

Outline of Proceedings of the 5th Meeting of the Study Group on Future Images of the Universal  
Service Fund System

1. Date and Time: Thursday, June 7, 2007, 16:00 to 18:00
2. Location: Special Conference Room 1, 8th Floor, Bldg. 2, Central Common Government Office
3. Attendees

(1) Members (Entered in alphabetical order of last names, with honorifics omitted)

Junichiro Fujiwara, Yuji Oie, Hiromasa Sekiguchi, Minoru Sugaya (Chairperson), Atsushi Togashi, Masatsugu Tsuji (Deputy Chairperson), Toko Yamashita, and Hirotaka Yamauchi

2) Observers (Entered in alphabetical order of entity names)

Communications and Information Network Association of Japan; eAccess Ltd.; Fusion Communications Corporation; Japan Cable and Telecommunication Association; KDDI Corporation; Kyushu Telecommunication Network Co., Inc.; National Federation of Regional Women's Organizations; Nippon Telegraph and Telephone Corporation; Nippon Telegraph and Telephone East Corporation; Nippon Telegraph and Telephone West Corporation; SoftBank Telecom Corporation; Telecom Service Association; and WILLCOM, Inc.

(3) Ministry of Internal Affairs and Communications

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

4. Agenda

- (1) Hearing of presentations from observers in the Study Group (3)
- (2) Free discussions

5. Outline of proceedings

○ Presentations by observers of the Study Group (3)

[Communications and Information Network Association of Japan] (Document 5-1)

- There is a possibility that “services essential to national life” in an environment based on PSTNs will differ from those in a future environment where the changeover to IP telephone services will have progressed from 2010 onwards. It is necessary not only to review the definitions of the three components of the basic requirements, but also to take into account the viewpoint of “ensuring security and safety.”
- Universal service is defined as “real-time communication that is performed by whatever means of access available, and that includes emergency calls.”
- Under the present circumstances, where means of access are being diversified, it is necessary to establish measures to ensure that appropriate burden limits will not be exceeded, from the

viewpoint of considering what constitutes “services essential to national life.”

- The range of means of access will be broadened but service menus will not be expanded, on the basis of the principle of “minimum costs,” and from the viewpoint of minimizing users’ burdens of contributing to funds.
- What follows concerns universal service.
  - 1) As far as emergency calls are concerned, it is conceivable that cellular telephones may be covered by universal service; provided that terminals are equipped with GPS functions, calling locations are capable of being identified by calling base stations, and construction and operation costs are reduced.
  - 2) When full changeover to IP telephones is completed, IP telephones will be covered by universal service.
  - 3) Regarding broadband access, studies should be made in terms of cost and the degree of spread of equipment. Furthermore, discussions should be held regarding the scope of compensation coverage. Broadband access is premature until such time as applications essential to national life are put to practical use.
  - 4) Public telephones will be changed over to IP telephones, thereby reducing costs. For example, “public telephones based on WiMAX” should be adopted. (Emergency calls can be placed free of charge at the touch of a button.)
  - 5) Studies of emergency communications services at radio access points should be made in terms of cost and the degree of spread of terminals.
- Qualified telecommunications carriers need not be limited to NTT East Japan and NTT West Japan if other carriers are available that can provide universal service in a cost-advantageous manner. (Amendment of the NTT Law is kept in mind.)
- It is unnecessary for multiple qualified telecommunications carriers to operate in one and the same area. If a certain carrier is the first to set up a full IP telephone network in an area, and if the service offered is advantageous in terms of cost, then it is conceivable that the carrier will be designated as a qualified telecommunications carrier in that area.
- In the case of high cost areas, qualified telecommunications carriers should be designated on the principle of “one carrier per area” on the basis of economy and efficiency.

Don’t you agree that the owner or builder of an access network need not necessarily be the provider of access services? For example, it is conceivable that there are cases where services are provided using access networks owned by local autonomous bodies.
- As regards the changeover from PSTNs to IP networks, I hope that discussions will be held on topics including the appropriateness of the changeover, with consideration given to the following items: the necessity of full changeover to IP networks; facility costs; and the utilization of access networks of local autonomous bodies.
- It is conceivable that optical fiber networks of local autonomous bodies will be utilized to reduce the cost of changeover to IP networks.
- I hope that studies will also be made of the clarification of policy goals aiming to promote

“migration” from PSTNs in preparation for full changeover to IP networks. (I hope that studies will be made, for example, on funds for promoting migration.)

[Telecom Service Association] (Document 5-2)

- The current three component requirements of the universal service are reasonable.
- The concept of the universal service policy is that efforts should be made to resolve geographical disparities in maintenance costs for services that are considered highly essential. This concept will continue to be reasonable.
- The most important of the highly essential items is “emergency calls” that protect lives and assets. In this connection, I consider it reasonable to add “daily life information” related to electronic autonomous bodies to the list of highly essential items.
- As a means of realizing emergency call systems, it is reasonable, from the viewpoints of operational convenience and the operational skills involved, to include “telephone services” in the category of universal service. Furthermore, it is reasonable to place daily life information which is to be added in the conceptual category of daily life information provided by “next generation networks” and the “Internet.”
- From the viewpoint of technical neutrality, it does not matter what means of access are used, as long as it is possible to provide services whose essentiality is guaranteed.
- In the introduction of universal access, it is important that the following requirements be met: technical neutrality should be guaranteed; and fair competition requirements (for unbundling and for open competition) regarding inter-carrier connection, serving to promote reciprocal connection between various access networks and NGNs, should be established.
- If, in a high cost area that is currently subject to compensation under the Universal Service Fund System, the progress of technological innovation is taken into account and the concept of universal service is introduced, then it cannot be said that this area will necessarily continue to be subject to compensation in the future as at present. Therefore, if a competitive bidding system is introduced simultaneously with the concept of universal access, then it can be expected that unprofitable areas will be decreased or costs will be reduced, thereby making it possible to minimize burden charges.
- In the introduction of a competitive bidding system, it is necessary to establish criteria for ensuring proper quality in terms of quality classes of IP transfer functions required for providing universal service.
- As regards the calculation of costs pertaining to universal service, a method is conceivable whereby the costs pertaining to universal access are allocated to the quality classes required for providing universal service and to the other quality classes, in such a way that the compatibility with the concept of proper accounting separation is ensured.

[Japan Cable and Telecommunication Association] (Document 5-3)

- Of all of the component requirements, essentiality should first be studied. It is also necessary to obtain the consensus of the general public.
- Services equivalent to current universal service include those pertaining to e-mail, the Internet, and administrative information services for security and safety. Infrastructure facilities that realize those services include FTTH, HFC, fixed wireless services like FWA, and optical communication involving VDSLs.
- Universal access, which does not include services, refers to access at infrastructure facilities. Universal service providers use universal access to provide services.
- When a high speed broadband subscription rate of 100 percent is achieved, all services including OAB and JIP telephones will be provided by means of single access lines. Such access lines will be regarded as universal access lines, through which universal access will be provided to all people at affordable fees.
- Isn't it necessary to realize universal access at an early stage by introducing a "universal access fund," for example? In specific terms, a universal access fund is a fund scheme where unprofitable areas are identified, where carriers that develop infrastructure in such areas are certified as qualified telecommunications carriers after being subjected to examination, and where part of maintenance costs (including depreciation costs) are compensated for with respect to individual unprofitable areas.

In this regard, upper limits are decided depending on the numbers of households covered in individual unprofitable areas.

If, at a later time, any other carrier undertakes to develop universal access in one of such areas, then this area will be regarded as a competitive area, and compensation will be stopped, or the amount of compensation will be reduced.

- If it is assumed that a universal access fund is operated, it follows that double funds will exist until such time as the fund under the current system is abolished. In order to minimize contribution amounts, PSTNs will be abolished promptly in unprofitable areas after universal access is developed.

Besides, the "ratio that the lines subject to compensation bears to all the lines (4.9 percent at present)" under the current benchmark method will be reviewed successively in keeping with decreases in PSTNs. (It is desirable that PSTNs be abolished starting with unprofitable areas, thereby reducing compensation rates.)

- We suggest that opinions be solicited from local autonomous bodies that are dealing with the development of broadband communication.

[National Federation of Regional Women's Organizations] (Document 5-4)

- Fixed telephones, public telephones, and emergency call units are the minimum means of communication essential to national life and therefore should continue to be maintained at low fees throughout the country.

- Broadband services do not meet the current component requirements of universal service. It is necessary to make studies as to whether broadband communication should be covered by universal service in the future, for the purpose of correcting disparities in information on aged people between urban areas and rural areas in the midst of the progress of the aging society. In this connection, it is also necessary to study the issue of cost burdens.
  - The Universal Service Fund System should be designed in such a way as to be capable of being used easily by both carriers and users.
  - As regards cost burdens, there are cases where burden charges are held to low levels in the first year and are raised in subsequent years. Such a practice should never be allowed.
  - Carriers that achieve profits pass costs uniformly to fees borne by consumers. However, costs should be absorbed by carriers' profits. I believe that this system should be studied by taking into account the fact that not only the general public but also carriers are receiving benefits.
  - I do not think that the roles of public telephones are finished.
- Major statement(s) made during free discussions were as follows:

[Member]:

It is pointed out in Item 2 (2) of Document 5-4 that the current Universal Service Fund System is difficult to understand. In specific terms, what points are difficult to understand? Moreover, it is mentioned that carriers should also bear costs to some extent. Could you elaborate on this point?

[National Federation of Regional Women's Organizations]

The whole setup of the system is very complicated and difficult to understand.

Carriers should bear costs to an appropriate extent to avoid a situation where all costs are borne by consumers.

[Member]

As distinct from the presentations made in previous meetings, the presentations given this time make proposals for specific contents of universal service, such as "security and safety," "daily life information," and "e-mail and the Internet." From the viewpoint of "essentiality," it is conceivable that these types of services will be put into the category of universal service. I would like to ask the opinions of relevant organizations as to the range of services that are to be put into the category of universal service. Expanding the range will result in increased cost burdens.

[Telecom Service Association]

We think that a broad concept of "daily life information" is ranked above emergency information, including "emergency calls." Article 25 of the Constitution was shown as an example of a requirement for causing this broad concept to converge. It is necessary, from now on, that the minimum limits of what should be protected for the general public be covered by communications networks. Our understanding is that in the future, information such as for

ensuring security and safety will be provided by the communications infrastructure.

[CIAJ]

The purport is that discussions should be held, including on the issue of security and safety, when a restudy is made of the components requirements for universal service. The range of universal service is not intended to be expanded. On the contrary, this range should be narrowed down. We think that expanding services on a business basis is one thing, while addressing the issue of universal service is quite another.

[Member]

I think that the range of universal service varies with the trends of the times. At what phase do you think the services for security and safety will be included into the category of universal service?

[CIAJ]

We think that in terms of highly essential services, there will be no change in the future in the range of universal service. It is true that if certain amounts of costs are expended, various services can be provided, but in the case of universal service, we think that the issues will arise of ensuring low fees and imposing burdens in a fair way.

[Member]

Do you think that if the concept of security and safety is added to the current requirements for universal service, then items other than conventional services, including voice communications and emergency calls, will come into the category of universal service?

[CIAJ]

If, in a certain area, the use of cellular telephones increases to such an extent that it is less expensive to provide voice services by cellular telephones than by PSTNs, then it follows that cellular telephone carriers are appropriate providers of universal service in that area. In this connection, neither NTT East Japan nor NTT West Japan is allowed, at present, to conduct cellular telephone business. Therefore, there is the issue of what should be done regarding this situation. We think that this an urgent issue that needs to be solved.

[Japan Cable and Telecommunication Association]

We think that “administrative information” aimed at security and safety falls into the category of items covered by universal service. If e-mail or Internet services are available throughout an area, it is a matter of course that the relevant autonomous body can circulate administrative information. However, a fairly large number of autonomous bodies insist that such information cannot be circulated unless the diffusion rate of e-mail or Internet services amounts to 100 percent within the jurisdiction of each autonomous body. Therefore, we suggest that such administrative information be provided in the framework of universal service.

There are cases where some types of services are regarded as unnecessary in urban areas but necessary in rural areas. Consequently, decisions should be made only after necessity has been ascertained.

[Member]

What are the approximate dissemination rates of e-mail and Internet services in areas where such services are available?

[Secretariat]

As far as the availability of e-mail services based on dial-up connection is concerned, we think that such services are available in almost all areas.

[Member]

Am I to understand that administrative information aimed at security and safety is typified by earthquake prediction information?

[Japan Cable and Telecommunication Association]

We presume that earthquake prediction information will be provided in the form of voice information. In the case of administrative information aimed at security and safety, we assume the use of a broadband from 5 Mbps to 15 Mbps. The government's target is set such that a household coverage rate of 90 percent will be achieved by the end of 2010. Therefore, we think that we have to make efforts to cover "the final mile" in the course of this project.

[Member]

It has been mentioned that it is difficult to gain users' understanding regarding cost burdens. Are inquiries received from ordinary people with regard to universal service?

[National Federation of Regional Women's Organizations]

We hear that inquiries are made with member organizations. Inquiries include the following questions: "What is the reason for the fee of seven yen?" "Why do all carriers uniformly charge seven yen?"

[Member]

What is the status of inquiries made with carriers, particularly with NTT East Japan and NTT West Japan? Is it considered reasonable to impose cost burdens on users?

[NTT East Japan]

Under the scheme of the current Universal Service Fund System, NTT East Japan runs a deficit of about 25 billion yen in terms of income and expenditure pertaining to basic fees alone. Under the Universal Service Fund System, the deficit is not compensated for in full. The balance between the deficit and the compensation amount is to be borne by our company. It is difficult for our company to put together the full amount of the balance. This amount cannot be absorbed in market competition. Therefore, there is no choice but to have users bear the amount.

[Member]

However, I would appreciate your being aware of the fact that opinions have been voiced that carriers should bear part of the amount.

[Member]

Article 25 of the Constitution is quoted in Document 5-2 in relation to "daily life information." This Article does not refer to cultural information, does it? Besides, there is the issue of whom the senders of information refer to. In the discussions held so far regarding universal service,

senders refer to persons who make telephone calls. Now, if administrative agency personnel serve as senders of daily life information, is it reasonable to hold discussions about making compensations in the framework of universal service? This matter is not compatible with discussions in this study group, is it?

[Telecom Service Association]

We showed Article 25 of the Constitution as an example of a document guaranteeing national life. It is a problem if daily life information obtained differs due to disparities in infrastructure development between urban and rural areas. This is a problem to be solved in the framework of universal service, isn't it? If a strategy exists whereby the government establishes a course of action to develop infrastructure under the "u-Japan" policy, for example, then it seems appropriate that services to be provided on the basis of such infrastructure be discussed on occasions when universal service is studied.

[Japan Cable and Telecommunication Association]

We think that the general public should make final decisions on such matters. If the general public are to be asked to bear cost burdens, isn't it necessary to obtain their consensus on the essentiality of such service?

[Member]

It may be that better daily life information can be provided if broadband infrastructure is used. Therefore, isn't it appropriate to discuss the provision of daily life information from the viewpoint of justifying the development of infrastructure rather than from that of ensuring the provision of information?

[Member]

Arguments as to whether PSTNs are to be retained after 2010 were made by all observers. What is NTT's view regarding this point?

[NTT]

We are not making studies on specific matters such as pinpointing areas where services can be provided at low costs. In the case of outlying islands, for example, if optical fiber cables are laid to provide telephone services, it is impossible to recover investment costs. The utilization of radio access is practicable depending on the area. We think that optical fiber cables are not necessarily the least expensive.

[Member]

Do you mean that retaining PSTNs will result in high costs?

[NTT]

Cases should be judged individually by taking into account the extent of damage to PSTNs and the stock status of maintenance articles. It should also be considered, however, that PSTNs have a cost advantage, in that no new investment is required.

[Member]

Page 8 of Document 5-3 sets forth the idea that in the future, the universal service fund should be curtailed, and something like a universal access fund should be established. Are there any

opinions regarding this point?

[KDDI]

The concept of a digital divide and that of universal service should be clearly distinguished from each other. What matters is how services meeting the three component requirements should be provided at minimum necessary cost.

The means of providing services are now being diversified, as typified by the progress of the changeover to IP telephones and by the spread of cellular telephones. In the midst of this situation, what matters is how such means should be combined in order to provide services at low costs. Isn't it an urgent task to specifically establish benchmarks and action plans for the above, while gaining the understanding of the general public?

[Member]

What are you thinking of in specific terms?

[KDDI]

With regard to Phase 1, studies should be made urgently. As regards Phase 2, broad and deep discussions should be held on matters including appropriate levels of cost burdens.

[Member]

Do you mean that plans will be formulated whereby facilities will be compulsorily replaced with new ones, as in the case of digital terrestrial broadcasting?

[KDDI]

We think that that is necessary.

[Member]

Page 8 of Document 5-2 mentions quality classes required for providing universal service. What is the range of such quality classes that is being considered? Furthermore, when studies are made as to whether cellular telephones and IP telephones are to be put into the category of items covered by universal service, there are cases where the quality of such telephones constitutes a bottleneck. If it should be possible to provide such services at lower costs than for PSTNs, then do you think that there is room to provide services even at lower quality?

[Telecom Service Association]

If IP telephone services with PSTN-class quality are provided, we presume that the costs incurred due to such services can be allocated as costs pertaining to universal service.

[Member]

It is inconceivable that various broadband services will be introduced into high cost areas. I presume that in those areas, PSTNs will be left over indefinitely. Therefore, there will be no progress in arguments unless discussions are held on matters such as the removal of PSTNs. I believe that the issue of how to remove PSTNs is more important than that of how to lay broadband cables.

[Member]

In response to an additional question regarding NTT's presentation in the third meeting, it was mentioned that the changeover to IP telephones should be decided on the basis of competition.

However, no clear comment was given with regard to the removal plan.

[NTT]

At the present stage, no definite plan has been established.

[Member]

In the case of digital territorial broadcasting, the government established its overall plan on the basis of which broadband networks were already developed to cover areas with disadvantageous conditions. What do you think of such a practice?

[NTT]

Arguments arose regarding the following two aspects: 1) What should be done to maintain PSTNs at the minimum level? 2) What should be done to upgrade services?

We think that it is of course necessary to argue about how to upgrade services. The current Universal Service Fund System is one whereby telephone services subject to interregional disparities are covered by telephone fees. Therefore, we presume that consideration should be given to financial measures different from those of the Universal Service Fund System. We presume that matters should be rectified, starting with such a step.

[Member]

It is mentioned on page 12 of Document 5-1 that public telephones will be changed over to IP telephones, thereby reducing costs. Could you explain this a little more specifically?

Furthermore, Item 4 of Document 5-4 makes mention of the roles of public telephones. Many people recognize the importance of public telephones. In reality, however, public telephones are seldom used. Discussions should be held about how to maintain public telephones, which are seldom used in reality and are unprofitable.

Readers' letters to newspapers include the opinion that people are dissatisfied with the fact that public telephones have been removed from schools and hospitals. Under this situation, it is necessary to consider the significance of maintaining such telephones on a business basis. A conceivable option involves communities supporting public telephones. The actual situation is that NTT East Japan and NTT West Japan is only able provide public telephone services by going into the red, on the basis of installation criteria of one unit per square unit of area of side approximately 500 meters. Considerable burdens are incurred. I would like to ask what specific roles are expected of public telephones.

[National Federation of Regional Women's Organizations]

Nowadays, foreigners enter and leave Japan on a frequent basis. They do not necessarily have subscription telephones or cellular telephones. We hear that across all age groups, people are concerned about how to coexist and co-prosper together with resident foreigners. This situation is perceived more strongly in urban areas than in rural areas. We understand that public telephones are unprofitable in urban areas as well. Given such circumstances, we think that the roles played by public telephones in rural areas are not finished. We feel, albeit unclearly, that it is necessary to appropriately install public telephones.

[Member]

In the explanation given by Japan Cable and Telecommunication Association, it was suggested that opinions be solicited from local autonomous bodies. What opinions are expected of local autonomous bodies in specific terms?

[Japan Cable and Telecommunication Association]

Broadband services do not fall into the category of universal service. Therefore, the status of addressing broadband services differs depending on the autonomous body. I personally think that it is meaningful to solicit opinions with the aim of having an understanding of actual situations.

[Member]

It seems to me that this is not a matter of universal service but a matter of digital divide.

[Japan Cable and Telecommunication Association]

You are certainly right. However, if the problem of digital divide is resolved in an area, then a study can be made as to whether universal service should be provided in that area. Therefore, we do not think that they are two distinct matters.

[Telecom Service Association]

This is our suggestion, which is supplementary to the contents of page 5 of Document 5-2.

In making studies of universal service by adopting the concept of universal access, essentiality should first be defined, thereby enabling decisions to be made as to how guarantees are to be provided in terms of service and in terms of access.

End