

Interconnection Committee — 108th Meeting  
Summary of Minutes

1. Date and Time

Friday, March 21, 2008; 10:00–12:00

2. Location

3rd Special Conference Room

3. Attendees (honorifics omitted)

(1) Committee Members

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

(2) MIC Representatives

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

[Meeting summary]

Interconnection Rules Pertaining to Next Generation Networks (Draft Report)

- The Ministry of Internal Affairs and Communications (MIC) explained the amendments to the Draft Report, as formulated on the basis of the issues pointed out by the Committee Members at the last meeting of the Interconnection Committee. Subsequently, deliberations were held.
- As a result of the deliberations, it was decided that a presentation will be made of the amended Draft Report in the Telecommunications Business Sub-Council by way of giving a report.

Authorization of Changes to the Interconnection Tariffs Concerning Category I Designated Telecommunications Facilities of Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation (Revision of Interconnection Charges Pertaining to Subscriber Optical Fiber Networks in and after FY 2008) (Draft Report)

- MIC explained the amendments to the Draft Report, as formulated on the basis of issues pointed out by the members at the last meeting of the Interconnection Committee. Subsequently, deliberations were held.

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| <ul style="list-style-type: none"><li>○ As a result of the deliberations, it was decided that <u>a presentation will be made of the amended Draft Report in the Telecommunications Business Sub-Council by way of giving a report.</u></li></ul> |
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[Major opinions, etc.]

Aida (Committee Member): The issues that I pointed out at the last meeting of the Interconnection Committee are reflected. As regards the description of the idea of imposing interconnection charges on functions pertaining to B FLET'S and the description of the promotion of accommodation station interconnection, I expected that statements would be made to the effect that these issues would be pushed forward a little more actively. Be that as it may, I conclude that these descriptions are appropriate.

With regard to interconnection charges pertaining to subscriber optical fiber networks, it is stated that applications for revision are required to be filed as soon as possible. If interconnection charges are to be recalculated on reasonable grounds, I presume that it will take time to recalculate them.

MIC: Granted that a report is given to us to this effect as regards matters related to the revision of interconnection charges pertaining to subscriber optical fiber networks, I think that NTT East Corporation and NTT West Corporation will be required to file applications for revision, that procedures such as for public comment invitation will be followed, and that, subsequently, steady discussions will be requested to be held. The concept is intended to be checked in the course of the above.

Fujiwara (Committee Member): As regards the above-mentioned applications for revision, am I right to understand that public comment invitation will be performed at a later time and that deliberations will be conducted anew by the Interconnection Committee and the Telecommunications Council?

MIC: Yes, you are quite right.

Fujiwara: The Draft Report on NGNs shows the directionalities of three concepts and concludes, as a result of public comment invitation, that reduction of interconnection charges themselves pertaining to subscriber optical fiber networks will be required. In this regard, if interconnection charges pertaining to subscriber optical fiber networks are required to be reduced as the "alternative measures" in question regarding the establishment of interconnection charges for subscriber dark fiber network interconnection charges for individual branch terminal line types, I presume it necessary to significantly reduce interconnection charges. Is MIC well aware of

what the reduction levels are?

MIC: The reduction levels will be clarified by the applications to be filed by NTT East Corporation and NTT West Corporation. Such being the case, we do not know the reduction levels at present. In the Draft Report on NGNs, it is not that all aspects of the idea of making common use of OSUs will be shelved. Common use of OSUs among rival operators will continue to be positively promoted, and on the other hand, steps will be taken to reduce interconnection charge levels pertaining to subscriber optical fiber networks, thus leading to the expectation that competition will be stimulated by reduced cost of the FTTH service offered.

Fujiwara: Experiments have already been made on common use of OSUs among rival operators. What is sought by rival operators is common use of OSUs among entities including NTT East Corporation and NTT West Corporation. I presume that mere promotion of common use of OSUs among rival operators is not effective.

MIC: Progress is made to some extent in experiments on common use of OSUs. Be that as it may, by considering the intention of rival operators, the following statement was added to the Draft Report: "It is necessary that NTT East Corporation and NTT West Corporation make efforts to provide feasible cooperation toward the realization of common use of OSUs among relevant rival operations, for example, by participating in opportunities for studies among rival operators."

Sakai (Vice Chair): Item 3) on page 48 of the Draft Report on NGNs contains the expression "positive promotion of efforts to make common use of OSUs among rival operators." Am I right to understand that this promotion is meant to be carried out by MIC?

MIC: The meaning is that NTT East Corporation and NTT West Corporation will make efforts to participate in opportunities for these studies and to provide the cooperation required for verification.

Fujiwara: If NTT East Corporation and NTT West Corporation are not obligated to make common use of OSUs but are required to provide the greatest possible cooperation, then I presume it better to delete the word "rival" from the expression "efforts to make common use of OSUs among rival operators" that is given in Item 3) on page 48 of the Draft Report on NGNs.

Sakai: If NTT East Corporation and NTT West Corporation do not participate in the common use of OSUs for the time being, with the result that the term "rival operators" means operators other than NTT East Corporation and NTT West Corporation, I presume that the current expression

will be permissible as is.

Toukai (Chair): If the word “rival” is deleted from the expression in question, I am afraid that the original meaning will be impaired.

Aida: If NTT East Corporation and NTT West Corporation are required to participate in consultations even though these corporations do not take part in the common use itself, then it may be better to remove the word “rival.”

Morikawa (Committee Member): The term “common use among rival operators” is explicitly mentioned in the last paragraph on page 51 of the Draft Report on NGNs. I therefore presume that the meaning is shown there.

Aida: The expression “positive promotion of efforts to make common use of OSUs among rival operations” is given on page 48 of the Draft Report on NGNs. It is difficult to understand what portions are modified by the phrase “among rival operators.”

Toukai: Is it that the term “rival operators” mentioned here is intended to mean operators other than NTT East Corporation and NTT West Corporation?

MIC: This term means rival operators that serve as the main entities making common use of OSUs.

Toukai: The differential amount adjustment system for interconnection charges pertaining to subscriber optical fiber networks in and after fiscal 2008 is similar to the *ex post facto* account settlement system for the historical costing method in the sense that numbers are adjusted. Am I right to understand that the differential amount adjustment system is one where interconnection charges for a new fiscal year are revised by taking actual past records into account and that this system is different from the *ex post facto* account settlement system, in which retroaction is carried out?

MIC: Yes, you are quite right. The *ex post facto* account settlement system is one where accounts during a calculation period are settled retroactively, while the differential amount adjustment system is one in which differential amounts are added in a period after termination of the relevant calculation period.

Toukai: The differential amount adjustment system for the future cost method is going to be subject to authorization under Article 3 of the Rules for Interconnection Charges. In this regard, am I right to understand that this fact is limited to the above-mentioned issue? Am I also right to

understand that this fact is limited to the three-year calculation period?

MIC: Yes, you are quite right. In principle, the differential amount adjustment system is not permitted. This time, however, this system will be permitted exceptionally, for a period of three years only, as a consequence of the fact that demands are required to be reviewed as a matter of policy.

Aida: To begin with, I presume it necessary to hold discussions about whether this method is the best. In the case of the LRIC method, interconnection charges are revised every year. I think that the future cost method is incompatible with the practice of revising interconnection charges every year. Be that as it may, it seems necessary to consider whether the first above-mentioned method is the best after making comparisons with other calculation methods.

MIC: We think that there are many variations in the methods of making adjustments under the differential amount adjustment system. Be that as it may, the calculation period at present is as short as three years. If adjustments are to be made after determining differential amounts on the basis of actual records for one year, then the calculation period will expire soon enough. By giving consideration to the stability of interconnection charges and the system, we presume that the current adjustment method is the best for the calculation period of three years.

Fujiwara: It will be fine if it is possible to have prospects for the impact exerted on the competitive situation by reduction of interconnection charges of optical fiber networks. It is worrisome that this point is not mentioned in the Draft Report on NGNs.

MIC: We presume it is appropriate to use increases in ADSL demands as reference information in that such increases serve as indices in which the development of competition is taken into account.

Toukai: With regard to the wording on pages 49, 50, or thereabout of the Draft Report on NGNs, Committee Member Fujiwara pointed out that the effects of reduction of interconnection charges for subscriber optical fiber networks should be ascertained. I presume that he is quite right.

Morikawa: The transition from dial-up interconnection to ADSL interconnection was a great leap forward. I presume that the migration from ADSL networks to FTTH networks is not so great a leap in the eyes of users. In this sense, past events cannot be used as reference information. Thus we are in a very difficult situation.

Toukai: I do not think that the trends of ADSL networks are the only index for analysis. Even if the report on the interconnection rules is finalized, it will be important to take a close look at the whole picture, and it will be necessary to successively review the report.

Toukai: It seems that there are no other opinions. Therefore, in the Telecommunications Council, presentation of the Draft Report on NGNs and the Draft Report on Interconnection Charges Pertaining to Subscriber Optical Fiber Networks will be made by way of reporting the results of the studies made by this Committee.

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