

## Summary of Minutes of the 87th Interconnection Committee Meeting

Date and time: Tuesday, January 23, 2007, 10:00-12:00

Location: Conference Room No. 1001, 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 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; Mr. Shirai, Deputy Director of the Tariff Division; Secretary

### [Summary of Agenda Items]

#### 1. Partial amendments to the Rules for Interconnection Charges, etc.

- MIC explained the outline of the proposed partial amendments to the Rules for Interconnection Charges, etc. 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. Preparation of interconnection rules pertaining to revision of collocation rules

- MIC explained the draft report and deliberations followed.
- As a result, the committee modified the wordings in the draft report based on its deliberations, and agreed to report it to the Telecommunications Business Division as the deliberation results of this committee. Then, the committee decided to leave specific statements or wordings in the draft report to the discretion of Mr. Toukai, Committee Chair.

### [Discussion Details]

#### 1. Partial amendments to the Rules for Interconnection Charges, etc.

Mr. Sato, committee member: I believe that when updating input data, some of the data related to investment must be private.

MIC: Since investment unit prices belong to management information, MIC describes them in a notification model of LRIC without including them in a separate schedule of the Rules for Interconnection Charges.

Mr. Sato, committee member: Do the investment unit prices tend to decrease?

MIC: The unit prices of optical and metal are statistically treated on a-per-prefecture basis, the fluctuation rate in every prefecture remains approximately around 1%.

Mr. Sato, committee member: If investment related to public telephony fails, are such investment costs specially considered in calculating interconnection charges such as deducting them from the prime cost?

MIC: In the case of interconnection charges for public telephone functions that are calculated based on actual costs, the amount that is posted as expenses for the management department is treated as cost

without change in calculating interconnection charges.

Mr. Toukai, Committee Chair: I suppose that this approach was discussed when we excluded NTS costs.

MIC: Arguments focused on switching NTS costs to one of basic charge costs when we discussed and we did not deliberate on public telephone functions. The issue actually came to the fore when recalculating interconnection charges with the actual cost method in fiscal 2005, and then MIC authorized them with special approval in Article 3 of the Rules for Interconnection Charges. The interconnection charges in fiscal 2006 are now subject to a deliberation process under the same approach.

Mr. Toukai, Committee Chair: Does MIC intend to retroactively regulate what was conducted in the first and second years?

MIC: MIC could take an approach of granting special approval every year. From the viewpoint of administrative transparency, however, MIC decided to adopt the wording in this draft report because MIC judged that it was appropriate to include whatever necessary in it.

Mr. Sato, committee member: Approximately how much is NTS cost concerning public telephone functions?

MIC: To answer Mr. Sato's question in terms of price units, the interconnection charge for NTT East analog public telephony has been 90.68 yen since October, 2006 and the NTS cost accounts for 2.02 yen of the amount.

Mr. Sato, committee member: Approximately how much of 60 billion yen of an annual NTS cost total is the cost related to public telephony functions?

MIC: It accounts for about 2 billion yen.

## 2. Preparation of interconnection rules pertaining to revision of collocation rules

Mr. Aida, committee member: Page 49 of the draft report says that "Handling in the case of no changes to contractual relationships of subscriber telephones." I would like to request MIC to add a little more explanations about the current status of the contractual relationships of DSL services under the heading.

MIC: Understood.

Mr. Aida, committee member: Page 8 of the draft report includes data about "change of the number of core wires for optical fiber in central offices used by interconnection carriers." Can MIC know how many cores for optical fiber interconnection carriers laid out on their own account and how many is used out of those cores?

MIC: MIC could not acquire the data Mr. Aida pointed out because NTT East and NTT West did not keep track of optical fiber interconnection carriers laid out between their own facilities. Due to the fact, MIC used the current data as the best approximation of such data.

Mr. Aida, committee member: I think that the negative list method of the designated telecommunications facility system should include viewpoints such as asymmetric nature of information and time lag. We cannot promptly determine the bottleneck nature of facilities that even NTT has studied over years. Consequently, I think it is more practical that we first allow them to start their services with designated telecommunications facilities and determine the bottleneck as we observe how the services go.

Mr. Sato, committee member: As the fact that NTT holds the overwhelming volume of information has much to do with essential standpoints, MIC should rewrite wordings about information.

Mr. Aida, committee member: I think it comes down to what matters when adopting a positive list method is which side bears burden of proof. If a party were requested to prove only with a positive list that its equipment is bottleneck equipment, it would be quite difficult for the party to do so because NTT holds the overwhelming volume of information for the proof.

MIC: Since the current draft report only mentions time lag, MIC intends to revise it toward adding some comments on the asymmetrical nature of information Mr. Aida pointed out.

Mr. Aida, committee member: Thinking about page 21 of the draft report, I wonder if MIC could

provide sample data about how much must be paid in a given fiscal year at the stage of increase or decrease of demand.

Mr. Sato, committee member: It would be good that the page included data that might indicate we would have this much impact in two years. Anyway, we should decide that it will be discussed after the public comment process.

MIC: MIC wishes to prepare some data about it until the next committee meeting.

Mr. Aida, committee member: Page 28 in the draft report says that the validity of OSU sharing will be discussed in the deliberations of the NGN interconnection rules, which seems to be rather an unexpected statement. For example, MIC should add some statements about the validity of discussing the matter at that time, such as "the introduction of functions such as bandwidth control function is planned for NGN."

MIC: The draft report mentions the NGN interconnection rules, saying "as soon as practicable." It also mentions that they will be discussed in conjunction with how regional IP networks should be designated. As NTT East and NTT West point out the problem of regional IP networks in OSU sharing, the draft report reaches a conclusion that it is reasonable to discuss the issue of OSU sharing in the NGN interconnection rules.

Mr. Aida, committee member: If NGN would not introduce the functions such as those written in Sections (i) and (ii) in page 27, it would not make sense to discuss it in the NGN interconnection rules in the first place.

Mr. Sato, committee member: we should discuss whether it is possible to give further consideration to OSU in the light of public comments.

MIC: This issue is a delicate subject and it is still unclear if regional IP networks are included in NGN, and whether they have assignment functionality if they are not included in NGN. Consequently, we must wait for NTT East and NTT West to put NGN in the concrete, and meantime MIC has decided to adopt the current content in this draft report as all of you see now. MIC wishes to consider appropriate wordings in the light of responses to the public comment invitation.

Mr. Sakai, Deputy Chair: Pages 43 to 44 describe indoor wiring work. Does indoor wiring work for DSL refer to what can be conducted at home?

MIC: It refers to dry copper type of work.

Mr. Sakai, Deputy Chair: I understand that all interconnection carriers are allowed to conduct indoor wiring work in terms of rule, but the current situation is that many carriers ask NTT East and NTT West to conduct the work. Is my understanding right?

MIC: It would be possible for interconnection carriers themselves to perform drop cable work if they wished to do so although there is an interconnection menu. MIC, however, allows them to draw optical drop cables on their own account, but we have not reached a stage yet where the mode of work starts in full swing.

Mr. Sato, committee member: The draft report includes the wording "...do not cause illicit competition..." about the purport of static tests. I think we need to discuss the definition of "illicit competition."

MIC: The purport of "illicit competition" means that illicitness would be removed if a reasonable ground were just provided.

Mr. Sato, committee member: I do not think the concept of "illicit competition" has been often used so far.

MIC: The wording "illicit competition" is a general term. It is used in Article 29 (Order to Improve Business Activities) of the Telecommunications Business Law.

Mr. Sakai, Deputy Chair: As long as accounting data holds water, it does not matter no matter how much the use department reduces retail prices. Rather, I presume that the approach is that static tests are used to validate whether accounting for the management and use departments are distinctly separate based on accounting rules.

MIC: Interconnection charges are controlled under consideration of proper charges based on proper costs.

Since methods to calculate proper costs are not unified, MIC regards stack tests as a means to validate them.

Mr. Sato, committee member: The management department includes a monopolistic section and a competitive section. If profits generated in the monopolistic section are allotted to the competitive section, reasonable competition cannot be guaranteed. In this sense, I think we also need to pay attention to the pricing system in the sales department. Of course, basically, the management department must be examined.

MIC: MIC agrees on what Mr. Sato pointed out. Now, we are discussing how static tests should be used to validate interconnection charges and primarily it is out of the scope of deliberations whether the pricing system for the use department is right or not.

Mr. Toukai, Committee Chair: Page 11 in the draft report mentions that "...when calculating costs, more than one method can be adopted..." I wonder if this is right or not. I do not think the statement "more than one method can be adopted" is right. An interconnection charge should have only one desirable calculation method. It is not appropriate to give impression that one interconnection charge has a list of optional calculation methods.

MIC: The purport is that NTT East and NTT West are provided with options from the viewpoint of the Rules for Interconnection Charges as to whether a charge for a service is calculated based on the future cost method or whether it is calculated based on the actual cost method. Anyway, MIC will modify the wording based on what Mr. Toukai pointed out.

Mr. Toukai, Committee Chair: Figure 2-3 in page 14 seems to correspond to page 11 instead. What does MIC think of my opinion?

MIC: It would be better to move the figure to a previous page. MIC would like to modify the wording and the position of the figure.

Mr. Aida, committee member: The draft report says that the economic lifetime of utility poles is 21.2 years. What are relationships between the lifetime and the rehabilitation rate of utility poles (a little less than 2%) owned by Tokyo Electric Power that was reported previously?

MIC: A little less than 2% applies to the utility poles owned by Tokyo Electric Power, which can not necessarily apply to NTT poles. MIC would like to consider the relationships as well as whether MIC can present some documents about it.

(End)