

Summary of Minutes

8th Meeting of the Study Group on Cable Television in the 2010s

1. Date and time:

November 29 (Wed), 2006 10:00 to 11:50

2. Location:

Special Conference Room No.1 (8F), Ministry of Internal Affairs and Communications

3. Attendees:

(1) Members (Honorifics omitted)

Yasutoshi Ishibasi, Yoshihiro Oto, Fujio Koike, Sigeki Goto,
Kazuteru Tagaya, Tetsuro Takeoka, Masataka Nakamura, Tomohiro
Fujisaki, Yuji Fujimoto, Tadahisa Mori, Hirotsugu Yamaguchi,
Ryuji Yamamoto

(2) Ministry of Internal Affairs and Communications

Suzuki (Director-General of the Information and Communications
Policy Bureau), Nakada (Deputy Director-General of Minister's
Secretariat), Minami (Director of Broadcasting Policy Division),
Ando (Director of Terrestrial Broadcasting Division), Takeda
(Director of the Satellite and International Broadcasting Division),
Fujishima (Director of the Regional Broadcasting Division), Honma
(Senior Technology Planning Officer of the Regional
Broadcasting Division), Inoue (Assistant Director of the Regional

Broadcasting Division)

1. Summary of proceedings

(1) Opening

(2) Discussions

a) Future directions of MSO and rural-type cable television

b) Cable television in the 2010s

c) Draft table of contents for the report

(4) Closing

2. Major discussions

The Secretariat explained about "Future directions of MSO and rural-type cable television (draft)" (Document 8-1), "Cable television in the 2010s (draft)" (Document 8-2) and "Table of contents for the report of the 'Study Group on Cable Television in the 2010s' (draft)" (Document 8-3). Then questions and answers and discussions were held for each of the above, as detailed below.

(1) "Future directions of MSO and rural-type cable television" (Document 8-1)

○ These services had once developed in urban areas and expanded in rural areas in other industries. In the United States, small-scale cable television operators are making management decisions, such as concerning MSO. In case it is difficult for small-scale operators alone to deal with them, they are purchasing services from MSOs.

○ I think that "area-based" implies two meanings: one is doing business rooted in the area, and the other is providing contents for supporting safety, security, and education in the area. We must consider how local cable television stations can make the most of the advantage of being "area-based" and how they can survive through alliances with communication providers.

○ Indeed "area-based" has two meanings: one as the business structure that

supports the company and as the face of the area, and the other as the contents that develops the richness of the locality in terms of the safety, security and education of the area and contributes to the aged in society. The strength of current cable television is represented by contents such as community channels, and the business structure and after-sales services rooted in the area exists to support them. These are the two sides of the same coin but I think their purpose is different. I believe that "area-based" in the document is mainly regarding contents.

○ A precise check of the details of "area-based" on P.4 is needed. It is also necessary to show how the "area-based" contents will develop in the restructuring of cable television that may occur in the future. I also think that we have to take care that this does not step backwards as a result of free business development.

○ We often hear that local cable television is "area-based," but this may not apply to some cases if you look at the actual situations. I think that contents that are "area-based" such as safety, security, and education must be reinforced.

○ I think that cable television can fulfill its role by providing popular contents common across the country, which are supplied by satellite broadcasters, together with information on each respective area. We are now strengthening the alliance between the two through efforts such as performers in satellite broadcasting participating in area-based programs.

○ Categorizations are made such as "MSO-type" and "rural type," but operators that fall under the "rural-type" are not only located in rural areas. It would be more accurate to say that there are, for example, "local-type" and "three segment-type."

Don't we have to think of a better name than "rural-type?"

○ Cable television services based on MSO-like management are efficient, but they may be absorbed by communication providers if they are less "community-based." On the other hand, it may be difficult for them to survive if they only remain "community-based." I think that they must

cooperate in an MSO fashion for various improvements, such as the speed up of the digitization of broadcasting.

(2) Cable television in the 2010s (Document 8-2)

○ Cable television has poor financial ability and there are some opinions that insist the necessity of converting the service to MSO through M&As. On the other hand, there are also views that assert the elimination of financial shortage in a few years that will stop the trend of conversion to MSO. I am afraid that this Study Group cannot draw any conclusion since this is a matter of economic strategy, including questions such as "What should we do about future cable television in locations between urban and rural areas?" However, we must hold discussions so that cable television does not make erroneous selections due to insufficient information.

○ It seems that conversion to MSO will progress rapidly in order to cope with digitization and less conversion will take place once a future foundation is constructed after successfully accepting digitization.

○ I think that operators who are willing to improve the identity of the area, such as that in Nishi Aizumachi, may be made more efficient by, for example, sharing the head end with operators in the neighborhood.

○ We hear that cable television has poor financial ability, but I think that more Japanese investors, especially large-scale investors, may invest in cable television services. In order to realize this, cable television needs to be more attractive as a target for investment.

○ It is necessary to consider how to follow up cable television operators who cannot be the targets of investors and who have been left behind from the conversion to MSO, as they have served the area by providing local information and assumed supplemental functions for terrestrial broadcasting.

○ To what extent should cable television operators place their accent on services of a public nature. It will be difficult to assume public services if

networking is promoted only for districts with lower income.

○ Conversion to MSO will achieve efficiency by sharing, for example, the head end, but there are other issues to be resolved, such as differences among areas in selling procedures and pricing systems for the same program content. Improvement of efficiency through conversion to MSO may in part impair the effort in each area, and thus geographical aspects should also be taken into account.

○ One of the major advantages of conversion to MSO is improved efficiency in securing human resources. Experts must be placed in the company for providing new services (e.g. telephony services), and human resources with greater expertise will become easier to secure after conversion to MSO.

○ Those who subscribe to cable television are households with relatively high income, and they are the "gold-mine" in terms of marketing. How to utilize these assets will be left to our future discussions.

○ It seems that cable television operators in the future need to improve the significance of their existence through services other than broadcasting. Cooperation with welfare services may be considered as the aging of society advances.

○ "Media amalgamation" has been a dream in the communication sector for some time. The dream has not been realized because technologies have been immature. But now it is developing toward amalgamation through IP.

○ As for networking to supply programs, programs are being supplied within the business mode of the existing commercial broadcasting services. and thus it seems that the market has not been fully developed. Japanese cable television operators have not yet grown into a form of new syndication market in the content distribution phase. I think that raising the level of program production will expand market scale, including for operators.

○ An effort is required to make local contents "contents that sell," just as Chukai Cable Television System Operator does. It involves much commercial-to-commercial cooperation but it seems that there are many possible ways for providing support, as we can see in cases in foreign countries.

(3) Table of contents for the report (draft) (Document 8-3)

○ Today's discussions include a mixture of mid- to long-term issues up to 2015 as well as present issues, and thus we must make them clear. This must be noted when compiling the report.

○ As we have seen in our discussions so far, cable television plays both local and public roles. I think that the report should be structured so as to emphasize the "roles that only cable television can play."

○ I feel some sense of discomfort since "the roles to be played" and "specific business development" are stated in parallel. The report should first discuss "the roles to be played," including the public role, and then talk about how the business should be developed.

(End)