

Interconnection Committee—97th Meeting
Summary of Minutes

1. Date and Time

Wednesday, September 12, 2007; 10:00–11:00

2. Location

Conference Room 801

3. Attendees (honorifics omitted)

(1) Committee Members

Toukai (Chair), Sakai, (Vice Chair), Aida, Naoe, Fujiwara,

(2) MIC Representatives

Takeuchi (Director-General, Telecommunications Business Department), Taniwaki (Director, Telecommunications Policy Division), Furuichi (Director, Tariff Division), Ninomiya (Senior Planning Officer, Tariff Division), Imura (Deputy Director, Tariff Division), Teraoka (Deputy Director, Tariff Division), Suzuki (Deputy Director, Tariff Division), Secretariat

Summary of Meeting

Calculation method for interconnection charges during and after fiscal 2008

- MIC explained the Draft Report. Subsequently, deliberations were held.
- As a result of the above, it was agreed that an account of the Draft Report would be given to the Telecommunications Business Sub-Council. Furthermore, as regards the MIC concepts in response to the comments submitted as a result of the solicitation of opinions on the Draft Report, it was decided that the wording would be revised at a later time on the basis of the deliberations of the committee and that the resulting revisions would later be referred to committee members for approval.

Details of Discussion

Chair Toukai: As regards the task deciding on method of calculating interconnection charges during and after fiscal 2008, issues were raised on the basis of five discussion items, as stated in the Draft Report. In addition, the method of calculating interconnection charges subsequent to the application period was mentioned in the last chapter to provide cues for new discussions. Furthermore, opinions were received on the Draft Report. As a result, action taken on the Draft

Report ended up being correction of data and revision of wording. Is this satisfactory? I would like to hear your opinions.

Vice Chair Sakai: This is a minute point, but according to Opinion 9 on page 6 of “Opinions and MIC Concepts,” the opinion of NTT East Corporation and NTT West Corporation is not the same as that of SoftBank Mobile Corporation. These opinions are based on different points of view. However, is it permissible to conclude that the opinions are essentially the same?

MIC: The points of view are certainly different. There is an issue of which portion of the costs pertaining to the transmission path between feeder points RT and GC should be moved back to interconnection charge costs. In the Draft Report, the cost pertaining to station buildings on actual networks where RTs are installed is regarded as the pertinent portion. On the other hand, NTT is of the opinion the pertinent portion should not be limited to the above, but all costs should be moved back. Furthermore, SoftBank Mobile Corporation says that the costs related to station buildings eligible for compensation under the universal service scheme should be regarded as the pertinent portion. So they are moving in different directions. Anyhow, alternatives methods for moving costs to back interconnection costs were proffered. We are refining these methods by combining them.

Sakai: I agree.

Naoe: Is it the case that the overall concept will be applied up to fiscal 2010 and that a radically revised one will be applied from 2011? Is it the case that by that time, investigations of the method of calculating interconnection charges for fixed telephones will have been conducted?

MIC: As stated in the Draft Report, activities such as feasibility studies will be carried out as part of investigations. Therefore, nothing definite can be said right now. Be that as it may, it is possible in the course of making multifaceted investigations to take into account the state of progress of the transition to IP services.

Naoe: Does the Interconnection Committee have to conduct various analyses before that?

MIC: That will probably be the case.

Toukai: What does “being radical” refer to? There is a trend that the transition to IP services only starts with the issue of PSTNs. This time, this trend should be taken into account in discussions on the method of calculating interconnection charges. In that sense, the matter at hand is radical. In this regard, my understanding is that research still needs to be conducted to determine what technique should be applied.

Naoe: Do you mean that it depends on the growth of IP telephone services between OAB and J?

Fujiwara: I would like to talk about Opinion 11 and MIC Concept 11 on page 8 of “Opinions and MIC Concepts.” In the case of MIC Concept 11, the idea that portions of NTS costs are included in interconnection charge costs is automatically accepted as a matter of course. On the other hand, Opinion 11 says that if the above is the case, remuneration rates will rise excessively. This is where Opinion 11 and MIC Concept 11 differ from each other. Anyhow, what are the actual dollar amounts in specific terms? This may not be an essential issue, but I would like to be informed of it.

MIC: I would like to draw your attention to the lower part of page 23 and the whole of page 24 of the Draft Report. A provisional calculation was made for the case where the transmission cost between feeder points RT and GC was included in the cost of interconnection charges and a pay-as-you-go system. As a result, the GC interconnection charge in fiscal 2010 is estimated at 4.7 to 5.3 yen. When this result is compared with the upper limit value of interconnection charges estimated in the 2004 Report, it is considered that at this level, competition is sufficiently feasible. Therefore, even if the pertinent cost is included this time in interconnection charges together with the invested amount, the price level is considered to still be reasonable. I don't have the results of separate calculations at hand at the moment.

Fujiwara: Is this the case: Even if the above is the total amount, the resulting increase in the interconnection charges will be at a reasonable level; there will be no problem even if the remuneration rate is included; therefore, the Draft Report will remain unchanged?

MIC: Yes, that is right.

Fujiwara: At the moment, MIC Concept 11 contains a statement to the effect that a portion of NTS costs are inflexibly “included” in interconnection charge costs. This expression is too direct. Therefore, I would like to request that consideration be given to revising the wording.

Toukai: I presume that this is not so difficult as long as the amount of the NTS costs pertaining to the transmission path between feeder points RT and GC is determined. I would like to request that this be confirmed.

MIC: Operational management costs for facilities are calculated first. Thereafter remuneration rates are calculated on a separate basis. Therefore I think that it is possible to perform separate calculations. Allow me to confirm this later on.

Aida: To put it briefly, I am assuming that since the current measures are interim ones, it is desired that they be as simple as possible. I would have thought that such nuances ought to have

been limited to a somewhat greater extent.

Toukai: I suppose that you request this matter to be dealt with separately in terms of accounting. In connection with this, if discussions are started on what should be done after such and such items are taken out and separated, then a considerably large number of pages will have to be allocated in the Draft Report. On the other hand, in terms of the course of action, this committee and the Universal Service Committee have agreed, in the course of discussions between them, to the assumption that pertinent costs would be recovered by means of interconnection charges under a pay-as-you-go system. Any further discussion on the matter would be difficult.

Fujiwara: There is the issue of whether it will result in the burdens being fair. I think that it will be fine if this issue is also incorporated. I would appreciate it if this could be added.

Toukai: We would like to refine MIC Concept 11 by taking into account some of the points made today. You will be asked to confirm the result. Another issue that was also an important topic this time was the similarity of the current stances of the Universal Service Committee and the Telecommunications Business Sub-Council. It was agreed that steps should be taken to enable communication between the Interconnection Committee and the Universal Service Committee. Part of this was having Mr. Kurokawa, Chair of the Universal Service Committee, attend our last meeting. I would like to request that a report be given on the results of discussions at the Universal Service Committee meeting that was attended.

MIC: The Universal Service Committee met on September 6. At this meeting, the results of the solicitation of public comments were discussed. There was an argument that the proposal to make changes to the benchmark is reasonable and that it is desirable that the burdens on users be curbed. NTT expressed the desire that the pertinent matter be studied in combination with interconnection charges. In addition to the above, there the promotion of management efficiency improvements and of information disclosure was sought. There was also a request for the universal service system to be reviewed in the future. Committee members discussed these matters, with the result that the amendment to the pertinent MIC Ordinance in which the sum of the national average and 2σ is adopted would be reasonable.

Toukai: Am I right to understand that as a result of the above, the Universal Service Committee agreed to the current measures?

MIC: Yes, you are right.

Toukai: Is it the case that the results Interconnection Committee discussions and the results of those of the Universal Service Committee will be consolidated by the Telecommunications

Business Sub-Council at the same time?

MIC: That is right.

Toukai: That leads to a situation where the same thing is discussed from different aspects and will be consolidated by the same Sub-Council. The following task still remains to be performed: The wording of MIC Concept 11 should be revised. Following this, all committee members will be asked to confirm the draft revisions to the wording and will thereafter be asked to agree to the draft revisions. If nobody has anything else to say, I would like to record that, except for what I have just mentioned, the Draft Report is agreed.

MIC: The Draft Report discussed today is scheduled to be deliberated upon at the Telecommunications Business Sub-Council meeting slated for September 20. The schedule of future meetings of the Interconnection Committee has not been decided yet. You will be notified of it later on.

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