

Interconnection Committee — 110th Meeting  
Summary of Minutes

1. Date and Time

Tuesday, June 17, 2008; 16:00–18:00

2. Location

3rd Special Conference Room

3. Attendees (honorifics omitted)

(1) Committee Members

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

(2) MIC Representatives

Takeuchi (Director-General, Telecommunications Business Department),

Furuichi (Director, Tariff Division), Muramatsu (Senior Planning Officer, Tariff Division),

Imura (Deputy Director, Tariff Division), Secretariat

[Meeting summary]

1) 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)

- As a result of deliberations, it was decided that the form of the Draft Report be partially amended and that a presentation be made of the amended Draft Report in the Telecommunications Business Sub-Council.

2) Partial Amendment of the Regulations for Enforcement of the Telecommunications Business Law

- As a result of deliberations, it was decided that the form of the Draft Report be partially amended and that a presentation be made of the amended Draft Report in the Telecommunications Business Sub-Council.

3) Authorization of Changes to the Interconnection Tariff Concerning Category I Designated Telecommunications Facilities of Nippon Telegraph and Telephone East Corporation (Installation of Additional Functions in Information Disclosure System on Estimated Delivery Dates for Fiber-Optic Subscriber Local Loops)

○ As a result of deliberations, it was decided that the form of the Draft Report be partially amended and that a presentation be made of the amended Draft Report in the Telecommunications Business Sub-Council.

[Major opinions, etc.]

1) 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)

Sakai (Vice Chair): The concept of demand prediction was shown in the previous report. Am I right to understand that calculations of differential amounts are performed by NTT?

Secretariat: Yes, you are right. Specific calculations of interconnection charges and demand prediction were carried out by NTT.

Sakai: An adjustment system is available for cases where demand is below the predicted level. Now, does the adjustment function work in cases where demand exceeds the predicted level?

MIC: If demand exceeds the predicted level, then overcharging will result. Therefore, a deduction will be made from interconnection charge costs in the following term.

Toukai (Chair): The proviso to the latter part of Concept 4 contains the expression, “it is possible to optionally set.” It is not clear what the object of the verb “set” is. Therefore, this wording should be revised to read, for example, “since it is possible to optionally set the said period.”

MIC: We would like to make the revision.

Fujiwara (Committee Member): I think that rival operators entertained considerable expectations and apprehension about the interconnection charge levels as they would be after revision. It turned out that interconnection charges were reduced by about 100 yen, which amount was about the same as had been reported by mass media in those days. With regard to the issue of the establishment of interconnection charges for individual branch terminal line types, which was one of the subjects of discussions held on the interconnection rules for NGNs in March this year, various methods and alternative ideas were shown as solutions. As a result, the conclusion that efforts would be made to further reduce interconnection charges for subscriber optical fiber networks was reached. How should we evaluate the interconnection charge levels in the revision

applications recently filed as a consequence of the above fact?

MIC: We think that broadly speaking, two directionalities were shown in the report submitted at the end of March. The first point is to reduce interconnection charges themselves. The second point is whether it is appropriate to make common use of individual fibers of optical fiber cable. As regards the second point, common use involving NTT East Corporation and NTT West Corporation will not be made soon enough. Be that as it may, if positive efforts are made among rival operators toward common use of optical fiber networks, it is possible for individual rival operators to bear costs per fiber. Our understanding is that the second point shows the concept that, in the first place, competition among operators is desired in such a competitive environment.

Fujiwara: Has significant progress been made thereafter in consultations among rival operators?

MIC: Apart from the extent of progress, we know that consultations are promoted with the aim of achieving common use among rival operators on the basis of the Report.

Toukai: With regard to the matter that Committee Member Fujiwara has just pointed out, I agree that whether the interconnection charge levels as revised will really contribute to the promotion of competition from the point of view of competition policy is questionable. Be that as it may, speaking in terms of matters decided by the Telecommunications Council from the perspective of the current revision of interconnection charge calculations, a technique is adopted whereby predicted demand is brought into agreement with actual demand. In this technique, if differential amounts are generated, adjustments are made as a matter of course, whether such amounts are positive or negative. Such being the case, I have the feeling that there is no choice but for this issue to be settled this way. However, as regards the matter pointed out by Committee Member Fujiwara, I think that complementary actions will have to be taken in various situations related to this issue.

Sakai: As long as the differential amount adjustment system exists, compensation will be made even if interconnection charges are required to be reduced 300 yen, and I therefore presume that no loss will be caused to NTT East Corporation and NTT West Corporation.

MIC: Even though the differential amount adjustment system exists, not all amounts can be recovered by NTT East Corporation and NTT West Corporation. It is arranged for differential amounts to be borne by NTT East Corporation, NTT West Corporation, and rival operators in the calculation period for interconnection charges for the following term. In the event that a differential amount of 10 billion yen is generated in the current calculation period, the greater

part of this amount will be borne by NTT East Corporation and NTT West Corporation if the present wire ratio is used as a base. There is the question of whether the business management of NTT East Corporation and NTT West Corporation will be exempt from impacts, irrespective of the extent of differential amounts. The answer is not necessarily “Yes.”

Toukai: Personally, I am of the opinion that it is desirable to avoid the situation in which numbers are adjusted *ex post facto* as much as possible. That is, I would like to have differential amount adjustment avoided as long as possible. Am I right to understand that differential amount adjustment will be temporarily applied only in the two terms of FY 2008 and FY 2010?

MIC: Yes, you are right.

Morikawa (Committee Member): The last part of Concept 1 contains the expression, “from the point of view of improvement of user convenience.” Is this sufficient? Users are certainly important. Be that as it may, isn’t it necessary to see things from the industrial growth potential point of view when considering competition policy?

MIC: Here, some portions are written in a routinized way. Be that as it may, the portion in question is a quotation from part of the purpose of the Telecommunications Business Law, to the effect that efforts will be made to ensure user convenience, thereby promoting public welfare, thus other viewpoints are not necessarily excluded. As a matter of fact, the meaning is to promote competition policy including improvement of industrial growth and international competitiveness, as pointed out by Committee Member Morikawa.

Sakai: What has just been said is very reasonable. If industries do not get along properly, there is no doubt that adverse effects will end up falling on the people. Be that as it may, when statements are written here directly from the point of view of the Telecommunications Business Law, then user convenience tends to be expressly mentioned while industrial policy fails to be referred to so explicitly. I think that, in actuality, both of such aspects should be considered.

Toukai: I agree. After all, the final stage concerns improvement of user convenience. Intermediate stages pertain to various aspects. Be that as it may, if the final stage is described, intermediate processes can also be covered. There were similar instances in other Councils.

Fujiwara: Concept 3 on page 6 of the document on concepts contains the expression “in light of the fact that none of the entities such as power utility group carriers and CATV operators offered any specific opinion that no obstacle would be caused to the progress of facilities competition.” What is the intent of this expression?

MIC: In the Report submitted in March this year, mention was also made of consideration for facilities competition. Our understanding of the background of this fact is that power utility group carriers and CATV operators expressed opinions that a very significant reduction of interconnection charges would cause a hindrance to the progress of facilities competition. On the other hand, as a result of the public comment invitation carried out this time, no opinion was offered that made mention of specific interconnection charge levels themselves, hence the above-mentioned expression.

Toukai: Does the term “entities such as power utility group carriers and CATV operators” mean “entities, such as power utility group carriers and CATV operators, which are directly involved in facilities competition”?

MIC: Yes, that is right.

## 2) Partial Amendment of the Regulations for Enforcement of the Telecommunications Business Law

Toukai: The proviso on page 41 of the Outline of Amendment contains the expression “the status regarding cost drivers required for calculation of interconnection charges,” while the third line from the top in Concept 3 gives the expression “a study of cost drivers.” Does the term “status” in this context mean “study status”?

MIC: Basically, it means the study status.

Toukai: The current expressions do not make sense. I presume that both expressions should essentially read “the study status of cost drivers required for calculation of interconnection charges.”

MIC: We would like to rephrase them to make them consistent with each other.

Morikawa: The term “edition” is used on page 43 of the Outline of Amendment. What does this term mean? Does it mean “conversion”? If the term “conversion” is entered, I presume that the term “edition” can be dispensed with.

Now I would like to refer to the definition of “SIP server” given in Paragraph 14 of Article 24-5 in the Draft Partial Amendment of the Regulations for Enforcement of the Telecommunications Business Law. I presume that, strictly speaking, no IP addresses are assigned to SIP servers.

MIC: First, we would like to speak about the definitions of the terms “edition” and “conversion.”

“Edition” means the act of compressing or encoding information content in the inside of articles of the same nature, for example, in the inside of electrical signals or in the inside of IP packets, thereby performing processing. On the other hand, in the case of “conversion,” it is assumed that information contents are converted, in the true sense of the word, between articles of different natures, for example, between electrical signals and IP packets. Thus differentiation is intended to be made from the act of performing processing in the inside of articles of the same nature.

Next, we would like to talk about the assignment of IP addresses to SIP servers. Speaking of SIP servers, we think that functions differ from model to model. If functions are limited to those of SIP servers installed by NTT East Corporation and NTT West Corporation, the following is the case: First, IP addresses are assigned to users’ terminals; then line certification is performed; subsequently, sessions are held. Therefore, we dared to mention the assignment of IP addresses.

Morikawa: There is an issue of the scope of definition for the “SIP server” term. Be that as it may, according to generally shown illustrations of NGNs, I think that the assignment of IP addresses and certification of lines are beyond the scope of the functions that ordinary SIP servers have. Am I right to understand that this point is taken into account in the SIP server defined in the above-mentioned Draft Partial Amendment?

MIC: Yes, you are right.

3) Authorization of Changes to the Interconnection Tariff Concerning Category I Designated Telecommunications Facilities of Nippon Telegraph and Telephone East Corporation (Installation of Additional Functions in Information Disclosure System on Estimated Delivery Dates for Fiber-Optic Subscriber Local Loops)

No opinions were expressly offered.

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