communications through a guidance message.

MIC: We think it is a matter of a user tariff rather than an interconnection tariff. We prefer that service providers do their best to prevent their customers from entertaining doubts and misunderstandings.

Mr. Aida, committee member: I think that this committee is the place where interconnection charges are deliberated and its agenda does not include discussions to decide whether or not it should approve the applications per se from NTT East and NTT West to provide such a service.

MIC: Understood as the member just pointed out.

Mr. Aida, committee member: They say it will cost them 3 billion yen to provide an option of letting users select a relay to one of the My Line carriers, but I think it is possible for users to select carriers other than NTT Communications using button operations or by other methods. The outline of the applications states quite definitely that users may select My Line carriers only when they make a call from a direct type of fixed telephone systems. I hope that users can select an option to relay to other carriers with a more simple method. I feel a little uncomfortable that a call is automatically connected to NTT Communications.

MIC: As we understand it from explanations by NTT East and NTT West, if they build a mechanism that enables them to set up a relay carrier other than NTT Communications for each calling carrier before calls are originated from the carrier and provide this service, they can do it with an additional cost of about 200 million yen. It would cost them 3 billion yen to let users use the My Line mechanism. It seems difficult to provide the service through the method you just mentioned at a low cost.

Mr. Sato, committee member: This matter includes the following three issues: Issue One is related to a pro-competitive policy. For example, after a user receives a directory service from an operator and a call will be transferred to a relay carrier.

Doesn't the process include an issue in terms of competition? Issue Two is that the possibility of a bottleneck, including the possibility of whether or not operator services can be provided by other carriers. Issue Three concerns whether the function in question is a basic function or an additional function. And, I feel uncomfortable about the wording in the applications that absolutely takes for granted that it will cost them 3 billion yen. Although there may be some other technical methods to provide the service or they could reduce costs further, what makes me worried is that we cannot discuss such possibilities. And, I hope that reasonable options will be provided for consumers. It would be wrong if consumers feel later that their expectations were not brought out. I think it important how to announce this service to users. Who will pay 25 yen? Will they pass on the cost to consumers? Or, will interconnecting telecommunications carriers bear it? Will NTT DoCoMo shoulder it? I am concerned about how to inform consumers of these pieces of information.

MIC: We hope service providers ensure that users will become familiar with the service so that they do not get confused or misunderstand it. From the viewpoints of policies such as a pro-competitive policy, MIC believes that it is appropriate to approve these applications based on the points of view described in this draft report by considering that this function is a function additional to the directory assistance function.

Mr. Sato, committee member: I agree with MIC on this point because it serves the convenience of users. But who will pay 25 yen?

MIC: Since the amount 25 yen is an interconnection charge, an interconnecting telecommunications carrier will primarily pay it, but eventually user rates will be set up based on this amount.

Mr. Sato, committee member: Looking at page 10 for the breakdown of the cost, the cost item for the switch component of NPS is the greatest cost element. Do they adopt a useful life span of five years?

MIC: Six years.

Mr. Sato, committee member: As the type of switches may be serviceable for longer, is the cost estimate comparatively higher? Is the labor cost of operators calculated based on the actual cost of this function, or the cost unit for the general work?

MIC: They use the actual cost of this function.

Mr. Sato, committee member: They may contract out the operational work to the outside or employ part-time workers for the job, so I assume their operators are not their permanent operators.

MIC: The status of their outsourcing practice is far beyond our understanding.

Mr. Sato, committee member: As the allocated cost for operators perhaps includes those for operators working inside Tokyo and in Okinawa, we cannot determine right now whether the cost is appropriate by looking at the calculation summary in one of the references.

Mr. Sakai, Deputy Chair: Do they estimate the low cost for NTT Communications because they assume a special connection configuration or will the cost be the same as that if they ask any of the carriers to assume the work?

MIC: Currently, intercity calls between prefectures from NPS switches are being used with relay networks by NTT Communications in sets. For this reason, additional costs will not be generated if the existing configuration is used, but changing the relay network to that of another carrier will result in additional costs. Note that if this additional cost should be treated as another additional cost different from the interconnection charge of this function, the overall equality of NTT Communications and other carriers cannot be maintained. For this reason, they arrange the interconnection charge by treating the additional cost as a part of the interconnecting cost of the function so that the interconnection charge will be the same regardless of whether a call is connected to a relay network of NTT Communications or that of another carrier.

Mr. Aida, committee member: Suppose that a user dials 104 from one of the direct types of fixed telephone systems and the call is connected to an NTT operator. Then, what if the caller wants an existing service? Will their request be accepted?

MIC: It will be accepted. All the caller has to do is to hang up the phone when the NTT operator has told him the number.

Mr. Aida, committee member: Can interconnecting telecommunications carriers request NTT East and NTT West to stop any messages after the guidance messages?

MIC: We will check that point.

Mr. Aida, committee member: I think this has much to do with the settlement of interconnection charges. Do they mean it will cost less than 25 yen if users do not use any functions beyond the guidance function?

MIC: That is correct.

Mr. Aida committee member: Will it not take a lot of hard work for NTT East and NTT West to build a system that enables them to charge 25 yen to users when they use the function? NTT Communications may simply determine whether a particular user utilizes the function, but it will be quite difficult for a calling carrier to determine this because, for example, they would have to build an information system. NTT East and NTT West will launch the service for NTT users on April 1 of next year. I do not think it is surprising that some interconnecting telecommunications carriers will appear that cannot launch the same service because information systems on their own networks have not been completed.

MIC: NTT East and NTT West and calling interconnecting telecommunications carriers should make some efforts to adjust their plans on this point, and if there are still serious problems, MIC will request them to submit applications for changes to their interconnection tariffs again.

Mr. Sato, committee member: Is the amount of 25 yen not a little high?

MIC: The amount 25 yen is entirely based on estimated values. It is likely that the interconnection charge will fluctuate depending on demand for the service when it is actually launched.

Mr. Aida, committee member: Unless users are well kept informed of the service, such as the fact that they must pay an additional cost of 25 yen when receiving the transfer service or their calls will be connected to a relay network of NTT Communications, they may complain.

Mr. Toukai, Committee Chair: I would like MIC to make sure about this point. The role of the Interconnection Committee is limited to discussing what the committee is asked to deliberate on by the Telecommunications Business Division and no more and no less than that. Are we supposed to only discuss the validity of the interconnection charge? While new services are being offered in succession, we are not actually provided with any opportunity where we can discuss whether the cost of a service is appropriate, are we?

MIC: Basically, the services per se are not regulated.

Mr. Toukai, Committee Chair: I am compelled to feel that the cost estimate that calculates that the function for only transferring calls will cost 25 yen or 23 yen may indicate that the service includes a problem or problems from the viewpoint of the nature of the services.

Mr. Sakai, Deputy Chair: Unless consumers are made familiar with the service per se and are aware that each call will be relayed through NTT Communications and cost 25 yen, they will complain when they receive telephone bills and realize that the service was rather expensive.

Mr. Sato, committee member: I feel as if we were given a sort of home work about these problems. I hope that what has been discussed will be utilized in the next step by entering them in a report.

Mr. Toukai, Committee Chair: The service provides two modes of operation: One mode is to go straight to the guidance and another is to go to a manual operator. Is the latter mode only used by those such as visually-impaired persons as mentioned earlier?

MIC: Most users utilize the guidance, but for those users who really need operator guidance, they will be put through to the operator guidance. This is how MIC understands the mechanism of the service.

Mr. Toukai, Committee Chair: Does MIC know the ratio of the two modes of services?

MIC: No, we do not know that.

Mr. Toukai, Committee Chair: In principle, most users utilize the guidance mode. Then, I think it is possible to determine whether it is appropriate to set the rate based on the cost calculated by putting two modes in one basket.

MIC: We may regard it as a moot point.

Mr. Toukai, Committee Chair: I think everyone should bear in mind that the rate may reflect the high cost based on a sort of political judgment. If we assume that political considerations were given to the fact that the interconnection charge included the cost of operator use, we should make a different decision on this matter or allow the two modes of services to be offered in one package like this.

Mr. Aida, committee member: Is the directory assistance service offered with the same rate for both automatic voice assistance and operator assistance?

MIC: Yes. They calculated the rate, assuming this.

MIC: Once a user receives the service with an automated voice message, will he be locked in automated voice messages after that?

MIC: An operator always appears in the directory assistance per se. Then, when the

caller confirms their number, they will enter the automated voice message mode. That is the operational flow.

Mr. Toukai, Committee Chair: Today, the committee members have proposed several important points for discussion. We would like to save them as future issues. I think that members should exchange comments or opinions from the various viewpoints in deliberation groups under the council, such as the Telecommunications Business Division. I hope the results of discussions and deliberations will then be reflected in the points of view in your reports.

MIC: In the draft report, Section 1 describes whether or not the authorizations will be approved, Section 2 provides MIC's opinions in response to public comments. Now, MIC would like to propose we set up Section 3, write the comments and opinions that have been discussed in this committee in this section, and then leave the section to a deliberation process of the Telecommunications Business Division.

Mr. Toukai, Committee Chair: Thank you all for your efforts. As Point of View 2 includes the wording "will collect," I interpret it to mean that NTT East and NTT West will collect interconnection charges for other carriers that use this function. Why don't we modify the wording to clarify that such interpretation is wrong?

MIC: How about changing it to "all carriers shall bear"?

Mr. Toukai, Committee Chair: That would avoid any misinterpretation. I think the wording MIC suggested is more appropriate, so I would like MIC to modify the draft report.

MIC: Understood.

Mr. Toukai, Committee Chair: I would like to report what this committee has discussed to the meeting of the Telecommunications Business Division on September 29. As Point of View 2 has been modified and the draft report has been revised, basically, I will consult with the secretary about the modifications and I would like to eventually confirm them with all members of this committee.

(End)