

Study Group on Framework for International Television Broadcasting
Provisional Summary of Minutes (4th Meeting)

1. Date: Thursday, October 27, 2006, 2 to 4 p.m.

2. Location: Special Conference Room 1, 8th floor, Ministry of Internal Affairs and Communications

3. Attendees (honorifics omitted)
 - (1) Study Group members
Teruyasu Murakami (Study Group Chair), Eiichi Shimuzu (Vice-Chair), Fumio Takahata, Yusuke Yasuda
 - (2) Expert advisers
Kazuo Asakai, Mitsuyoshi Atsuta, Tsuguhiko Kadokawa (substitute for Tadayuki Nakamura), Yoshihiro Oto, Hatsuhisa Takashima, Junichi Nakagawa, Keiichi Nagamatsu, Toshio Fukuda, Robert Feldman
 - (3) Observers
Takashi Hoshiyama (Director of the Cultural Policy Division, Cultural Affairs Department, Ministry of Foreign Affairs), Yasuhiro Shinohara (Director of the International Tourism Division, Policy Bureau, Ministry of Land, Infrastructure and Transport, substitute for Wakai, Deputy Director)
 - (4) MIC representatives
Suzuki (Director-General, Information and Communications Policy Bureau), Nakada (Deputy Director-General, Information and Communications Policy Bureau), Yamane (Director, General Affairs Division), Minami (Director, Broadcasting Policy Division), Nagashio (Senior Planning Officer, Broadcasting Policy Division), Takeda (Director, Satellite and International Broadcasting Division), Ohara (Senior Research Officer, Satellite and International Broadcasting Division)

4. Agenda
 - (1) Organization of discussions at the 3rd meeting

MIC explained its organization of the discussions at the 3rd meeting with the use of reference materials.

(2) Framework for the operating body

i. Setting preconditions

Related report: “Estimate of expenses for constructing a new broadcast center for international TV broadcasting for foreigners”

Presented by NHK Managing-Director Nakagawa with the use of reference materials.

ii. Approaches to the entity operating international broadcasting

Related reports:

“International TV broadcasting as seen from private broadcasting (1)”

Presented by TV Asahi Executive Director Fukuda with the use of reference materials.

“International TV broadcasting as seen from private broadcasting (2): ‘establishing an environment’ for international TV broadcasting in the context of practical program sales and creation”

Presented by Fuji Television International Bureau Director Asata with the use of reference materials.

Q&A sessions were held after each presentation.

(3) Open debate

The following are some of the main viewpoints expressed by the study group members and expert advisers.

i. Questions on NHK’s report

- The new broadcast center is said to be on the same scale as the Fukuoka center, but I question whether such a scale is needed. More to the point, the annual operating budget of nearly 30 billion yen seems excessive to me. Leaving the initial outlay aside for the moment, there is the likelihood that the operating budget will escalate significantly with the selection of territories, broadcast content, and languages and it’s possible to hypothesize, in view of the

experiences of other countries, that a very large sum will have to be covered at the government's expense. I'd like to hear frankly if the other members have been assuming such a figure.

- About the building expense figure in the initial costs, this is for constructing, not leasing, a building. Leasing is also a possibility, but we have not worked out a solid figure concerning leasing any particular building in any particular location. (*comment from NHK*)
- Since we are assuming that we will be gathering footage on our own and since putting the center in some out-of-the-way place would involve prohibitive amounts of time and money to collect footage, the center would be best located near the center of a city, although it does not necessarily need to be in the heart of a city. (*ibid.*)
- Centralizing all functions in one location is desirable. It is not impossible to separate the functions, but considering field work, production, and transmission as virtually one entity is fundamental. Therefore, having these functions close to each other is more efficient. When thinking about live broadcasting in particular, transmission and studio functions must be combined. On the other hand, it is possible to separate administrative offices and production departments. (*ibid.*)
- The estimate indicated here is generally twice that of the costs found in France and the UK, but the exact reason is unclear because we haven't studied how these countries arrived at their cost estimates. (*ibid.*)
- Unlike the BBC, NHK produces all its content from scratch without sharing content and our cost estimates are premised on paying proper compensation for external content. (*ibid.*)
- I don't think we have yet discussed the extent of news coverage in the new international broadcasts. Furthermore, is it necessary to run hourly "hard" news

— who got injured where or who was killed — in international broadcasts? Would it not be better to broadcast “soft” news in a package that summarizes a day’s worth of news? Otherwise, I sense we will wind up simply launching a run-of-the-mill TV station. I think some debate is needed on whether this approach is the best thing or not.

- The reason why the operating expenses are about a magnitude higher than the current NHK international TV broadcasting costs is because they include a portion of expenses from the domestic news-gathering and production systems that will be combined with international broadcasts. These costs are not included in the currently announced expenses for international broadcasting. *(comment from NHK)*
- The largest share of program production costs goes to personnel and equipment for the field work and production of news programs. The substance of these costs will vary tremendously depending on the extent the broadcasts feature these programs. *(comment from NHK)*
- The “last one mile” means being at a point, on the infrastructure side, where broadcasts can be viewed in most of the world’s leading cities. *(ibid.)*
- The expenses would change considerably depending on the format of content sharing. *(ibid.)*
- It’s virtually impossible to scrutinize these expenses without a complete vision of the programming content — how much news programming will be run, whether broadcasts will be all-day, what regions and languages will be covered. With problems like having no preconditions and the serious differences in NHK’s way of thinking and that of private broadcasters, especially concerning program production costs and whether they should be weighted in the same way for new international TV broadcasting, there’s no way to break down the expenses, right?

- I wonder if the basic network configuration, that is broadcasting to different localities via broadcast satellites, is valid. Where it isn't vitally important to broadcast in real time, is it not more efficient in the sense of reaching more locations — although conversely it may prove to be costly — to send our programming to our partner's broadcasting stations by IP and have them transmit the programs by the most suitable method.
 - The costs for transmitting via the Internet have not been considered in this trial estimate. *(comment from NHK)*
 - If we broadcast programs including images over the Internet, I think we'll run into other problems beyond costs because of the considerable limitations that will arise on content procurement.
 - Regarding the program production costs, it costs several hundred million yen to make a 10-minute hourly news segment in Japanese that runs 24 hours a day, so to create a 20-minute hourly news segment in English, these costs will balloon to several billion yen. *(comment from NHK)*
 - Program production costs occupy a particularly large portion of the operating expenses for any international TV broadcast. Although the costs are sensitive to the transmission and programming configurations, a benchmark cost for the most expensive method has been presented. Regarding the initial costs, there is some room to maneuver depending on whether all programming is produced from scratch or whether programming is shared from other sources. *(summation by the Chair)*
- ii. Views and comments on the reports from TV Asahi and Fuji Television
- Running TV commercials for Japanese products and to entice tourists to come to Japan, in addition to programs and news, might be a desirable approach. More than pitching Japan to foreigners, commercials have the potential to convey powerful messages. Like the practical suggestion Foreign Minister Aso gave — that running commercials itself would create a sense of distance from

the government — I too personally feel it would be better to have commercials than to go commercial-free.

- Putting commercials for individual corporations on international broadcasting seems inconsistent with its mandate to sell Japan through an “all-Japan” approach. From the standpoint of a private broadcaster, I’m not keen on the idea at the present time.
- As a revenue stream, it’s valid to list advertising rates in the system in the same vein as other countries, but the impact of such advertising will be slight unless it is very carefully tailored to the country, the region, and the people of the country. So there is some question of whether we could actually attract advertising.
- Instead of overt advertising, there would seem to be a considerable number of corporations willing to assist in the production of programs. In this case, I think it wouldn’t be bad to have infomercials, where the sponsoring corporation is displayed or the location of the filming is displayed.
- PBS in the U.S. uses an underwriting format instead of running commercials, but commercial-free foreign broadcasting is dull. I think the character of a country shows up in its commercials and the like.
- Normally when a Japanese conglomerate expands overseas, its local subsidiary or ad agency in the local region is responsible for sponsorships. It’s somewhat difficult for a business sponsored by Japanese conglomerates to come up with a business model without first determining that it will run global advertisements.
- Programming independence is a very important issue, and I think there is a very strict correlation between programming independence and financing. I believe that programming independence is a major principle to ensure the trust of the viewers regardless of the type of organization we start up.

- Internet usage and advertising approaches should be kept separate for the present moment, but they are issues that should be studied in the future.
- When considering the establishment of conditions that would permit the participation of private broadcasters, a major problem that arises is how to assure and guarantee programming and editorial independence, including the issue of mandated broadcasts (*meirei hoso*).
- On the issue of mandated broadcasts (*meirei hoso*), editorial independence is extremely critical for the BBC, judging from the UK's explanation of public diplomacy. It is written that the related cabinet minister for the BBC, after necessarily taking editorial independence into consideration, may, if necessary, request that the BBC run a specific broadcast. Unlike Japan's Broadcast Law, there is no forthright wording like "order." The word "order" (*meirei*) has this image somehow of the powers that be issuing commands to broadcasting organizations, and I sense Japan has nothing to gain from it.
- In the UK, the agreement between the BBC and the government does state that the government may make "requests," but we should be aware that in practice when the government does make a request, the BBC must accept it, so, in fact, these are orders.
- First, about advertising, it is not conceivable to have commercials themselves on international TV broadcasts, but approaches are possible in which advertising is incorporated in the broadcasts. Second, regarding editorial independence, it is thought that international TV broadcasts will strike a balance with legal frameworks while being premised on editorial independence. (*summation by the Chair*)

iii. Questions on the Secretariat's explanation of approaches to the entity operating international broadcasting

- Proposal 2 in Document 7 brings more clarity than now to the wording of NHK's essential affairs and divides international broadcasts into broadcasts for Japanese living overseas and those for foreigners. This would be implemented by commissioning broadcasts for foreigners to a subsidiary — that is, the subsidiary would run broadcasts for foreigners on behalf of the NHK. In this case, the production work, programming work, and other affairs would be given over to the subsidiary. Furthermore, the subsidiary would be able to make original broadcasts for foreigners separate from the broadcasts commissioned by the NHK. The operations for these original broadcasts would be funded by advertising revenue and the like. (*comment from the Secretariat*)
- The licensed entity for broadcasts commissioned by the NHK would be the NHK. Since broadcasts for foreigners are broadcasting activities done abroad and not acts done in Japan, they are not subject to domestic regulations. Therefore, original broadcasts separate from broadcasts commissioned by the NHK would not require licensing, although they will need to be licensed in countries that require authorization. (*ibid.*)
- Does Proposal 2 mark an enhancement in any way? Currently, NHK already in essence commissions a large part of its broadcasting for foreigners to subsidiaries.
- It does represent an enhancement in the sense that, for the original broadcast portion, it strives for greater efficiency by introducing private capital. (*comment from the Secretariat*)
- Like Proposal 2, Proposal 1 would also result in the original broadcast portion being exempt from domestic regulations, but Proposal 1 would require the construction of legal frameworks for government funding and for other things such as becoming a designated corporation. (*ibid.*)
- There are no discrepancies between the two proposals in terms of personnel, wages, or retirement allowances. (*ibid.*)

- We interpret the statement in the agreement between the government and the ruling parties that “[the international broadcasting entity] accepts investments, etc. from the private sector on a proactive basis and takes government funding as necessary” to mean that, beyond the fact that the investors are private corporations, it will be tough to get money from the government. Leaving aside whether we can expect dividends and to what extent, this also means the system is expected to be a publicly-traded corporation in addition to receiving investment from the private sector. (*ibid.*)
- Since the original broadcasts given in Proposal 2 are purely a private-sector activity, the breadth of those activities will fluctuate according to received revenue. (*ibid.*)
- In Proposal 2, the supply of programming from private broadcasters is primarily for the original broadcasting portion but it is possible this can be made up with NHK-originated programming. (*ibid.*)
- In Proposal 2, the subsidiary may be either an existing subsidiary or a newly created company. (*ibid.*)
- In terms of the implementation of government funding, under Proposal 2, it is envisioned that the government will apply mandate orders to NHK itself, but in Proposal 1, ignoring for the moment the question of whether there will be a mandated broadcasting scheme or not, some sort of mechanism will be needed to get government funding. (*ibid.*)
- Even when the government issues instructions to NHK itself under Proposal 2, the scope of those instructions covers broadcasts that have been commissioned by NHK, but not the original broadcast portion. NHK has the editorial rights to broadcasts it commissions, whereas the subsidiary has the editorial rights to original broadcasts. (*ibid.*)

- There's the aspect that the public in Japan will find it hard to accept that their [NHK] license fees are being used for overseas broadcasting.
- It is difficult to use funds from license fees under Proposal 1. In Proposal 2, the concept of using funds from license fees is founded on the fact that license fee funds are currently being used for international radio broadcasts. (*comment from the Secretariat*)
- Neither Proposal 1 nor Proposal 2 seems to improve on the current situation. With Proposal 1 in particular — in which license fees are not used and government funds are not used — won't the scale of international broadcasting actually shrink? And since there are limits on assuring advertising revenue, unless a third proposal is tabled, are we not facing a greater danger of the current situation becoming all the more worse?
- In both Proposal 1 and Proposal 2, the sense of scale of revenue sources has been abstracted and there is no difference between the two in terms of the sense of scale. (*comment from the Secretariat*)
- Under Proposal 2, the subsidiary has two characteristics; it is a mixture of a portion that operates under a domestic license and a portion that does not. The same situation, where different characteristics are intermixed, is seen now in JSTV and others involved in TV Japan, where a portion of the programming is commissioned NHK World broadcasts with a broadcast framework is specified by NHK and a portion consists of other programming. (*ibid.*)
- Is it possible to compare the planned entity to be started as a domestic broadcaster on an equal basis with an overseas subsidiary?
- The two plans that have been drawn up in legal fashion in regard to the current system and the intention of the ruling party agreement have potential, but there have been arguments against both from a number of sides. (*summation by the Chair*)