

Interconnection Committee—101st Meeting Summary of Minutes

1. Date and Time

Tuesday, December 11, 2007; 16:00–18:00

2. Location

Conference Room 1001

3. Attendees (honorifics omitted)

(1) Committee Members

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

(2) MIC Representatives

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

Summary of Meeting

Interconnection rules pertaining to next generation networks (first session for resolution of points at issue)

- MIC explained the relevant documents. Subsequently, discussions were held to resolve points at issue.

Details of Discussions

1. Designation range and unbundling of Category I designated telecommunications facilities

Morikawa: The framework should not be established in such a way as to hinder the growth of NGNs. Basically, it is reasonable at present to think that access networks are integrated within regional IP networks. In the future, these two types of networks should be considered separately. This matter will be formalized in the Category I designation. At present, regional IP networks are not completely disconnected from access networks. Therefore it is necessary to, figuratively speaking, enclose NGNs in loose nets. Higher-level layers have not taken shape yet. Therefore, I would think it is better not to make over-elaborate studies.

Fujiwara: I think it would be premature to conclude that the NGNs should be placed in the class of Category I designated telecommunications facilities. For example, under Article 32 of the

Telecommunications Business Law, it is obligatory to provide interconnection even if the networks in question are not classed as Category I designated telecommunications facilities. One option is to get through only under this provision.

Vice Chair Sakai: Is it permissible to regard designation and unbundling as two different issues? In cases where NGNs are to be designated, is it correct to understand that partial designation is an option?

MIC: Each individual facility is designated. Therefore, the possibility of designating only some facilities is not precluded.

Sakai: If PSTNs and local IP networks are to be replaced by NGNs, then I presume that NGNs will be subject to designation. In this case studies of the range of designation should be made on an individual basis. If designation is performed on all NGNs, then motivation to develop will be reduced.

Aida: When NGNs are expanded, resulting in PSTNs being removed, there is no doubt that access lines will create a bottleneck. In the present circumstances, NTT almost monopolizes the PSTNs. Be that as it may, it seems that competition for ISP connection works fairly well. It will be a problem if, after they are integrated into a single network, higher-level services are also monopolized by NTT as a result. I would say it is necessary to designate at least in order to permit free competition.

Sato: It is important to develop a scheme that allows for systems to be established flexibly in line with the evolution of networks. Facilities liable to constitute bottlenecks and services integrated with such facilities are subject to designation. Basic portions should be subject to designation, but there should be some flexibility in dealing with portions that are not yet clarified.

Naoe: If a policy is adopted in which networks will be eventually designated but they will be allowed to be free for the time being, then access networks should be opened up and this policy should be reviewed in several years' time. If "building and keeping" as proposed by NTT does not work well, we will consider the matter when that happens.

Fujiwara: It is not that mutual interconnection becomes obligatory only when networks are placed in the class of designated telecommunications facilities, rather, the issue of designation is considered separately from the matter of obligation. If the obligation of interconnection alone is to be imposed, there is no need for designation. Studies of designation should be conducted, depending on what specific effects are aimed at.

Sato: In my understanding, if a facility ceases to be a Category I designated telecommunications facility, then the unbundling obligation, the interconnection charge authorization system and the opening-up obligation will all be inapplicable. Therefore, it will be impossible to discuss this matter. It may be that at the outset, a network will be classed as a Category I designated telecommunications facility. The main issue to discuss is what areas should be unbundled in specific terms. If this is decided, it will be possible to take action for the time being.

Morikawa: Services supplied via NGNs are essentially the same as conventional services. Therefore, it is permissible to invoke designation regarding regional IP networks. At present, only interim action can be taken. In the future it may be possible to take more appropriate measures. For the time being, NGNs will probably be designated.

Sato: The following two methods could be used to create a competitive environment: using the current rules, since evolution occurs gradually; and giving new consideration is given, since new operators will emerge. At present, access networks are liable to bottlenecks. In this regard, if more definite competitive conditions are formed in several years' time, then core networks will be discussed then. At present, unbundling is being discussed. However, it is also necessary to hold wider discussions that include the system framework..

MIC: With regard to the extent to which unbundling should be performed under the interconnection rules, it is necessary to carry out periodic reviews, since functions undergo change. On the other hand, in the case of FMC, whereby fixed networks and mobile communication networks are merged together, designated facilities should also be reviewed, as stated in the New Competition Promotion Program 2010. Apart from the above, discussions should be held on the basis of the current interconnection rules for the time being.

Chair Toukai: NTT's new concept will become the core of the telecommunications business in Japan. It is therefore assumed that there is the possibility of different access methods being used together in various ways. I do not think that classifying networks as Category I designated facilities constitutes excessive restriction. Instead, from an accounting point of view, it is necessary to meet the conditions for classifying networks as Category I designated facilities. Otherwise, problems may arise later on.

2. Setting interconnection charges according to branched terminal line

Naoe: At the last meeting, I raised the issue of the subject interconnection charge being something like carriers' rates, on the assumption that competition is feasible and penetration is progressing. Isn't it possible to share access networks wholesale, as opposed to wholesaling bit streams? I

assume that it is not necessary to be obsessive about sharing OLTs.

Toukai: I think it would disadvantage other operators.

Naoe: It is necessary to consider how to ensure that operators that have built optical networks by themselves will not lose price competitiveness and that their incentives will not be reduced.

Sato: NTT has a big stake in FTTH. Is this the result of competition? Or is it because of the economic efficiency associated with the scale of business? Or is it an outcome of NTT's business operations? In connection with this, NTT will make a counterargument that it is unable to compete because of single-branch circuits. At the present stage, it is impossible to tell which party is wrong. If issues regarding competition, technologies and investments are consolidated further, then this matter can be discussed. It is difficult to judge at present. It is necessary to take time out to consider second- and third-best options, such as wholesaling or taking different opening-up measures.

3. Sharing OLTs

Morikawa: It is better if OSUs are monopolized. For example, if all operators use certain bands when IP broadcasts are run, the bands for operators sharing OLTs will decrease rapidly.

Sato: It will depend on whether bands can be secured and service quality can be ensured.

Morikawa: With regard to ensuring service quality, if three companies perform IP retransmission separately, then three times as many bands will decrease. There can be rules under which three operators can run the same contents. In this case, however, competition will not be feasible.

Toukai: Regarding cost burdens, it is necessary to discuss innovative ways of calculating interconnection charges.

Sato: It will be necessary to leave room for absorption by means of charges.

Morikawa: It costs money to update firmware for a replacement. However, it is necessary for researchers to consider the fact that new services will emerge in the future. It was mentioned that it is feasible to create a fine framework. I would like to request that a middle ground be found in terms of charges.

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