

Study Group on Framework for International Television Broadcasting Summary of Minutes (7th Meeting)

1. Date

Friday, March 2, 2007, 4 p.m. to 6:30 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 Shimizu (Vice-Chair), Fumio Takahata,
Yusuke Yasuda

(2) Expert advisors

Kazuo Asakai, Mitsuyoshi Atsuta, Yoshihiro Oto, Tsuguhiko Kadokawa (alt.: Masashi
Nakamura), Hatsuhisa Takashima, Sakie Tachibana Fukushima, Junichi Nakagawa (alt.:
Toshiyuki Sato), Keiichi Nagamatsu, Toshio Fukuda

(3) Observer

Toru Takahashi (Dentsu Inc.)

(4) MIC representatives

Suzuki, Director-General, Information and Communications Policy Bureau;
Nakada, Deputy Director-General, Information and Communications Policy Bureau;
Yoshida, Director, Broadcasting Policy Division;
Nagashio, Senior Planning Officer, Broadcasting Policy Division;
Takeda, Director, Satellite and International Broadcasting Division;
Ohara, Senior Advisor, Satellite and International Broadcasting Division

4. Agenda

(1) Study items and the status of the study based on the "Interim Summary" et cetera

A MIC representative explained the status of the subsequent study in terms of the discussion that took place when the Interim Summary was reported at the Telecommunications Policy Sub-Council and the general meeting of the Telecommunications Council, following the previous meeting. This was followed by questions.

(2) Related presentations

- (a) "Global Branding: Prospects for and Issues related to Building Japanese Brands, Compared with Western Brands"

Presentation by Mr. Takahashi of Dentsu Inc., based on the distributed document

(b) “Rough Calculation of Expenses related to the New International Television Broadcasting”

Presentation by Mr. Sato (on behalf of Mr. Nakagawa, an expert advisor), Director General of International Planning & Broadcasting Department, Japan Broadcasting Corporation, based on the distributed document

(3) Free discussion

A free discussion was held, including questions and answers related to the presentations

The main comments made by members and advisors are as follows.

(a) Questions and answers concerning the Secretariat’s report

- It is important that the international broadcasting entity starts independent operations at an early future stage. However, it would also be appropriate at the startup stage to commission a new company to carry out part of the operations.
- Was a study at the working level from the perspective of broadcasting well-balanced news related to Asia, as pointed out in the Interim Summary, conducted in the hearing?
- There was a suggestion that it would be advantageous to broadcast accurate and up-to-date news in addition to news related to Asia. There was also a suggestion that, instead of transmitting Asian-related programs, programs should be produced in cooperation with other broadcasting stations in various Asian countries. (Comment by the Secretariat)
- I visited the homepage of France 24, which gave me the impression that France is aiming to become not only a financial hub but also an information hub of Europe. Japan should also swiftly proceed with an attempt to become an information center by making the most of the strengths of the private sector and the government as well as government funding in the same way it is trying to become a financial hub of Asia. It will not be long before Shanghai and China try to become an information or economic hub.
- What kinds of specific discussions are being held with the ruling party on the mandated broadcast system? The Interim Summary reported that the current mandated broadcast system should not be applied to the new international broadcasting. If this is to happen, then is a special law necessary or can the matter be dealt with by the revision or the like of government or ministerial orders?
- Discussions with the ruling party are continuing on the basis that the necessary national and governmental transmissions must be transmitted to the world by sure means. Discussions are also continuing in line with previous discussions. Taking these previous discussions into account, such as those related to the freedom to edit programs, concerning which the term “mandated” causes some misunderstanding, discussions are now underway, including a discussion about reviewing the wording in the current law. We cannot say anything more

specific at this time and we appreciate your understanding on this point. As for the new framework, we think various support measures in the budget can cover some part, without new legislative measures being taken. We plan to continue to consult and coordinate with the ministries and agencies concerned to work out a solution. (Comment by the Secretariat)

(b) Questions and answers concerning advertising broadcasting

- I understand that companies in various countries including Japan broadcast advertisements in Asia and Europe. Is the content of the advertising different between Asia and Europe or is the same content used worldwide? Do Japanese companies broadcast advertisements via media other than pan-regional media or are they not putting much emphasis on broadcasting advertisements overseas?
- To answer the first question, the content of advertising differs depending on the company and depending on whether the advertisement's message has global or more limited regional appeal. Also in some cases, different actors are used in advertisements aimed at Asia and Europe to make the audience feel more comfortable with the advertisement. As for the second question, since products sold and sales systems differ by market, pan-regional media are not suitable; therefore, Japanese companies are more likely to use local media. (Comment by Dentsu Inc.)
- More and more global companies are focusing on localization and centralization and I think that the focus of advertising and marketing varies, depending on where the company's strengths lie. Did you notice anything in the research? The concept and vision can be shared on a global basis; however, the marketing, including the sales, distribution and promotion, must be localized. Japanese companies use short-term tactics before long-term strategies and are likely to implement a localization strategy, giving the impression that they are not conducting marketing, public relations, branding, and other activities on a global basis. What is your expert opinion?
- You are correct on the first point. As for the second point, in Japanese companies, the sales and marketing department often overwhelms the corporate communications department, leading to a tendency to select the media that has the biggest direct impact on sales. Also, some areas can easily be globalized but some cannot. For example, IT and digital-related products and services can be easily globalized while it is difficult to globalize businesses concerning products closely related to consumers' lives and culture, such as food and drink. For such businesses, country-specific marketing strategies must be developed. (Comment by Dentsu Inc.)
- The Interim Summary reports that there is no expected demand for global advertising. According to the Dentsu report, however, there are many Japanese companies investing large amounts of funds to run global advertising campaigns in various ways. What specifically do

you think can be done to increase the demand for advertising time when the new international television broadcasting starts full operations?

- It is very important to research the nature of demand in terms of how to characterize international television broadcasting and what content is to be supplied. (Comment by Dentsu Inc.)
- As stated, Nokia, for example, spends about ¥2 billion to advertise on pan-Asian satellite TV stations. What is the amount spent on pan-regional media compared with that spent on local media?
- Pan-regional media are broad but shallow, and advertising expenses as a whole are more likely to be spent on local media. Western companies tend to expend some energy establishing a common brand image by intentionally running part of their advertising using pan-regional media to deliver a common message using the same content. Japanese companies, however, are yet to do the same. The ratio of advertising using local media against advertising using pan-regional media significantly varies depending on the type of business and product. (Comment by Dentsu Inc.)
- What kinds of advantages does CNN highlight to get advertisers?
- In the case of CNN's subsidiary in Japan, the company's advertising and sales teams are conducting marketing activities targeted at advertising agencies and sponsors. Despite the recent trend for companies to reduce media budgets, CNN is doing well. (Comment by Dentsu Inc.)
- Is the "support from the private sector" referred to here limited to support from Japanese companies?
- It depends on the nature and the purpose of international television broadcasting. If there is a possibility of support regardless of whether it comes from Japan or overseas, there will be room for a study on it. (Comment by the Secretariat)
- Was the hearing at the working level conducted with support from overseas in mind?
- The hearing was conducted with support from Japanese companies in mind. In fact, however, advertising may be run by foreign companies where programs are retransmitted. In consideration of the purpose of international broadcasting, this may not really be the correct course. However, needless to say, it is necessary to keep this in mind in terms of a method to procure funds to cover running costs. (Comment by the Secretariat)
- Since private broadcasters will probably be better at selling advertising time than NHK, we expect support from private broadcasters from the perspective of marketing advertising time to foreign companies.
- It can be within the scope of support from the financial perspective. However, since advertising does not come from Japanese companies, how to handle this matter is a new issue. (Comment

by the Chair)

(c) Questions and answers concerning the rough calculation of the expenses

- Can we consider proposal 1 to be more efficient than proposal 2? To what extent could programs be enhanced if ¥10 billion was available? We need to make a comparison with the BBC and France 24.
- Proposal 2 is more efficient than proposal 1 in the sense that NHK's facilities and equipment can be utilized. As for the comparison with other international broadcasting stations, producing programs similar to those that the BBC produces with ¥10 billion will require a substantial amount of extra funding because the BBC's programs are originally produced in English. Meanwhile, ¥23 to 27 billion at the Interim Summary stage was the minimum cost required to fund an independent staff ranging from news reporters to camera crew. In contrast, this proposal for ¥10 billion is based on external procurement and with the assumption that the news is purchased from Kyodo News and Jiji Press and the images come from private broadcasters and NHK. (Comment by NHK)
- The program cycle of "four cycles of six hours" is the world standard. (Comment by NHK)
- The "marketing" expenses are assumed to go to securing overseas circuits, negotiation thereof, last one mile connection, marketing to sponsors and more. (Comment by NHK)
- In the breakdown of operational expenses described on page 2 of Document 3, does the ¥3.5 billion from NHK include government funding?
- It is an amount that can be injected into English broadcasting from NHK TV license fees. The figure is calculated based on the next fiscal year budget. (Comment by NHK)
- We would ask NHK to clarify whether NHK can create satisfactory programs with ¥10 billion. (Comment by the Secretariat)
- ¥10 billion was set only as a benchmark. The image was just shown and it is not the point whether ¥10 billion is a satisfactory amount or not. (Comment by NHK)
- Then, can we regard 24 cycles of 15 minutes, for example, satisfactory based on the world standard?
- As far as news is concerned, broadcasting 24 cycles of 15 minutes is the world standard. It will be better to produce English programs in English from the start. However, in order to introduce the content of programs broadcast in Japan, it would be an idea to use good software available in Japan.
- There are 26 programs produced originally in English. Can we think of this level of production as very high?
- Yes, as far as the number of productions is concerned. (Comment by NHK)

- As for the content, can we understand that spending as much as ¥13.5 billion will make it possible to secure information and broadcast programs with original content, unlike France 24, which mainly broadcasts debates?
- We do not necessarily mean that proposal 2 is good; however, as a whole, the addition of ¥3.5 billion would make that happen. (Comment by NHK)
- In conclusion, there has not been enough discussion about what level international television broadcasting should be aimed at. If time allows, this should be the subject of considerable discussion at the upcoming Study Group meetings.
- We do not have time. The content that can be obtained using NHK's existing resources and the new addition of ¥10 billion are close to the level we have pursued through discussions, considering that as many as this number of programs are to be original productions. (Comment by the Chair)
- Is the "Image of New International Broadcasting" referred to in Document 1 related to the rough calculation of the expenses in NHK's document in proposal 2?
- The rough calculation of the expenses is based on the framework given in Document 1. (Comment by NHK)
- Is the image of the program table of the international television broadcasting channel for foreign people like the one shown in the lower column of "Image of New International Broadcasting (2)?" (Comment by the Chair)
- There will be a few more NHK-brand programs shown; however, this could be also one of the methods. It also depends on the degree of involvement of private broadcasters. (Comment by NHK)
- Even in the case of BS Japan, their annual budget is around ¥10 billion, which includes the support given by TV TOKYO. In the case of international broadcasting, there is a concern about whether ¥10 billion is enough to produce desirable programs, considering the development of the last one mile connection and other issues.
- The details and the breakdown of the ¥10 billion are unclear. It should be clarified what can be achieved with ¥10 billion.
- Is it possible to estimate the operational expenses of achieving what was described in the Interim Summary? (Comment by the Chair)
- That is directly related to the development of a business plan. To what extent should it be discussed by this Study Group? In my opinion, the rough calculation of NHK's expenses should be used as a reference and reflected in the development of a business plan in the future. (Comment by the Secretariat)
- ¥13.5 billion is just one amount for reference. The issue is to what extent we can boil down the discussion, while clarifying the limitation of the discussion, to compile a Final Summary.

(Comment by the Chair)

- Expenses and other figures of various countries have been released so far as examples. However, since conditions are different in all cases, no one case can be used as a benchmark, making it difficult to judge.
- We have to continue discussions while clarifying their scope. (Comment by the Chair)
- The differentiation of NHK and the new company is quite unclear, making it difficult to explain.
- The relationship between NHK and the new company, as well as part of obligations and other matters, is to be accurately clarified and then reflected in the Final Summary. (Comment by the Chair)

(Summation of the Chair)

- The study should take into account the fact that the new entity will become independent in phases. One of the points for discussion is that it might be possible to make the Asian viewpoint one of the core characteristics of the new broadcasting service. While the Interim Summary stated that the new international television broadcasting starts at the beginning of FY 2009, promotion of it must happen quickly.
- The mandated broadcasting issues will be compiled in the Final Summary in a form consistent with the study results. This will be done by carefully watching the situation.
- As for the expenses and the framework, I would ask that their mutual relationship be clarified and that they be clearly defined in future discussions.
- For global advertising, there were suggestions made that global transmission by global companies is certainly viable and international television broadcasting will be available as a means to realize this. (Comment by the Chair)
- We will start compiling the Final Summary based on the above.