

Summary of Minutes of the 90th Interconnection Committee Meeting

Date and Time: Monday, March 26, 2007, 16:00 to 16:40

Location: Conference Room 2

Attendees

Interconnection Committee

Mr. Toukai, Committee Chair; Mr. Sakai, Deputy Chair; Mr. Aida, committee member; Mr. Sato, committee member; and 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. Shirai, Deputy Director of the Tariff Division; Mr. Yokote, Deputy Director of the Tariff Division; and Secretary

[Summary of Agenda Items]

Authorization of Changes to Interconnection Tariffs concerning Category I Designated Telecommunications Facilities of Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation (Changes to FY2007 Interconnection Charges based on Long-term Incremental Cost Method)

- MIC explained the draft report, and deliberation followed.
- As a result, it was decided that the committee would submit the report to the Telecommunications Business Sub-Council.

[Discussion Details]

Authorization of Changes to Interconnection Tariffs concerning Category I Designated Telecommunications Facilities of Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation (Changes to FY2007 Interconnection Charges based on Long-term Incremental Cost Method)

Mr. Sato, committee member: The total amount to be paid as interconnection charges is calculated as the number of communication lines times the unit price of the interconnection charge. The SLIC

cost of 32% on Page 7 of the Reference is possible only when based on an assumption; for example, the number of communication lines is stable or variable. I believe that the number of communication lines has actually been changing. Is there not any problem on this point?

MIC: According to a more in-depth survey into the percentage of the SLIC cost, the SLIC cost accounts for 36% in 2005, 34% in 2006 and 32% in 2007, respectively. Meanwhile, the unit price of the interconnection charge has changed every year. We did some calculations by using these figures, for respective years, to check if the results could be different, but we noticed that the more elaborate the calculation we did, the smaller the differences we obtained.

Mr. Sato, committee member: Another question is that when you transfer the NTS costs, do you re-calculate the total NTS costs every year?

MIC: Yes, we do.

Mr. Sato, committee member: If so, could you explain the changes of the total NTS costs over the last three years?

MIC: It was 320 billion yen in 2005, and 280 billion yen in 2007.

Mr. Sato, committee member: Is the decrease of the NTS costs caused by the decline in the number of subscriber lines?

MIC: It is caused by the decrease in the number of subscribers.

Mr. Toukai, Committee Chair: Could you clearly describe the content on Page 7 of the Reference.

MIC: Considering the report on the interconnection charge calculation in and after FY2005, which suggested that part of the NTS costs should be assumed by the PHS providers, it was decided not to add the NTS costs for the first few years.

Mr. Toukai, Committee Chair: What is the reason for adding the costs from this year?

MIC: As the report suggests that the remaining NTS costs should not be added for the first few years, the cost would be added starting in FY2007 or 2008. If the remaining NTS costs are added in a phased manner from FY2007, the NTS cost burden would be almost equal between the PHS base station lines and the other subscriber lines during the period for phased transfer of the NTS costs (FY2005 through 2009), so it was determined that adding the remaining NTS costs from this year is reasonable.

Mr. Aida, committee member: The concept of including the NTS costs from this year because the consequential burden will be the same seems unreasonable, although I am not opposing the results.

Mr. Toukai, Committee Chair: I admit it is somewhat unreasonable, but I believe it is acceptable to submit the report without modifying the draft, since no particular objection has been expressed

from other carriers.

Mr. Sakai, Committee Deputy Chair: First, there will be no gain or loss as long as the PHS share will not drastically change.

Mr. Sato, committee member: Is this concept adopted only for this year's applications, or should new applications be made next year and on under the same concept?

MIC: The concept is valid only for this year's applications. If it is reasonable to use the same concept next year and onward, we may consider revising the interconnection rules, which should be discussed separately.

Mr. Toukai, Committee Chair: In relation to Page 6, could you tell me the trend of the traffic.

MIC: The traffic via GC decreased by 12.6%, and that via IC decreased by 14.1%.

Mr. Sato, committee member: In terms of the factors of the decline in the number of communication lines, what is the percentage of those who simply terminated their service contracts, not those who switched to IP-based networks?

MIC: We know that the number of subscriber telephones declined by 8% as a whole, but we do not have detailed data on such as to which services they have switched.

Mr. Toukai, Committee Chair: In the contributed comments and MIC opinions, comment no. 1 points out the rising rate of return. Could you explain the meaning of that?

MIC: It means the upward trend of the rate of return is likely to continue, as the economy is getting better.

Mr. Toukai, Committee Chair: MIC opinion no. 2 suggests that the universal service fund system should be discussed at the Telecommunications Business Sub-Council, not at the Interconnection Committee. What do you think about that?

Mr. Sato, committee member: I find no problem in collecting the cost, which has been collected as part of communication charges, as part of basic charges. Is it the consumer bodies' concern that the users are not benefiting from the decrease in the interconnection charges realized by the transfer of the NTS costs?

MIC: That is correct.

Mr. Sakai, Committee Deputy Chair: The reality is that the interconnection charges have not decreased dramatically, even by the transfer of the NTS costs, so the communication charges cannot be reduced so much.

Mr. Sato, committee member: The interconnection charges are likely to be raised as the traffic is on the decline, and the transfer of the NTS costs is curbing it – this could be a good explanation of the situation, although I understand it is important to consider the consumer bodies' opinions.

Mr. Toukai, Committee Chair: This issue, including the point that has just been addressed, should be discussed at the Telecommunications Business Sub-Council.