

Summary of Minutes of the 85th Interconnection Committee Meeting

Date and time: Friday, December 22, 2006, 16:00-18:00

Location: Conference Room 801, MIC

Attendees: Interconnection Committee Mr. Toukai, Committee Chair; Mr. Sakai, Deputy Chair; Mr. Aida, committee member; Mr. Sato, committee member; Mr. Fujiwara, committee member
MIC Mr. Sakurai, Director-General of the Telecommunications Business Department; Mr. Taniwaki, Director of the Tariff Division; Mr. Ninomiya, Senior Planning Officer of the Tariff Division; Mr. Katagiri, Deputy Director of the Tariff Division; Mr. Yokote, Deputy Director of the Tariff Division; Secretary

[Summary of Agenda Items]

Preparation of interconnection rules pertaining to revision of collocation rules

- MIC explained what MIC asked the committee to deliberate on and deliberations followed.
- As a result, the Secretary (MIC) made an announcement to the effect that this would be carried over to the next consultation that would be held at 10:00 on January 16, 2007.

[Discussion Details]

Preparation of interconnection rules pertaining to revision of collocation rules

I: Collocation rules as to the handling of utility poles

Mr. Sato, committee member: Is it possible to apply the collocation rules to usage of utility poles of utility companies from the standpoint of the Telecommunications Business Law?

MIC: Under the current designated telecommunications facility system, it is required to designate utility companies as telecommunications carriers installing Category I designated telecommunications facilities. If a dispute erupts over the use, etc. of land or anything, the general agreement is that the parties concerned are allowed to appeal a ruling on the matter to the Minister of Internal Affairs and Communications. "The Guidelines for Use of Poles, Ducts, Conduits and Similar Facilities Owned by Public Utilities" is provided as the standards for such ruling.

Mr. Sato, committee member: Is it possible to address requests from interconnection carriers by revising "the Guideline for Use of Utility Poles, Ducts, Conduits, Etc. Owned by Public Utilities"?

MIC: The Guideline is not a framework for asymmetric regulations. Consequently, the comparability cannot be secured between NTT East and NTT West and interconnection carriers.

Mr. Sato, committee member: Utility poles owned by NTT East and NTT West are regulated based on the Telecommunications Business Law. I think that we need to have some discussions on those owned by utility companies.

Mr. Sakai, Deputy Chair: What are moot points about bearing costs related to vertical guy-wires?

MIC: The issue is being approached from two views. One view is that if a new added line causes a utility pole to exceed its standard strength, vertical guy-wires must be installed to support it, and only an interconnection carrier that installs the additional line bear the cost, all interconnection carriers concerned must bear it because it is unfair that only interconnection carriers bear the cost all the time. This opinion has been submitted by interconnection carriers.

On the other hand, NTT East and NTT West that own utility poles have submitted an opinion that a new line should be added in a way that existing vertical guy-wires may be utilized and collecting any costs that are generated due to an interconnection carrier that may withdraw anytime from the telecommunication business from all interconnection carriers will encourage inefficient facility construction that is not based on the awareness of costs.

Mr. Sato, committee member: Arguments resemble those for power supply equipment. Interconnection carriers that initially entered the operation could use a power supply system without any trouble, but there are some cases where new power supply equipment must be installed due to shortage of power when a new player is about to use the system.

MIC: MIC understands that we have also similar issues in collocation of not only utility poles but also power supply equipment in central offices and relay dark fiber.

Mr. Sato, committee member: We may conclude that we need to formulate some competition rules for other arrangements of collocation because collocation that is only conducted within central offices is being gradually requested outside them.

Mr. Toukai, committee member: There would be no problems if an interconnection carrier could be connected to a utility pole with the same incremental cost as that required when existing connected interconnection carriers were added to the utility pole for joint use. If it is required to construct another new facility, the question is who will bear the cost. The argument is whether the cost should be imposed only on an interconnection carrier that requests later the joint use of a utility pole or on all the interconnection carriers as a whole that are using the pole.

Mr. Sato, committee member: As I can not perceive costs related to collocation intuitively, I wish I will be able to understand the status of how free collocation spaces are and other things such as costs caused by installing vertical guy-wires.

MIC: We could envisage various cases. For example, think about one case where VDSL will be installed to a utility pole and another case where an interconnection carrier will lay out optical drop cables on their own account. We may think that one or two cross arms are required for tens of users and the practical shared cost will not amount to much in the former case. On the other hand, if we suppose all utility poles up to each of users' residences require reinforcement work in the case of optical drop cables, incurred costs will be extremely huge because improvement costs for three to four utility poles will be required for each user.

Mr. Sato, committee member: We certainly have an issue of who caused a cost and who should bear the cost. For new services such as optical fiber, however, they initially have little demand and charges for them could be relatively quite high and end up in blocking and prohibiting competition if they were estimated based on the little demand. For any service that should be encouraged to spread, for example, the charge unit will be reduced by dividing the cost with expected demand. I think that the similar considerations should be needed for collocation of utility poles.

Mr. Toukai, Committee Chair: Decide capacity that allows for future demand and set a charge for a new service and the charge can be substantially on the same level as existing menus. This kind of pricing is being used for other services such as those with new demands.

Mr. Sato, committee member: It is an issue of who will bear which section and what charge unit will be set up based on what estimate. If a charge is set up to be too expensive for a service to be deployed, the service will not be able to survive competition in the real market.

Mr. Fujiwara, committee member: How does MIC treat sections under the ground?

MIC: As it is difficult to add a new facility to sections under the ground, requests submitted from interconnection carriers are mainly concerned with collocation in utility poles.

Mr. Toukai, Committee Chair: What about the calculation rules based on net fixed asset value ratio? What are moot points?

MIC: Generally, charges are calculated based on net fixed asset values in the interconnection rules. The net fixed asset values of utility pole assets are not known now and consequently charges are calculated based on a sample model. Some raise a question about what we should think of the point.

The model regards the joint use point of every utility pole as 7 points on average and charges are derived from using this number of joint use points as the divisor. If we adopted net fixed asset values and used the actual number of joint use points as a divisor, it would not be practical to examine how many joint use points every utility pole had. How to approach this matter would be one of the moot points.

Mr. Sakai, Deputy Chair: In an approach to mandatory collocation, the granting of collocation spaces in central offices is strictly limited to cases where the central offices have free spaces. In the case of lines, NTT East and NTT West must assume a certain level of obligation for laying out lines even if they do not have free spaces. For utility poles, should the granting of collocation spaces be strictly limited to cases where they have free spaces or should MIC oblige them to conduct work if the work is as minor as reinforcement work? We need to clarify these points. I would not insist that they had to rebuild utility poles but I would think it was appropriate for MIC to oblige them to install minor things such as vertical guy-wires.

Mr. Sato, committee member: We need to think of an obligation and a burden as a pair. While some may think that a particular interconnection carrier should bear cost on an individual basis because a new facility will be constructed based on a request from the interconnection carrier, others may think that as many other interconnection carriers as possible should bear as least cost as possible because they will also get benefits of a utility pole that will be reinforced with the new facility. Since installing new utility poles will never increase the whole cost by 20% or 30%, communication rates could be competitive if the rates were set up based on widely distributed and least setup costs. For power supply equipment, new equipment will be installed because of shortage of power sources due to the increase of new interconnection carriers. Do all the interconnection carriers bear the cost?

MIC: Yes.

II: Others

Mr. Aida, committee member: I would like MIC to clarify once the nominal person of a line, the subscriber, the user of telephony, the name on billing address, and relationships of these entities. We should straighten the basic approaches to matters of whether these entities belong to a management department or to a use department in the interconnection accounting world, whether we should think of NTT East and NTT West as one entity or separate them into management departments and use departments and think of them as such. Otherwise, it would be difficult to discuss them.

MIC: The nominal person of a line is the subscriber. The subscriber can decide on the name on billing address. On the other hand, the subscriber is not necessarily the user. In the case of telephone lines, as the telephone subscriber's right per se may be merchandised, the user may not be necessarily the subscriber in reality. Note, however, that the concept of "user" is not a concept from the viewpoint of contact clauses.

Mr. Sakai, Deputy Chair: Some argue that if the use departments of NTT East and NTT West were on a par with interconnection carriers, it would help the situation. If either use department had information on the nominal persons of lines, bottleneck of the use department would be questioned.

MIC: Since an ultimate action to judge whether a user has approval from the subscriber is taken by number 116 (note: Customer Center for NTT East or NTT West), it can be said that the action is put through the sales department of NTT East or NTT West. To avoid the process whenever possible, Softbank requested NTT East and NTT West to install a system that determines whether information on nominal persons is right or not when it is entered and the company is now using the system. When Softbank starts using the productive system, however, some parts do not function as the company expected. For this reason, Softbank still has some cases where the confirmation procedure does not smoothly proceed.

Mr. Toukai, Committee Chair: We must decide on to what degree the Interconnection Committee should clarify this problem. Once we start to question these cases, the list will be endless. The Interconnection Committee should engage in discussions to facilitate interconnection at least.

MIC: As interconnection presupposes that a nominal person of line is identified, we cannot say that it has nothing to do with an issue of interconnection at all.

Mr. Sato, committee member: We have had this issue since the interconnection rules were introduced. For example, when we discussed the issue of number portability as an agenda item, some members voiced an opinion that questioned why number portability had to be discussed as a topic for interconnection. The Committee has come to discuss issues such as comparability of interconnection that do not seem to have direct relationships with its responsible agenda, based on a perception of opening bottleneck to prevent competition from being harmed due to bottleneck.

Mr. Sakai, Deputy Chair: It is clear that the previous discussions on utility poles concern bottleneck, but what is more complicated is the issue of indoor wiring work. Apparently, it is a matter of the use departments of NTT East and NTT West. It is a delicate issue whether it is possible to oblige the use department to undertake work of other interconnection carriers. This issue may be caused by the fact that the use department of NTT East or NTT West is larger in scale than any other interconnection carrier.

Mr. Sato, committee member: Let me come back to the issue of database. The problem of phone numbers was handled as a matter of interconnection. This was based on a perception that telephone numbers were equipped with a database and search functions and as it would cause trouble if these telephone services were not available when using services offered by other interconnection carriers, the services must be opened to the outside. The issue of indoor wiring has been discussed for some time in a similar manner, and the issue of optical fiber also has started with an argument that it seems wrong that while NTT East and NTT West can complete indoor wiring work for a week, other interconnection carriers take a month to finish the work. In this sense, the issue of indoor wiring work comes down not to the matter of whether a facility is a bottleneck facility but to the matter of to what extent the comparability of competition must be secured.

Mr. Aida, committee member: Does FLET'S ADSL not cause similar problems in the matter of nominal persons? If not, why is that? If we could get to the bottom of this matter, it would be a clue to resolving the problem. When NTT East or NTT West conducts indoor wiring work, I think that not their proper employees but their contractors actually visit a user's residence to perform the work. For this reason, for example, if these contractors were made to equally accept orders from interconnection carriers, we could straighten the matter of indoor wiring work well.

MIC: As for indoor wiring for ADSL, NTT East and NTT West now accept the work on a business basis. MIC thinks that they seem to function accordingly.

This problem started with the fact that NTT East and NTT West faced many cases where their contractors visited a user's residence for indoor wiring work for ADSL in vain because the customer was not home and for this reason NTT East and NTT West notified other ADSL carriers through talks that they would not accept future indoor wiring work from them if the situation would not be improved. Now, indoor wiring work is not conducted for FTTH and dry copper. This is because problems have to come to the surface so that they may be noticeable.

Mr. Aida, committee member: In the case of ADSL, do interconnection carriers also take the form of asking NTT East and NTT West to perform indoor wiring work?

MIC: Yes.

Mr. Fujiwara, committee member: Page 6 in document 3 reveals that NTT West has experienced many vain journeys to users' residences they made based on requests from other carriers. What about vain journeys made by NTT East and NTT West due to their own indoor wiring work?

MIC: They say that the number of vain journeys by NTT East and NTT West themselves is a one-digit figure.

Mr. Sakai, Deputy Chair: Is it because NTT East and NTT West have competitive advantages?

MIC: We could hardly say that is the reason, because some other carriers have a low rate of vain

journeys.

Mr. Toukai, Committee Chair: The issue of indoor wiring and the issue of nominal persons have been long discussed based on the purposes of smooth interconnection, but the key issue in this deliberation is a matter of interconnection to bottleneck equipment. We may think that we should first handle detailed cases attached to the key issue in a dispute settlement process. Is there anything the Secretary wishes to add from the viewpoint of dispute settlement?

MIC: MIC is examining the review of a dispute settlement mechanism.

Mr. Toukai, Committee Chair: Has the review process not started yet?

MIC: No.

Mr. Toukai, Committee Chair: We should be careful not to deviate widely from the basic stance of "interconnection" when we discuss anything in the Interconnection Committee.

MIC: We may have some other approaches such as discussing matters in a framework of interconnection rules or in the comparability of competition or in a different framework from that of the interconnection rules. MIC would like the committee members to conduct deliberations based on these.

Mr. Sato, committee member: Since the Committee will deliberate on what concerns the Private Information Protection Law, we also need to pay attention to the aspect.

Mr. Fujiwara, committee member: It includes items concerning exemption from responsibility.

Mr. Sato, committee member: When they set up charges for each multipoint terminal line of subscriber dark fiber, it is important to consider how services can be provided at low cost in large volume and how shared access services can be provided easily while they are moving toward optical services. NTT East and NTT West are worried that problems may occur at the stage of operation even if they apply to their services technology that enables equipment to be shared. As I think it is worth carrying it out on a trial basis, however, I would like this committee to discuss many possibilities of removing such worries from them. If it is extremely difficult to remove them, we have to carry it out with a different approach.

Mr. Sakai, Deputy Chair: Shared access is the same as the approach that shares one access process with radio.

How technically difficult is it actually?

MIC: When we approach shared access that is based on a regional IP network, the regional IP network must be modified because it does not envisage sharing PON on its side. NTT East and NTT West reported to MIC two years ago that they would have to invest the vast amount of development cost to modify regional IP networks. In addition, the current main PON is the type that allows 1Gbps to be shared with a maximum of 32 users. If more than one carrier shares this type of PON, many tasks will be involved in distributing a capacity of transmission and extending systems.

Mr. Sato, committee member: We could not deny that if we assumed the current regional IP network. But, NGN must have different assumptions. We need to discuss some other time which format is desirable for interconnection rules for NGN.

Mr. Toukai, Committee Chair: MIC explains in a document that under a subject of bad loans, the amount of bad loans has been surging from the last fiscal year, and it is expected to continue to increase in this fiscal year. Does this indicate that interconnection carriers causing bad loans increase recently or specific interconnection carriers are causing them?

MIC: At this point in time, bad loans are caused by a few interconnection carriers.

Mr. Toukai, Committee Chair: If that is the case, I wonder if it is reasonable for the interconnection carriers as a whole to bear bad loans that were caused by specific interconnection carriers.

Mr. Sato, committee member: Should we collect interconnection charges as insurances, deposits, or investment risks? If the entire interconnection carriers are likely to cause bad loans equally, it will be no problem to collect them as insurances, but if only specific carriers cause them, they should be collected as deposits. If a deposit is treated as an interconnection charge cost, the interconnection carrier with most heavy traffic will bear the highest cost. If the carriers with most heavy traffic were

not necessarily the same as the ones that caused bad loans, it would be fair to adopt a flat deposit system.

MIC: As bad loans are basically caused by individual interconnection carriers, it is the absolute premise that we should adopt an approach of collecting a proper deposit from applicable interconnection carriers. It is not appropriate, however, to increase a deposit to minimize risks, because it will be a factor to block competition. For this reason, it may be possible to take an approach of asking all the interconnection carriers to bear the difference between the level NTT East and NTT West may think appropriate and the one for a proper deposit by regarding it as a business risk.

Mr. Sato, committee member: As a method for counting in bad debt amounts, adding them to the net profit to net worth of each interconnection carrier may be possible, in addition to direct inclusion into cost.

Mr. Aida, committee member: It is mentioned that if competing providers laid out drop cables, there would be no problems. Is this true?

MIC: MIC has hosted a Study Group, where MIC has discussed simplified procedures for laying out optical drop cables on the own account of interconnection carriers. Through the process, although the procedures are being simplified, interconnection carriers submit to MIC opinions that there are still many difficulties in doing so. Considering the fact that small and medium-sized CATV carriers and utility companies are laying out optical drop cables on their own account, NTT East and NTT West argue against the opinions, saying the truth is that they can do it.

Mr. Aida, committee member: Points of 6.1 m are only used for optical draw cables, which I do not think solve the problem completely.

MIC: The measure has been adopted for the purpose of creating an environment that enables interconnection carriers to promptly and accurately proceed with procedures if they wish. Consequently, MIC does not think that all the problems will be solved just with this.

Mr. Sato, committee member: I presume that it is intended to create an environment where the interconnection rules can be changed to ensure the maximum comparability of competition and cooperation may be acquired from NTT East and NTT West. It is all right that interconnection carriers are allowed to connect optical drop cables, but can they really do so under equal conditions? It is an extreme view that everything would go all right only if interconnection carriers could construct switches or everything. We may need to understand the realities of sites to judge whether they can construct them equally in the real world.

Mr. Aida, committee member: Calling it a telephone pole or power pole, as NTT East and NTT West occupy lower points, interconnection carriers will be compelled to use upper points when they lay out optical drop cables.

Mr. Sato, committee member: If interconnection rules concerning this matter are straightened, can they also apply to utility companies?

MIC: What is intended here must fall within the scope of interconnection rules as collocation rules that can be handled in the interconnection tariffs for NTT East and NTT West.

Mr. Sato, committee member: Does anybody point out that utility poles actually have bottleneck on competition of optical fiber in Japan?

MIC: It depends on where you put your standards. Some submitted opinions to MIC that utility poles should be more easily handled.

Mr. Sato, committee member: To what extent should measures be taken so that it can be said that comparability of competition is secured from the viewpoint of users? As telephone poles are being opened, how much openness of power poles may be allowed accordingly?

MIC: According to the approaches in "the Guideline for Use of Utility Poles, Ducts, Conduits, Etc. Owned by Public Utilities," what comparability refers to is the one between joint-use carriers and therefore it indicates that any procedures shall not be approved that only favor specific joint-use carriers. As NTT East and NTT West are not included in joint-use carriers, the comparability between NTT East and NTT West and interconnection carriers is not mentioned in the Guideline.

Mr. Sato, committee member: What about charges?

MIC: The agreement of utility pole construction was concluded between NTT East and NTT West and utility companies. For this reason, charges for them are not equal to those for carriers that use utility poles.

(End)