

Outline of Proceedings of the Seventh Meeting of the Study Group on the Spectrum User Fee System

1. Date and time: 6:00 pm to 8:00 pm, Thursday, July 26, 2007
2. Location: Special Conference Room, Ministry of Internal Affairs and Communications, 8th Floor, Bldg. 2, Central Common Government Office
3. Attendees
 - (1) Members

Kazuteru Tagaya, Chairperson; Fumio Takahata, Deputy Chairperson; Kazuko Otani, member; Kazumi Kurokawa, member; Yasuo Suzuki, member; Ohiro Tsuchiya, member; and Kiyotaka Wakiguchi, member
 - (2) Ministry of Internal Affairs and Communications

Terasaki, Director-General of the Telecommunications Bureau; Tanaka, Director-General of the Radio Department; Ando, Director of the General Affairs Division; Tominaga, Director of Radio Policy Division; Fujino, Senior Planning Officer of the Radio Policy Division; Saito, Director of the Fixed Radio Communications Division; Otsuka, Director of the Important Radio Communications Office; Watanabe, Director of the Land Mobile Communications Division; Natori, Director of the Mobile Satellite Communications Office; Yoshida, Director of the Broadcasting Policy Division; Yoshida, Director of the Terrestrial Broadcasting Division; and Takeda, Director of the Satellite and International Broadcasting Division
 - (3) Secretariat

Yamauchi, Director of the Spectrum User Fee Office; and Echigo, Assistant Director of the Spectrum User Fee Office
4. Agenda
 - (1) Results of solicitation of public comments on the “Draft Report of the Study Group on the Spectrum User Fee System”
 - (2) Report of the Study Group on the Spectrum User Fee System
 - (3) Others
5. Outline of proceedings
 - (1) Presentation of the personnel changes in the Ministry of Internal Affairs and Communications
 - (2) Results of solicitation of public comments on the “Draft Report of the Study Group on the Spectrum User Fee System”

- The Secretariat gave explanations of the “Results of Solicitation of Public Comments on the Draft Report of the Study Group on the Spectrum User Fee System (Outline) (Document 1),” the “Results of Solicitation of Public Comments on the Draft Report of the Study Group on the Spectrum User Fee System (Document 2),” the “Draft Report of the Study Group on the Spectrum User Fee System (Outline) (Document 3),” and the “Draft Report of the Study Group on the Spectrum User Fee System (Document 4).”
- Comments made by relevant members subsequent to the explanations are as follows. (Statements which follow an arrow [→] are responses from the Ministry of Internal Affairs and Communications.)

[Spectrum user fee system]

1) Ceiling on the total cost

- For the purpose of preventing the total cost from increasing excessively, I think that it is very important to establish a way of thinking about the ceiling on the total cost. The current policy is that the burden on users should be kept within limits which are adjusted according to the common benefit work for spectrum users. I think that this policy should be preserved in the future as well.
- It is inconceivable that system will be set up whereby fees will be raised freely in disregard of the law. If fees are to be raised, public comment should be solicited, or something like hearings should be held.
- I say here that user fees are oriented towards to the interest of club members. Figuratively speaking, this means that the spectrum users’ club is run with funds contributed jointly by constituent members, and that, in consequence, the club business can be expanded only insofar as it increases the profits of the constituent members. The most important point is that the club business is never expanded easily just because political power is exerted in some way or another.
- It seems that users who submitted public comments are concerned that they will be unable to use the fees collected from them in the way they want.

It is true that users’ opinions are reflected in the use of fees. But when steel towers are built in a certain area, for example, it is not the case that specific consensus is obtained for every detail. Therefore, it seems that users fear that the intentions of the Ministry of Internal Affairs and Communications are reflected in such matters. I believe that it is one of the future tasks to set up a system whereby such concerns are eliminated.
- If there is any change in the use of fees, it seems necessary to promptly disclose such

information and make it known publicly.

2) Relationships between benefits received, burdens incurred and use of fees

- There is one opinion that it is questionable to spend money on countermeasures against difficulties in securing frequencies and on research and development. In this respect, an environment should be created where radio spectra can be used in a like manner even by people who intend to join the users' club at a later time, so that such latecomers will not be disadvantaged. It should be taken for granted that there are common benefits in this. Otherwise I think that criticism will arise with regard to allocating money for purposes such as research and development.

What is important is that this club accepts everyone as general rule. Things will be easier to understand if it is emphasized somewhere that in order to keep running the club, it is necessary to make room to accept new people.

- In terms of land development, when an apartment complex is to be built, sewers and schools should also be constructed. Generally, when schools are to be built, not only should the relevant apartment construction companies contribute to the funding, but also local residential taxes paid by existing residents should also be spent. This argument is also true of the case of the use of radio spectra. The argument that newcomers should bear all such costs is unacceptable.

[Use of spectrum user fees]

1) Strengthening of international competitiveness

- I think that research and development are very important for strengthening international competitiveness. I believe that it is essential to aim for fruitful outcomes. In some cases money is scattered about with no tangible outcomes. I do not want this to happen with research.
- Preliminary evaluation, ongoing evaluation, and subsequent evaluation are conducted with regard to research and development. In some cases research is started on the assumption that the prospects of success are sufficiently high but during the course of the research it turns out to be unpromising. It is currently difficult to stop the program promptly in such a case. I hope that a system will be established whereby budgets and expenditures can be spent appropriately.
- Some aspects of spectrum use are so specialized that ordinary people cannot understand what is going on. If official reports are given on the website for spectrum use, for example, in such a way that ordinary people can understand the advantages of those uses,

then they will be more familiar with spectrum use.

→Research and development projects that are already being conducted, as well as outlines of such projects, are posted on the relevant website. This practice was started in 2005, and the outcomes have not yet been confirmed. Relevant information will continue to be posted, taking into account, for example, the results of such evaluation.

- The costs of research and development are covered by spectrum user fees. In this regard, it seems that some organization should confirm why it is important for research to be conducted by a research organ related to the Ministry of Internal Affairs and Communications.

Moreover, careful checks should be performed on matters such as whether it is reasonable for a certain amount of research to be carried out by public organs by way of research and development to improve international competitiveness. Otherwise, it cannot be easily determined whether such research and development is appropriate in terms of use of spectrum user fees.

→From the beginning of fiscal year 2005 to the end of fiscal year 2006, a wide variety of organizations participated in our research and development. They include eleven manufacturers, three communications carriers, two broadcasters, two public research organs, including NICT, and four universities.

2) Complete switchover to digitalization of terrestrial broadcasting

- No broadcaster other than NHK carries out such an action. Therefore, I presume that private broadcasters probably do not understand the benefits of this. It is necessary to sufficiently advertise the advantages of this to fee-paying broadcasters. Otherwise, it is conceivable that a situation will arise where fee-paying broadcasters refuse to pay any additional amounts, since they have already paid what they think is due, with the result that the amount they pay is not commensurate with the advantages they enjoy. I repeat, therefore, that it is necessary to advertise the benefits.

- I understand the necessity of setting up digital broadcasting interference countermeasures and for providing consultation on the reception of digital broadcasting. However, I presume that viewers probably do not know that there are such setups. Therefore, it is necessary to proactively publicize this. Otherwise, there is a possibility that it may turn out that no work is requested at all.

Moreover, once it is known to the general public that there are such setups, a situation will arise where they are inclined to contact setup offices if anything happens. Therefore, it is necessary to establish definite policies. Otherwise, I fear that it may turn out that unnecessary organizations will be formed, resulting in no work being requested for years and years.

→As a matter of fact, in recent years, the number of various inquiries, such as inquiries regarding the issue of reception measures has been increasing rapidly. We have a very unique situation here, in that there is only a limited period of time during which measures can be taken. Under such circumstances, we will keep striving to make effective use of spectrum user fees.

- It is quite unreasonable that the costs of digital broadcasting interference measures and digital broadcasting consultation provision work can be funded by spectrum user fees. This time, such a practice has been approved because of the special circumstances where broadcasting services are being switched over to digital broadcasting. Don't you agree that in and after 2011, the costs of services such as consultation should not be covered by spectrum user fees?

The beneficiaries in this business are the general public who watch television. In this sense, it is essentially unreasonable to use spectrum user fees for the above-mentioned purposes. In reality, however, if such work is not performed in preparation for the switchover to digital broadcasting scheduled for 2011, it is quite plain that great confusion will arise to the extent that television will be unavailable. It seems to me that special approval was given to the above-mentioned practice in the sense that such expenditures should be regarded as unavoidable in order for the confusion to be avoided as much as possible. Such a practice should not be taken as a precedent.

3) Other (assistance in alternative transmission paths)

- There is a question as to whether spectrum user fees can be used for alternative transmission paths from NTT East Japan and NTT West Japan. Unfortunately, from the standpoint of the interests of the club, it is regrettable to say that such expenses cannot be disbursed from spectrum user fees in the interest of members who left the club. Such disbursement can be made only in the interest of club members.

[Amounts of spectrum user fees]

1) Allocation of use of fees to Groups "a" and "b"

- The use of fees is divided into Groups "a" and "b." Am I to understand that in the course of future studies of the utilization status of frequencies, Group "a" will be further subdivided?

→With regard to the frequency range below 3 GHz and the frequency range 3 GHz or higher, discussions were held at the time of the amendment of the Radio Law in 2005. The main topic of the discussions was "Which frequency band do cellular telephone frequencies belong to?" For now, it seems that no great change occurred in that situation. That is to say, regarding fourth generation cellular telephones, for example, which will be realized no earlier than 2010, no fundamental change is predicted to

occur. In connection to this, with regard to actual band allocation, we would like to check the degree of difficulty in securing frequencies in specific terms. We have not yet decided whether to further subdivide the frequency range below 3 GHz.

- My statement concerns the definitions of Groups “a” and “b.” The definition of Group “b” is clear. Discussions as to what is to be defined as Group “a” should be held somewhere, thereby clarifying the definition. In the past, 400 MHz was used most frequently. However, with the progress in technology, higher frequencies came to be used. It’s highly possible that changes will occur with the times from now on.
- The present situation is that the frequency range is broadly divided at 3 GHz into a range that is likely to be used in the future and a range that is currently used. It is true that in this process, economic values are assigned to radio waves as an incentive to prevent low use or no use. But it is not the case that economic values of radio waves come into play on an overall basis.
- Even if the frequency range is divided at 3 GHz or 6 GHz, it does not mean that auctions or frequency transactions are conducted. All that can be done at the present stage is to take into account the approximate quantities of demands for relevant bands and to divide the frequency range in an approximate way. Even though such divisions are clarified by means of numerical values, those divisions are nothing more than relative ones that differ between different points in time.
- What matters is what is to be evaluated at each individual time point. At present, cellular telephones happen to be in widespread use, and economic values of radio waves in the relevant frequency band are high. However, if in the future, frequencies are used for various purposes with the change of the times, there will be no definition at all as to the criteria for evaluating economic values of radio waves. Such a situation seems to be inevitable at present. However, this is an issue that extends into the future. Therefore, a tight definition should be given.
- At present, the dividing point is 3 GHz. However, there is a good possibility that subdivision will be performed if it is not difficult to do so, and that relative positioning will be carried out starting at a point that is easy to handle. I do not mean that I do not give consideration to economic values of radio waves.

In principle, spectrum user fees are based on the economic values of radio waves. No conclusion was reached to the effect that all of the principles, such as the method for calculating fees method, in the amendment to the Radio Law in 2005 should be discarded and replaced with new principles. My understanding is that this matter is

becoming more market-oriented.

- In this regard, market prices are not necessarily fully known. Figuratively speaking, “roadside” prices, at best, are known. It is not the case that spectrum user fees are collected on the basis of true economic profits. This fact worries me.
- Figuratively speaking, if anyone is classified into Group “a,” there is a question of whether he or she consents to this classification. Also, there can be cases where the person in question becomes incompatible with Group “a” due to changes in contemporary trends. I think that it is important to decide under what circumstances such a person should be removed from Group “a.”

2) Consideration of public benefit and the like in the review of spectrum user fees for types of work such as television broadcasting and government work

- With regard to benefit to the public, am I to understand that studies will be carried, for example, about giving different ratings to the public benefits of government work, the public benefits of broadcasting, and the public benefits of communications?
→Judgment will be passed as to whether each type of work is compatible with the idea of public benefit. Whether the relevant work is communications, broadcasting or government work, judgments will be made on the following criteria: types of problems encountered when work is viewed in terms of contribution to universality, safety, and freedom from anxiety; the way such problems are interrelated; and whether such consideration is appropriate.
- With regard to public benefit, are ratings given in terms of scores such as 5 points, 4 points, 3 points, and 2 points? Or are ratings given in terms of whether or not there exists some benefit to the public?
→Ratings are given neither in terms of ranking nor in terms of existence or nonexistence of public benefit. But public benefit is taken into account for each individual function. For example, such and such type of public benefit is taken into consideration in the case of this work in this communications service; and such and such type of public benefit is taken into account in the case of this work in this broadcasting service. Consideration is given on a case-by case basis as to what percentage is used as a multiplier to obtain such and such fee.
- Group “a” is taken up in a frequency band. Methods of using radio waves differ depending on what they are used for. Therefore, there are cases where other factors including public benefit must be taken into account.

- It is true that public benefit is taken into consideration, but in reality, when fees are set, it is so arranged that fees are collected in price ranges where it is likely that payment will be made. It is necessary to create an environment where all users use radio waves effectively and where as many users as possible can use them for various purpose. Therefore, at present, the issue is the general limits of payment of spectrum user fees that the constituent members of the club can tolerate.
- In terms of land, it is not the case that all land in a city can be used freely. Residential areas and commercial areas are designated. Land prices and fixed assets taxes differ depending on areas. If there is a school or a police box in an area, then fixed assets taxes are reduced or exempted. Such treatment is decided due to the very existence of public benefit and depending on the intended use of land.
- Radio waves are very important resources. Whether the user is the government or any other entity, it is unacceptable for radio waves to be used minimally or not at all. This is an important point. In principle, anyone intending to use radio waves is subject to associated obligations.

3) Stations not required to be licensed

- Many opinions were offered in which objections were raised to collecting spectrum user fees from stations not required to be licensed. As far as I have read the Draft Report, I understand that studies on this matter will continue to be carried out but it has not been decided to collect spectrum user fees from stations not required to be licensed.

However, stations not required to be licensed should not be allowed to remain unregulated. It is certain that there are cases where radio administration is required in one way or another. Am I to understand the current report simply says that consideration will be given to this matter as of now?

→As a matter of fact, discussions on stations not required to be licensed were held in the fifth meeting as well. The report actually says that studies should be made on the following matters, on the assumption that there is no change in the fact that radio waves are used: the technical issue of how to collect fees from stations not required to be licensed; and what should be done if, for example, any radio wave user who monopolizes a license is identified.

At least for the last three years, such a fee collection system has not yet been considered. As a result, it will not be the case that user fees will be collected immediately from stations not required to be licensed. No specific study has been scheduled yet. Therefore, it is unknown how to conduct studies.

4) Factors to be taken into account

- If factors to be taken into account are increased in large numbers, then this matter will fall outside the scope of argument on common benefit work. Therefore, all that can be said for now is that it is impossible to increase them in large quantities.

5) Others

- This question concerns the Study Group's approach to matters that should be studied or verified promptly. What are the scheduled time limits for those matters?
 - We assume that the relevant law will be finally enacted in the next ordinary session of the Diet. Until then, we would like to provide an opportunity to directly show you our concept of how spectrum user fees are calculated for as wide a range of users as possible, including licensed persons.

(3) Reports of the Study Group

- With the consent of the members, approval was given to turning the "Draft Report of the Study Group on the Spectrum User Fee System (Document 4)" into a report of the Study Group.

(4) The Director-General of the Telecommunications Bureau gave a closing address for the Seventh Meeting of the Study Group.

End