

**Telecommunications Council, Telecommunications Business Division
(69th Meeting) Summary of Minutes**

1. Date and time
Tuesday, November 21, 2006 16:00-17:13
2. Location
Conference Room No. 1, MIC (Ministry of Internal Affairs and Communications) (1st floor, Teisoutou)
3. Attendees (Honorifics omitted)
 - (1) Telecommunications Business Division members
Akira Negishi (Division Director), Yoshinori Sakai (Deputy Director),
Nobuko Takahashi, Masatsugu Tsuji, Mikio Toukai, Miki Nagata, and
Yusuke Yasuda

(Total of 7 members)
 - (2) Secretary
Yamane (Director of the General Affairs Division, Information and
Communications Policy Bureau)
 - (3) MIC (Ministry of Internal Affairs and Communications)
Mori (Director-General of the Telecommunications Bureau), Sakurai
(Director-General of the Telecommunications Business Department),
Samura (Director of the General Affairs Division, Telecommunications
Bureau), Suzuki (Director of the Telecommunications Policy Division),
Taniwaki (Director of the Tariff Division), and Ninomiya (Senior Planning
Officer of the Tariff Division),

4. Agenda

(1) Inquiries

Regarding the draft MIC ordinance to amend part of rules for interconnection charges, etc. (Consultation No. 1162)

Having deliberated on the matter, the council decided to announce what it had been asked to deliberate by releasing it to the press and posting it on the Internet, and invited the general public to submit comments to the inquiry.

[Summary]

The purpose of the inquiry is to amend a portion of the rules for interconnection charges, etc. in the following two respects:

- Updating input data of the long-run incremental cost (LRIC) model for calculation of interconnection charges related to functions such as a local switching function with input data for calculation of FY2007 interconnection charges.
- Preparing provisions for adding the costs for communications originating from public telephones out of non-tariff sensitive (NTS) costs gradually deducted from interconnection charge costs of local switches to the interconnection charge costs for public telephone functions.

(2) Reports

- a. Regarding authorization of changes to an interconnection tariff concerning Category 1 designated telecommunications facilities of NTT East Corp. (addition of functions of information disclosure system on estimated construction work period for fiber-optic subscriber local loop) (Consultation No. 1159 of October 20, 2006)

Having deliberated on the matter in response to the report of the examination results from the Interconnection Committee, the council replied indicating that it was appropriate to authorize the application as requested.

[Summary]

The information disclosure system on the estimated construction work

period for a fiber-optic subscriber local loop is a system on NTT East's website to display information on estimated time periods when fiber-optic subscriber local loops will become available at a place by prompting a visitor to the website to enter the telecommunications number of the place. The application intends to change the interconnection tariff so that NTT East may disclose more detailed information by adding databases that deal with whether or not it is possible to decide a construction start date right away, whether or not on-site survey on a one-unit home is required, and estimated construction periods with a shared access method.

- b.Regarding authorization of the amount of the universal service support and support methods pursuant to the provisions of Article 109 paragraph (1) of the Telecommunications Business Law and authorization of the amount of the contributions and collection methods pursuant to the provisions of Article 110 paragraph (2) of the same law (authorization of the amount of the universal service support and support methods and authorization of the amount of the contributions and collection methods based upon the universal service fund system) (Consultation No. 1157 of September 29, 2006)

Having deliberated on the matter in light of the submitted public comments, the council replied indicating that it was appropriate to authorize the applications as requested.

In addition, the council requested MIC to take specific measures in the following five areas:

- 1) Promoting more efficient management for providing universal telecommunications services

The calculation of the amount of this universal service support presupposes that NTT East and NTT West will undertake to reduce the cost of their departments that use telecommunication facilities by about 7% through more efficient management. For this reason, it is important for NTT East and NTT West to achieve efficient management at such a level when providing universal services, and the two companies must report on their promotion of more efficient management in conjunction with their statements of income and expenditure for universal telecommunication services when submitting the statements to MIC from fiscal 2007 onward.

In addition, NTT East and NTT West must report the results of analyzing the

effects of the diffusion of cell phones and IP telephones, users' transition to the direct type of telephony services provided by competitors from the subscription telephones of NTT East and NTT West, and other factors on the statements of income and expenditure for universal telecommunications services in conjunction with the record of promotion efforts for more efficient management.

MIC must conduct a full examination into the past record of promotion efforts for more efficient management that the two companies reported and not only take measures to facilitate such efforts, but also submit reports and other information on the examination results to this council.

In the report "Improvement Plan of Income and Expenditure Balance for Category 1 Designated Public Telephones from NTT East and NTT West" submitted to this council in July this year, the council found the necessity of further promotion of more efficient Category 1 public telephone services (measures to reduce the cost of facility maintenance related to troubleshooting). MIC already gave administrative advice to NTT East and NTT West in August this year in response to the request from this council about the detected necessity. As the applicable amount for compensation for Category 1 public telephones is calculated using an actual cost method, the promotion of management efficiency in question is one of the major factors that directly dictate how much more or less the amount will be.

Consequently, NTT East and NTT West must report to MIC by the end of fiscal 2006 the status of how they perform measures to promote the efficiency of Category 1 public telephone services in line with the administrative advice.

2) Promotion of disclosure of information on providing universal telecommunications services, etc.

NTT East and NTT West as eligible telecommunications carriers must further promote the disclosure of information on providing universal services, such as information on the status of income and expenditure for universal telecommunications services, high cost regions, and the installation of Category 1 public telephones. They must also improve disclosure methods, and develop an action plan within this year, and promptly carry out the plan after reporting it to MIC and announcing it to the public.

3) Continuing consideration of a tariff structure for maximizing the benefits of users

MIC thinks that it should be left to the management decision of NTT East and NTT West, in principle, how the basic tariff structure should be specifically reviewed. If NTT East and NTT West decide to continue to consider the basic tariff structure in light of changes in the market structure, such as the progress of IP-based communications, and review the structure based on the results of such considerations, the two companies must promptly inform MIC of the reviewed structure and announce it to the public.

Note that if NTT East and NTT West ask users to bear burdens such as contributions, in particular, the two companies should attempt further promotion of management efficiency and study voice telephone services that have a close relationship with subscriber line access and fall outside of the scope of income and expenditure for universal telecommunications services towards reviewing the tariff level whenever possible from the viewpoint of controlling users' share of the burden.

4) Consideration and review of the universal service fund system

MIC has decided to start considering the future of the universal service fund system and summarize the options for reviewing the system based on the New Competition Promotion Program 2010 within the year 2007, with a possible full review the system in the year 2009. MIC must steadily conduct these consideration efforts.

Next, MIC must examine the status of the universal service fund system in reviewing it in a unified manner while ensuring consistency with other factors, such as the outlook on transition from the current circuit switch to IP networks, a review of the current basic tariff structure, and the status of interconnection charges calculations.

5) Ensuring that information on the universal service fund system must be provided to users

In recognition of the fact that the universal service fund system is deeply connected with the benefits of national users, the government, the universal telecommunications service support institutions, eligible telecommunications carriers, and interconnecting telecommunications carriers must launch aggressive advertising and public relations campaigns

about information such as the overview of the system, and ensure that information on the system is provided to users, together with services such as properly responding to inquiries from users, etc.

[Summary]

The application seeks to receive authorization of the amount of the universal service support and support method for NTT East and NTT West and authorization of the amount of contributions and collection methods for interconnecting telecommunication carriers, etc., based on the universal service fund system.

(3) Reports

Regarding preparation of interconnection rules pertaining to revision of collocation rules (related to Consultation No. 1161)

- a. Regarding the results of public comments on reviewing interconnection rules
- b. Regarding the enforcement of a joint hearing of the Telecommunications Business Division and Interconnection Committee

[Summary]

- Report on the results of the public comment process on "Proposals to Be Invited on Review of Interconnection Rules," conducted for three weeks from October 6
- Regarding the agenda, etc. of the "Joint Hearing of the Telecommunications Business Division and Interconnection Committee," to be held at 13:00 on Thursday, November 30