

Study Group on Current Status and Issues on a Fair Receiving Fee Structure
Summary of Minutes (2nd Meeting)

1. Date and Time: Friday, June 22, 2007, 10:00 to 12:00

2. Location: Special Conference Room 1 at MIC, 8th Floor, No. 2 Joint Government Building

3. Attendees

(1) Members of the study group (honorifics omitted; in the order of the Japanese syllabary)

Akio Torii, Kiyoshi Nakamura, Ikufumi Niimi, Yasuo Hasebe, Eriko Hida, Masayuki Funada,
Hirotaka Yamauchi, Haruko Yamashita (8 members)

(2) Ministry of Internal Affairs and Communications (MIC)

Suzuki (Director-General of the Information and Communications Policy Bureau), Nakata
(Deputy Director-General of Minister's Secretariat), Yamane (Director of General Affairs
Division), Yoshida (Director of Broadcasting Policy Division), Takeda (Director of Satellite
and International Broadcasting Division), Nagashio (Senior Planning Officer of Broadcasting
Policy Division), Osawa (Assistant Director of Broadcasting Policy Division)

(3) Observer

Takami (Chief of Statistics of Basic Economic Structure Division, Statistics Bureau)

4. Agenda

(1) Opening

(2) Items on the agenda

i) Basic data as parameters in calculating the contract rate, such as the number of households
and business establishments

ii) Issues in the receiving fee structure for households and business establishments (discounts,
etc.)

(3) Closing

5. Outlines of Proceedings

The secretariat provided supplementary information on the first meeting and then gave briefings
on the basic data as parameters in calculating the contract rate, such as the number of
households and business establishments, and the issues in the receiving fee system (discounts,

etc.).

(1) The key questions and opinions voiced by the study group members are as follows:

- i) Basic data as parameters in calculating the contract rate, such as the number of households and business establishments
 - Legal grounds were confirmed in regard to households as a parameter in calculating the contract rate, focusing on the concept of calculation and who (in a household) should be deemed the actors from the legal perspective.
 - The concept of household differs between laws. What is the definition of household in the receiver's contract of Japan Broadcasting Corp (NHK)? The point is which definition is the most suitable (in estimating the number of households and business establishments).
 - It is crucial not only for the definition of legal entity, but also for the definition of business establishment.
 - The number of mobile phones capable of receiving one-segment broadcasting reportedly reached 20 million. We may need to recognize households as opportunities and possibilities to receive NHK's broadcast programs, and consider new technology for them. We must continue the study on the calculation model in the U.K.
 - In order to support the validity of the data, we may need to refer to the number of TV sets sold. I believe such data is used in the UK model. We should consider that.
 - The average number of rooms where TV sets are installed per hospital (5.9 rooms), as well as the figure per hotel/inn, is smaller than expected. Has any survey revealed the number of beds? Does "TV sets installed in hospitals" mean those in patient rooms, or those in the lounges or meeting rooms? If an inpatient uses a TV set on a lease basis, how is his receiving fee handled?
 - In relation to that, we may also need to look into other types of facilities, for example, homes for the elderly, day care centers, and rehabilitation facilities.
 - In relation to the definition of households, we may also need to consider that, in the U.K., BBC has a strong authority to search with court orders. In Japan, apart from the definition of household in the NHK receiver's contract, there is a question as to whether NHK can determine whether multiple households residing in one housing share the same household budget or have respective budgets. We need to see the whole picture when determining which figure is the most feasible.
 - (In regard to the outline of the survey on the number of households) the survey with business establishments was conducted primarily by mail, and supplementary by telephone for the subjects who did not respond by mail, so its response rate is high (about 75%) and the data

seems credible. In contrast, the household survey, which has a response rate of only 10%, may contain considerable errors and bias factors. Even if there is no bias, an error of 300,000 or greater should always be considered because the parameter is as large as 50 million. We also need to check, to some extent, whether the age distribution of households is the same as that in other surveys.

(ii) Issues in the receiving fee structure for households and business establishments

- In regard to the cost of satellite broadcasting, only the direct additional cost of the satellite was included at the time of pricing, but that was changed to include common cost as well. Is it a change of the concept or a change of the category in accounting?
- Currently, the basic cost to support NHK as public broadcaster is included in the receiving fee. I assume that R&D cost, such as the cost to develop systems for digital broadcasting or third-generation broadcasting, is covered under the budget. Consequently, it seems to require those who still use old-fashioned TV sets to assume the cost. Could you clarify that point?
- (In regard to the balance of satellite broadcasting) what is the ratio of direct billing and overhead allocation? Please include how the figures changed over time.
- Considering the historical background, the basic concept seems to be that the level of the overall fee is decided based on the full cost, while respective pricing basically considers the respective costs and other elements. We may be able to clarify how the concept of fairness was established in terms of the receiving fee structure by reviewing such historical background.
The first thing this study group needs to do is to identify how and in regard to what situations we should study the concept of fairness. In doing so, we must generalize and organize the past concepts of pricing because they have been somewhat accepted by the society.
One possible idea is to assume the amount of burden that matches the cost. The other idea is that those who can afford it should assume the burden as in the tax burden.
The fairness of discount is more complicated than the fairness between services in terms of pricing. We need a basic concept that serves as the principle rule.
- The receiving fee discount is possible, as NHK's collection cost is low. It can be understood as a discount due to a reason on the supply side, but the discount for multiple payments by one household involves the issue of income. The income issue must be discussed by considering the regressiveness of the flat receiving fee.
- There used to be a legal dispute as to the difference between a fee and a tax. For example, in the time of the now defunct Japan National Railways, the railway fares were decided at the

Diet, as is the NHK receiving fee. The discussion on the nature of fares focused on whether they should be regarded as fares or something close to taxes. I wonder if such discussion has been carried out on the receiving fee.

- That is a crucial point. I suppose that a legal understanding of the nature of the receiving fee has been established—it is a burden, neither compensation nor a tax. When setting specific prices based on the legal characterization as a burden, it may be impossible not to consider the difference in service and the difference in capacity to assume the burden.
- The tax policy seems quite flexible (in deciding a tax rate). In other words, it is partially true that a tax is collected for redistributing income, but when it comes to a fee, society seems to feel that the fee should be close to the cost. As the receiving fee is primarily regarded as a common cost, the pricing of receiving fees for respective user types may depend on social agreement, or how convincing it is. I wonder which element must be emphasized. Is it appropriate to set the cost more rigidly, as in the case of electric bills? The receiving fee is a burden, but its positioning, namely whether it is similar to tax or charge, is crucial.
- The receiving fee has both aspects. Simple characterization is not possible. That is why it is regarded as a burden by law.