

Outline of Proceedings of the First Meeting of the Study Group on Future Visions of the Universal Service Fund System

1. Date and Time: Monday, January 29, 2007; 13:00 to 15:00
2. Location: Special Conference Room 1, 1st Floor, Low-Rise Building, Central Joint Government Building 2
3. Attendees

(1) Members (in alphabetical order)

Junichiro Fujiwara, Yuji Oie, Masahiro Sekiguchi, Minoru Sugaya,  
Atsushi Togashi, Masatsugu Tsuji, Toko Yamashita, and Noriyuki Yanagawa

(2) Ministry of Internal Affairs and Communications

Mori, Director-General of the Telecommunications Bureau;  
Sakurai, Director-General of the Telecommunications Business Department; Suzuki,  
Director of the Telecommunications Policy Division; Taniwaki, Director of the Tariff  
Division; Ninomiya, Senior Planning Officer of the Tariff Division; Suzuki, Assistant  
Director of the Tariff Division; Katagiri, Assistant Director of the Tariff Division; and  
Shirai, Assistant Director of the Tariff Division

4. Agenda

- (1) Present Situation and Issues Facing the Universal Service Fund System
- (2) Draft Study Agenda for Future Visions of the Universal Service Fund System
- (3) Other matters

5. Outline of proceedings

[Guidelines for Holding Meetings]

- Approval was obtained for the “Guidelines for Holding Meetings” (Document 1-1) proposed by the Secretariat.

[Election of Chairperson and appointment of Deputy Chairperson]

- Member Sugaya was elected Chairperson. Member Tsuji was subsequently appointed Deputy Chairperson by Chairperson Sugaya.

[Opening of Study Group Activities to the Public]

- An explanation was given of the “Draft Document on the Opening of Study Group Activities to the Public” (Document 1-2) proposed by the Secretariat. This Draft Document was approved.

[Method of Promoting Study Group Activities]

- An explanation was given of the “Method of Promoting Study Group Activities” (Document 1-3) proposed by the Secretariat. This Draft Document was approved.

[Present Situation and Issues Facing the Universal Service Fund System as well as the Draft Study Agenda for Future Visions of the Universal Service Fund System]

- The Secretariat explained the “Present Situation and Issues Facing the Universal Service Fund System” (Document 1-4) and the “Draft Study Agenda for Future Visions of the Universal Service Fund System” (Document 1-5).

- Major comments made by members during free discussions included the following:

- It is important to develop infrastructure such as broadband networks in areas with adverse reception conditions, such as outlying islands and cell phone dead zones.

It is necessary henceforth not only to determine necessary action regarding conventional telephones, but also to conduct comprehensive research into matters such as the background of the shift toward IP phones, the progress of this shift, and minimum key future services, especially in regard to ensuring safety and security. I would like the voices of local people to be reflected in the activities of this Study Group. Furthermore, I think that in underpopulated areas, the development of telecommunications infrastructure will play a major role in the improvement of health and welfare.

- Regarding the focus of this Study Group, we need to hold discussions on the fairness of burdens, restraints on the increase of burden amounts, and the structural requirements for universal service.

- I believe that universal service is classified as an aspect of communication policy. If studies are to be conducted on the basis of arguments favoring income transfer from profitable to unprofitable areas, and on compensation through tax revenues, then this will involve welfare policy aspects as well. Therefore many aspects need to be considered.

- In the United States, compensation amounts under the universal service system have risen. This is partly due to the rise in compensation for the communication expenses of educational facilities and medical institutions, indicating the involvement of significant welfare policy

aspects.

- There is the issue of whether broadcasting should be taken into account from the viewpoint of the fusion of communications and broadcasting, when conducting studies of the universal service system. This issue will be studied as necessary in Phase 2, in and after 2010.

- Given current population trends and the falling birthrate, there is no choice but to consider whether cell phones and IP phones should be subjected to universal service obligations.

- The following points for consideration were also raised regarding the resolution of current discussions:

1) The question of how much burden amounts will rise if the provision of minimum voice services are made compulsory as a universal service on the one hand, and if multiple forms of service via the Internet are included on the other;

2) The question of whether universal service coverage should be determined in terms of population or area;

3) The fact that it is easier to resolve outstanding issues if services are considered separately from infrastructure;

4) The necessity of conducting research taking various possibilities into account, on the assumption that it is impossible to forecast future developments, such as leaps in technological progress.

- Regarding the relationship between broadband infrastructure development and the universal service system, it is necessary to pay attention to the fact that the former pertains to promotion policies and is subject to public assistance, while the latter concerns the maintenance of existing facilities and is subject to private mutual support.

- In the review discussions held so far, studies have been conducted as to whether the range of universal service should be limited to voice services or should be expanded to include broadband services. Discussions should be held by taking into account the fact that the following items are classified differently; the act of maintaining already developed networks such as PSTNs; and the act of developing and expanding new networks such as broadband networks in the future and in the midst of competition.

In Phase 2, in particular, it suffices to show a rough vision based on a time series with regard to the future prospects of the communications market. Besides, in holding discussions

regarding whether IP phones should be included in the scope of universal service obligations, it is necessary to conduct research on ensuring the reliability of IP phones.

- My understanding is that there are a wide variety of issues to be faced in researching future visions of the universal service system. In addition to telephones, various other communication means may potentially be considered as constituting services “indispensable to national life” in 2010. It is therefore necessary to combine diverse systems and policies in an appropriate fashion.

If it is necessary to take a variety of measures with regard to areas with adverse reception conditions (high costs), I presume that diverse technologies can be employed in a proactive manner. Furthermore, regarding system implementation methods themselves, it is necessary to conduct studies on countermeasures based on combinations of assistance provided by means other than the universal service system.

- If items of low feasibility are also subjected to universal service obligations, I am concerned that the scope of universal service may become too broad. With regard to studies of universal service, there are cases, for example, where carriers doing business in local areas cannot provide universal service, despite the availability of infrastructure. In such cases, it is necessary to understand the reality of the situation, for example by conducting hearings from those carriers, and inquiring the reasons for their inability to provide universal service despite the availability of infrastructure.

- The purpose of studies in this Study Group is to hold discussions in the preparatory stage for a full-scale review of the universal service system. I believe that it is fine to hold discussions on a wide-ranging basis. However, the scope of discussions should not be unduly expanded. If we go so far as to discuss the correction of income disparities and information disparities, there is the danger that, just as in the United States, compensation amounts will inevitably increase. It is necessary to maintain the viewpoint that minimum required services should be secured, thereby correcting interregional disparities.

- It is conceivable that the full changeover to IP phones will not yet be achieved at the beginning of the 2010s. It is premature to hold discussions on the assumption that the full changeover to IP phones will have been completed. Furthermore, in consideration of the cost aspect, it is important that the range of compensation not be unduly expanded.

- One of the study items in the Draft Study Agenda should contain a statement soliciting opinions that propose alternatives to, and remedial measures for, the current scheme called the fund system.

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