

Study Group on the Spectrum User Fee System

Summary of Minutes (2nd Meeting)

1. Date

10:00-12:00, Thursday, May 17, 2007

2. Location

Conference Room 1, Ministry of Internal Affairs and Communications, 1st Floor, Bldg. 2, Central Common Government Office

3. Attendees

(1) Members

Kazuteru TAGAYA, Chair; Fumio TAKAHATA, Deputy Chair; Kazuko OTANI, member; Kazumi KUROSAWA, member; Yasuo SUZUKI, member; and Kiyotaka WAKIGUCHI, member

(2) Ministry of Internal Affairs and Communications

MORI, Director-General of the Telecommunications Bureau; KAWACHI Director-General of the Radio Department; SAMURA, Director of the General Affairs Division; TOMINAGA, Director of Radio Policy Division; FUJINO, Promotion Officer, Radio Policy Division; NATORI, Director of the Mobile Satellite Communications Office; ANDO, Director of the Terrestrial Broadcasting Division; and TAKEDA, Director of the Satellite and International Broadcasting Division

(3) Secretariat

TANAKA, Director of the Spectrum User Fee Office; and ECHIGO, Assistant Director of the Spectrum User Fee Office

4. Agenda

(1) Results of “Invitation for Public Comments on Spectrum User Fees” and Consolidation of Points at Issue

(2) “Spectrum User Fee Systems in Various Foreign Countries”

(3) Others

5. Outline of proceedings

(1) Results of “Invitation for Public Comments on Spectrum User Fees” and Consolidation of Points at Issue

- The Secretariat gave explanations of “Results of Invitation for Public Comments on Spectrum User Fees” (Document 1) and “Draft Consolidation of Points at Issue” (Document 2).

○ Comments made by relevant members subsequent to the explanations are as follows:
(Statements followed by an arrow (→) are responses from the Ministry of Internal Affairs and Communications.)

1) “Purposes” and “System”

- Proper purposes basically pertain, for example, to control such as by police; namely, checks are performed when public order is disturbed. Radio wave monitoring is typical of such activities. In contrast to the above, as regards new purposes that bring about additional benefits, it should be understood that the use of user fees will be curbed to a certain extent. This depends on whether user fees are something like public goods or something like club goods. With regard to disparity correction projects, there is the question of to what extent the following is to be carried out in underpopulated areas, where no profit is made: redistribution-like activities in which disparity correction projects are performed by means of user fees. I think that this is also a point at issue.

- User fees are treated as specific revenue sources. The difference between specific revenue sources and ordinary fees is as follows: In the case of ordinary fees, the compensation nature is clear; however, as regards specific revenue sources, what matters is relative profits. Therefore, if users demand that services equivalent to what they pay should be provided, then ordinary fees turn out to be full fees. In the case of specific revenue sources, the premise is such that it is impossible to arrange for individuals to receive benefits. Thus I think that user fees are club goods rather than public goods. It can be seen who are beneficiaries, but I think that the premise is that it is impossible to arrange for individual persons to receive benefits.

- A feature exists there that the system pertains not to taxes but to fees. Fees are charged uniformly for the purpose of having users perceive them as costs. In actuality, however, costs differ from place to place due to the demand-supply balance.

Besides, it is known to everyone that since the total amount is desired to be secured by means of current burdens, cellular telephone users are significantly burdened, with broadcasters burdened less. Such being that case, it may be that broadcasters will be required to bear large amounts in a way or another by way of real burden amounts. Broadcasting and communications are drawing nearer. What thought should be given when competitive relations are being developed?

- All of the problems raised as a result of invitations for public comments pertain to themes that are actually at issue. Such a committee exists, since it is necessary to arrange it so that actual conditions should be agreed with.

It is a delicate issue whether to theoretically straighten things out or to gradually have things agree with the actual conditions.

- What matters is approximate amounts of future common service expenses. In terms of increase, this matter is likened to the following problem: When common service expenses are to be reserved for an existing apartment building, is it intended just to recoat the walls once in 10 or 20 years, or is it assumed that this building will be reconstructed or that the building will be subjected to full-scale remodeling in 20 years or so?
- There is the issue of to what level that should be carried out. On what does this issue depend? Will money amounts that users are likely to be able to pay be settled upon? If everyone is likely to be able to make payment, isn't it permissible to contemplate expanding purposes of user fees with the aim of improving competitiveness or producing ubiquitous and different appearance? The answer will not be known unless, for example, questions are asked in hearings.
- A mention of international competitiveness causes the topic of research and development to be raised. In the case of international competitiveness, costs of basic research will be borne. In this connection, what will be done regarding portions of application and standardization? There are plausible reasons for the standardization portion. There will be a limit to allocating user fees to research and development in application fields, in which keen competitions are carried out among entrepreneurs.
- Item [1] "Purposes" pertaining to such spectrum user fees comprise the following two categories, which exist alongside each other at present: projects that are implemented by means of general revenue sources; and projects that require more costs for the purpose of strengthening portions that have so far been carried out by means of specific revenue sources. Is it good or bad to shift from general revenue sources to specific revenue sources? If general revenue sources are used, risks are involved, since these revenue sources are subject to increase or decrease in the framework of the budget of the whole country. On the contrary, the issue of involvement with fee amounts will come up. Moreover, if shifting is allowed to be performed too freely, I think that no brakes can be applied when things go as far as to fall into a state where user fees "are to be allocated to the redemption of government bonds" as mentioned in Item 3 - (2).
- The existence of disparities is a social problem arising from the fact that that the population of Japan is distributed in such a way as to be concentrated in cities. Therefore, there

can be an argument that some of the projects should be implemented by means of general revenue sources.

2) “Fee amounts”

- Isn't it fair to make a move little by little in the direction of these comments? I do not know whether it is necessary to separate broadcasting from communications. However, isn't it that things will take a turn in the direction of more suitable burdening?

As regards cellular telephones, I feel a sense of strangeness about the situation where a user fee is 420 yen per year although the universal service is discussed in terms of single digit yen. Everyone has a feeling that burdens are not fair at present, when broadcasting is undergoing changes.

- Since user fees are charges, such fees should be taken from the government as well. In this regard, however, it is necessary to make a clear distinction between the matter of taxes and the subject of fees. Granted that radio waves are highly public, who are to bear such fees? If there is a system where taxes are generally borne on a nationwide basis, there are cases where such a system is preferred to the situation where final beneficiaries are burdened.

- Arguments have been made from the beginning with regard to unnecessary stations. I think that in the future, the situation will arise where this matter cannot be left as is.

- I think that it is most important how much total user fees will be needed as a whole. It is necessary to set all items at delicate compromise points.

- There are many comments that careful consideration should be given to publicness. In such comments, the following categories are mixed together: items of direct nature such as disaster damage prevention radio communications; items of indirect and ancillary nature such as amateur radio communications and broadcasting; and items involving publicness. It is necessary to make a distinction between items of exclusively public nature and others.

- Comments on fixed stations were offered. Requests that the costs for the work of shifting frequencies be borne can be said to come under the category of temporary publicness.

- With regard to publicness on which comments are given in Item (2), the assertions of

broadcasters and amateur stations are ones that can be made by other stations as well. I think that disaster damage prevention administrative radio communications are highly public. However, such communications are not covered by the current purposes of user fees. If the publicness of spectrum user fees is emphasized, then I have a feeling that it may probably be possible to use spectrum user fees for the purpose of constructing facilities in such areas. What is the situation like in this respect?

→The basic practice is that respective government agencies disburse expenditures of construction of such facilities. In the case of spectrum user fees, measures are taken in such a way that all amounts are exempted with regard to flood control and fire fighting and half amounts are exempted as regards disaster damage prevention administrative radio communications.

- There can be arguments as to whether it is permissible to establish items like disaster damage prevention administrative radio communications systems on the basis of vertical administrative structures. If such systems are turned into ones that are shared to a further extent, thereby permitting various government agencies to use them cross-sectionally, then publicness will arise. However, there is no knowing to what extent such arguments have progressed.

→This statement does not concern user fees, but such arguments are made in the framework of “utilization of vacant lots where facilities once stood.” There are too many requests even with regard to private communications. Consequently, arguments are going on to the effect that effective utilization of frequencies will be carried out in such a way that shared utilization type facilities or platforms will be built. Individual organizations are developing facilities by means of radio communication or wire communication. Arguments are such that the basic practice should be that expenses will be covered in the framework of such business.

- There are areas where purposes are prescribed and users are pressed for frequencies. This point has so far not been taken into account when natures / features of frequency bands were discussed.

- I cannot have a good understanding of the contents of radio wave characteristics and exemption factors contained on page 1 of Document 2, but I think that these matters concern the issue of the number necessary base stations. The comment that usage frequencies are requested to be considered means that user fees are requested to be reduced, since no frequent use is made. I feel that this comment is a contradictory argument, since there is a question as to why user fees should be reduced although no effort is made at effective utilization.

- There are cases where arguments are made about differences in frequency bands within the same city of Tokyo, as well as cases where arguments are made between Tokyo and Hokkaido. When arguments are made between Tokyo and Hokkaido, I think that it cannot be helped. However, when arguments are made within the same city of Tokyo, I think that there may be a possibility that effective utilization may result.
- In public welfare-related areas, user fees are partially exempted. Isn't it that effective utilization is prevented by this fact? Once either the government or any local autonomous body introduces any radio equipment, either of such entities never buys new pieces of such equipment to replace the old ones until such time as depreciation is completed. Licensed persons in private sectors are in competition and therefore have no time to await depreciation. Consequently, such persons introduce new equipment to initiate new services. In the case of the government, since there are no economic incentives, it is so arranged that such equipment will not be replaced for five or 10 years.
- The present concept is the same as the way of thinking of spectrum pricing in the United Kingdom. This way of thinking is such that the government and public sectors are charged with user fees from the point of view that it is effective if equipment replacement is carried out in combination for the purpose of reducing costs paid each year by entities including the military and defense organizations.
- The difficulty in the matter of "fee amounts" is that these amounts comprise both of the following items: the portion to which costs incurred purely by way of charges are allocated; and the portion to which economic incentives are intended to be allotted. This matter is linked to the question of whether the portion borne by individual stations and the portion paid in the framework of bands of radio waves dedicated to wide areas are properly distinguished from each other.
- I would like to be informed of future prospects pertaining to the following questions: whether there will be increases, in the future, in the number of stations that are not required to be licensed; and whether such stations are expected to receive sufficient benefits. There will be increases in ubiquitous utilization by entities such as automobile manufacturers and security companies. In this regard, there are cases where it is difficult to decide whether to pass the relevant costs on to prices. I think that those stations are featured by colors different from those of other radio stations in that the quality of bands is not guaranteed. Will there be increases, in the future, in the number of stations that are not required to be licensed?

→To put it briefly, a station that is not required to be licensed is one with an output of 10 mW or less. The number of stations that are not required to be licensed will increase rapidly to meet the needs of the ubiquitous society involving electronic tags among others. Such stations receive benefits as a reward for the best efforts in cases where certain bands are occupied or even where such bands are subjected to shared use.

- In the ubiquitous society, a vast number of radio sensors will be used. Will it be possible to actually take user fees?

→There were relevant arguments in the previous meeting of the Study Group on the Spectrum User Fee System. It is also possible to adopt a scheme whereby user fees are collected at the time of shipment by manufacturers. There is what is called specific frequency termination work. This work is such that users are caused to vacate certain microwave bands, in which will be placed 4.9 – 5 G high-output radio LAN for outdoor use. In this case, it is so arranged that user fees are received from radio LAN manufacturers.

- I think that whether stations which are not required to be licensed cause trouble to others will constitute a turning point. There is a way of thinking whereby it is OK if no trouble is caused, that is, for example, if such a station is located indoors and the power is slight. Registered stations are charged with user fees, since there are cases where use is made in public areas. This is linked to the following question: Are user fees collected from people who use parks, while municipal fixed assets taxes are collected from residence owners? It matters what will become of RFID and UWB in the future. Is it that in the future, UWB will really have no impact on other radio stations? Whether or not other radio stations are affected will constitute a turning point. It is also a big problem how to collect user fees. There is no choice but to collect such fees by increasing amounts of fees pertaining to terminal equipment. As regards items like UWB and ITS, it will not be permissible to exempt user fees on condition that protection schemes be available.

It is difficult to collect user fees, and therefore, there is no choice but to collect such fees by increasing amounts of fees pertaining to terminal equipment. This concerns the way that future licensing should be.

- If, as regards the same type of services, licensing is required in some cases and not required in other cases, then no accountable reasons can be given. Therefore, it is necessary to strike a balance in this respect. After all, what consideration should be given to the fact that

benefits are received because it is so arranged that relevant frequencies can be used?

→There are instances where user fees are collected in the shipment stage. In this regard, we doubt the wisdom of collecting user fees with respect to articles that may remain unsold. Moreover, there were arguments that the collection method is unbalanced since user fees for multiple years (10 years for example) are collected in a lump. As a matter of course, benefits are received even in the case of stations that are not required to be licensed. In this regard, schemes for controlling quantities are not available, and therefore, I think that due to reasons such as increases in interference, the degree of benefit receipt will become low.

- Low power stations are on the increase. It is necessary to give consideration to the method of user fee collection in order that the awareness of using radio waves will spread among the general public. In this regard, I believe that user fees should be collected. It is true that there is an argument that since it is difficult to collect user fees, such fees will not be collected. But isn't it a common understanding that this argument is not reasonable? Isn't it that the principle of collecting user fees for the purpose of protecting the radio wave environment is normal? However, it is difficult to tell what things will eventually turn out to be.
- Since radio waves are people's assets, part of radio waves should be capable of being used virtually free of charge. For example, no tax is imposed on pedestrians, but taxes are imposed on automobiles and bicycles.
- In terms of sentiment, I agree. However, it should be recognized that costs are incurred. Everyone should have a common understanding. In areas where users are pressed for frequencies, it is better to collect user fees in consideration of economic values. Radio waves should be used with care. As regards stations that are not required to be licensed, congestion will develop to a great extent in the future. Therefore, it is necessary to be conscious of countermeasures. Even if radio waves are used to a slight degree, the general public should be conscious of the situation.
- In the case of roads, pedestrians walk free of charge. Pavement work is covered by general revenue sources. In urban areas, due to development of roads, costs are incurred even when pedestrians walk. Since there is no method of collecting user fees, general revenue sources are used. In the case of cellular telephones, user fees are collected widely at low rates on a centralized basis. In the case of dispersive use such as in the case of stations not required to be licensed, it is difficult to establish methods of collecting user fees. There is a possibility that collection costs will exceed user fees.

- In the case of roads, there is a concept whereby taxes are imposed on tires, since roads are worn by tires. This concept was put into practice in Spain. If taxes are imposed on tires, then tires are used until worn out. Since this situation is dangerous, the above-mentioned concept has been switched to one whereby taxes are imposed on gasoline. As regards taxes, it was decided that the following principle be based upon: An awareness of redistribution should be developed; and user fees should be borne by beneficiaries. In actuality, there is a difficult aspect.

- There are various points at issue, which dare not be consolidated. The Secretariat is hereby requested to consolidate them. It is necessary to solicit comments from people concerned. As regards the arguments made so far, we would like to regard them as the introduction to future hearings.

- The “Draft Method of Promotion in the Future” (Document 3) was consented to.

(2) “Spectrum User Fee Systems in Various Foreign Countries”

- The Radio Wave Investigation Department of the Foundation for MultiMedia Communications gave an explanation of “Spectrum User Fee Systems in Various Foreign Countries” (Document 2).

- Comments made by relevant members subsequent to the explanation are as follows: (Statements followed by an arrow (→) are responses from the Ministry of Internal Affairs and Communications and from the explainer.)

- I would like to be informed of the purposes of “International Cooperation” by Germany on page 4 of Document 4 if such is known. As regards information on South Korea on page 6, it is stated that on the grounds of “Circulation of Finance,” the government does not collect user fees. Is it that for the same reason, local autonomous bodies do not collect such fees?

→As regards Germany, items such as international collaboration activities regarding frequencies are included.

With regard to South Korea, the Document basically covers government activities. As regards activities of local autonomous bodies, we would like to make investigations on a separated basis.

- South Korea is a centrally governed state. It is questionable to what extent radio communications are used by local autonomous bodies. At least what is called disaster damage prevention radio communications in Japan are carried out by the Fire Fighting and Disaster Damage Prevention Agency on a centralized basis.

- In France, frequencies are regarded as objects to be rented out. The premise is that frequencies are public assets. Therefore, the basic concept is the same as for road occupation fees.

- In the United Kingdom, user fee revenues are very high. Fees for secondary use are also included in such revenues. It is dangerous to conclude that since that much is collected in the United Kingdom, this much can be collected in Japan. It is impossible to adopt the user fee system only, without considering whole systems.

In France, cultural policy-related charging is performed with regard to broadcasting. Moreover, in the United Kingdom as well, broadcasting is treated on a separate basis. The difficulty lies in the fact that radio waves cannot be distinguished from services. I think that it is necessary, in figurative terms, to properly make careful investigations as to whether to fabricate containers or to discuss the contents.

→ No investigation has been made except for matters related to user fees. Therefore, we would like to make additional investigations with regard to peripheral matters.

- In various EU countries, open policies for network industries, in which I believe that radio waves are included as well, will be brought into play in 2008. Therefore, I think that policies of various countries will undergo changes in the future. Concepts have so far been different from country to country. In Germany, for example, reverse local grant taxes are imposed, and thus taxes are basically imposed at state levels. Therefore, it is difficult to write explanations at the same level. Common regulations of EU pertain also to broadcasting, railroads, communications, and postal service. Consequently, it is advisable to investigate what is taking place in these fields.

(3) Others

- The next meeting will be held starting at 1800 hours on Thursday, May 24 at the Auditorium in basement 2 of the Ministry of Internal Affairs and Communications.