

## Outline of Proceedings of the 10th Meeting of the Study Group on Mobile Business

1. Date: 1000 - 1200, Tuesday, September 18, 2007
2. Location: Special Conference Room 1, Ministry of Internal Affairs and Communications
3. Attendees

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

Fujiwara, member; Goda, member; Hasegawa, member; Iizuka, member;  
Ishiwata, member; Kita, member; Saito, Chairperson; Sato, member;  
Sensui, Deputy Chairperson; Takahashi, member

(2) Ministry of Internal Affairs and Communications

Masuda, Minister of Internal Affairs and Communications; Sato, Senior Vice-Minister for Internal Affairs and Communications; Terasaki, Director-General of the Telecommunications Bureau; Takeuchi, Director-General of the Telecommunications Business Department; Ando, Director of the General Affairs Division; Taniwaki, Director of the Telecommunications Policy Division; Furuichi, Director of the Tariff Division; Kurose, Director of the Computer Communications Division; Takeuchi, Director of the Telecommunications Systems Division; Honma, Senior Advisor of the Telecommunications Policy Division; Takachi, Senior Planning Officer of the Telecommunications Policy Division; Ninomiya, Senior Planning Officer of the Tariff Division; Yanagishima, Senior Planning Officer of the Computer Communications Division; Hishinuma, Senior Planning Officer of the Telecommunications Systems Division; Matsuda, Assistant Director of the Telecommunications Policy Division

4. Agenda

- (1) Draft Report
- (2) “Provisional Calculation of Economic Effects of Revitalization of MVNOs”

5. Outline of proceedings

- Taniwaki, Director of the Telecommunications Policy Division, explained the Draft Report.
- Member Kita explained the “Provisional Calculation of Economic Effects of Revitalization of MVNOs.”

(Member)

Is it that this provisional calculation does not contain any instance of the effects of low-cost MVNOs?

(Member Kita)

It is impossible to make a clear distinction between low-cost MVNOs and high value-added MVNOs. In terms of mental stances in making provisional calculations, we performed computations mainly in respect to MVNOs that utilize their own resources to provide services that differ from those provided by MNOs, not in respect to MVNOs that merely provide the same services provided by MNOs at lower cost.

(Member)

Is there no possibility that low-cost MVNOs will come to the fore in the future?

(Member Kita)

A look at SoftBank's fees shows that they have gone down to the lowest possible levels. I presume that it is difficult for MVNOs to reduce fees to lower levels.

(Member)

I think that it is the first time that such data on economic effects was released in regard to MVNOs. On page 6, estimated ARPU is calculated as "communication fees, additional revenues." Were these numbers calculated on the basis of the ARPU of current MNOs?

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(Member Kita)

The average ARPU of MNOs was estimated at 6,000 yen, and the numbers were obtained by increasing or decreasing this value.

(Member)

A look at these numbers leads me to think that the MVNO market may seem promising to MNOs. In reality, however, MVNOs are essentially slow to increase. Taking the above into account, I presume that the interests of MNOs currently conflict with those of MVNOs. It seems to me that the various values added of MVNOs lie in items other than ARPU, that is, in items like solution revenues in the case of MVNOs for corporations, for example. I think that it would be nice if data was available which shows such values added other than ARPU.

(Member Kita)

I agree with you. NRI once conducted research on how much can be paid as a monthly user fee for a mobile solution provided by an entity like an ASP, particularly in regard to MVNOs for corporations. It was mentioned that about an additional 2,000 yen can be paid. From now on, mobile phones will have almost the same functions as those of personal computers. When this trend penetrates into enterprise solutions, I would like to include solution revenues in MVNOs' economic effects.

(Member)

I think that it is difficult for values added other than ARPU to be clearly expressed in numbers, but if this is done, I presume that new discussions can be conducted regarding MVNOs. What follows concerns not only MVNOs but also content providers. As I understood it from the MNOs' arguments made in the preceding meeting, I had the feeling that MNOs showed a sense of resistance to the cutting-out of platforms. The era of FMC and NGNs is just around the corner. Under these circumstances, I feel that the key point of NGNs depends on the extent to which interfaces for SDPs (Service Delivery Platforms) are opened. I think that this issue is related to this key point. It is true that platforms are the sources of carriers' competitiveness and that large numbers of intellectual properties are considered to be contained in platforms. I presume, however, that in this era of the trend toward IP-based networks, it is incompatible with the flow of the times to be reluctant to cut out platforms simply on the grounds of mobile communications. It is desirable to hold steady discussions from now on as well in regard to such matters.

(Member)

I think that some comments say that the numbers indicating economic effects are conservative and other comments say that these numbers are exaggerated. If someone exercises imagination to create new services, then the economic effects of MVNOs will make a further leap forward. It may be a good idea to enter that such effects are intended to be expected in the "Remarks" section on page 4.

(Member Kita)

At present, the report on the provisional calculation mainly covers items that can be expressed numerically. I would like to make a small addition regarding effects that cannot be indicated numerically.

(Member)

Economic effects are contained in Reference 60 and subsequent References of Document 10-2.

Is it that the current discussion will end up with a revision to Document 62?

(Member)

The ARPU of one of the in-vehicle terminal types of MVNOs exceeds 500 yen at present. I think that the numbers of units will further increase.

(Member)

It will be better if many ideas are produced. If various kinds of wireless devices come to be installed in automobiles, then MVNOs will become more versatile than the MVNOs as discussed here. I presume that entities that cannot be denoted by the term MVNO may appear. Many comments say that in regard to the provisional calculation of MNVOs' economic effects, there may probably be ideas for which further expectations can be entertained. Consideration should therefore be given to items that are difficult to express in figures. I think that it is permissible either to increase the number of items expressed in figures or to leave this number as is.

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o A discussion was held on the Draft Report.

(Member)

In regard to the improvement of the quality of salespersons of sales agencies, page 47 says that salespeople should not be overburdened. I feel that this is important. If open platforms are sought from now on, I presume that there will be cases where salespeople are asked to give cross-carrier explanations. I hear that some of the public comments say that a new industry-wide quality certification system is not required, since each carrier has already established an in-house quality certification system. However, in the case of an in-house quality certification system for each carrier, there is no knowing to what extent cross-carrier knowledge is covered. The in-house quality certification system of each company is important and is expected to be continued into the future. Be that as it may, the mobile business environment is going to undergo changes by 2010. On the occasion of such changes, I wonder if each company will voluntarily reconsider the issue of an industry-wide quality certification system, or will there be a discussion about whether each company should reconsider it on a separate basis? I hope that the industry-wide quality certification system will not overlap any of the in-house quality certification systems of individual carriers. In this regard, I believe that it is advisable to avoid overlapping. I would therefore like to confirm this point.

(Secretariat)

As explained earlier, each company seems to have apprehensions about the overlapping of systems. In this regard, salespeople of sales agencies function as important interfaces with respect to consumers. We think that such salespersons are frontline people who transmit correct information to consumers in the circumstances where terminals are separated from communication services. If a quality certification system that has some degree of public nature exists, then incentives will be provided to such people, and consumers will be given an opportunity to obtain correct information. In this connection, there are the above-mentioned apprehensions. We are therefore contemplating taking the following approach: It will be expressly stated in the Report that overlapping will be avoided; when a specific system is to be designed, opinions will be exchanged with the people concerned to consider whether the system can be embodied.

(Member)

When sales agencies are referred to, it is necessary to classify them into two types. One is a sales agency for consumers. The other is a sales agency that sells solutions to corporate users. It is difficult to certify these two types on the basis of a single set of qualifications. Qualifications have various aspects. I would like to request that consideration be given to dividing qualifications into two sets.

(Secretariat)

You are right. From now on, it will become important to provide consulting not only to the general consumer market but also to the corporation market. We believe that in future discussions, it will be important to give consideration by striking a balance between the two markets.

(Member)

The contents of page 47 concern the end user market rather than the corporation market. In this connection, great expectations can be entertained in regard to various mobile services including those of MVNOs. It is very important that various companies conduct solution sales, resulting in MVNOs' entry being promoted. I would like to request that some study be conducted on whether this matter will be stated in the MVNO portion, or in the sales agency portion, or in the "Remarks" section on page 4 of Document 10-4.

(Member)

In regard to the certification system for sales agencies, page 47 contains the phrase, "salespersons, etc. of the pertinent sales agency." I think that various types of persons are included in the term "etc." I think that in the future, not only salespeople sent by carriers but also salespersons belonging to sales agencies will make cross-carrier explanations. In cases where there are salespeople belonging to various organizations, such salespersons should clearly show what organizations they belong to. Otherwise, consumers will not be able to receive explanations by putting confidence in salespeople. Explainers in the financial industry in the United Kingdom disclose items such as their affiliations, the scope of explanations, and fees. By the same token, in regard to the sale of mobile devices, I would like to request that discussions be conducted by going so far as to specify the disclosure of identification in addition to the establishment of the certification system.

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(Secretariat)

We agree to what you pointed out. Not only at meetings of the Study Group on Mobile Business but also at meetings of the Panel on Neutrality of Networks, several issues were raised from the viewpoint of consumer protection. Within this framework, we are contemplating conducting specific studies of optimal comprehensive consumer protection by considering what you have just pointed out.

(Member)

The future image of networks is not visible. In this respect, I would like to request that the study results be reflected accordingly, without fail.

(Member)

I noticed that page 50 says, "A roadmap will be promptly established as a mobile business revitalization plan," so I was wondering what would come next. A look at the figures on pages 50 and 51 leads me to presume that problem areas pointed out in the Report are sorted out. It seems that this revitalization plan includes the schedule of further studies. I would like to request that a little more specific explanation be provided as to what this plan is about.

○ Mr. Masuda, Minister of Internal Affairs and Communications, entered the conference room to give an address.

I would like to express my thanks to you, honorable members, for attending today's meeting in spite of your busy schedules. I am Masuda. I was appointed Minister of Internal Affairs and Communications on the occasion of the formation of the new cabinet that took place on the 27th of last month. I am happy to make your acquaintance. As regards this Study Group on Mobile Business, I hear that all members, including Chairperson Saito, have been energetically holding meetings since January of this year. Mobile phones have spread very widely among the general public and have become tools that are indispensable to daily lives. These mobile phones are supported by very marvelous technologies. Including the matter of

such technologies, there is an issue of clarifying how to use mobile phones for the purpose of further improving the convenience of national lives. I think that this is very important from the viewpoints of the general public. In this Study Group, studies of a large number of tasks have been conducted, including investigations aimed at the improvement of the transparency and fairness of fees. I hear that the overall course of action will be decided in today's meeting. We at the Ministry of Internal Affairs and Communications are currently contemplating the following: Based on the report from this Study Group, what is called the Mobile Business Revitalization Plan will be formulated as a policy package; the contents of the report are intended to be incorporated into the Plan; and this policy is intended to be powerfully implemented from now on with the deadline set at 2011. In carrying out the Revitalization Plan to be prepared by the Ministry of Internal Affairs and Communications, I think that it is, of course, important to occasionally solicit honorable members for opinions from various angles. As regards the roles assigned to me, the Prime Minister gave me particularly strict instructions to address the revitalization of provinces. In addition, I am also instructed to deal with the strengthening of international competitiveness. I hear that Mr. Suga, former Minister of Internal Affairs and Communications, paid very much attention to this issue. Based on the above, diversification and sophistication of mobile services are very important subjects. Such being the case, I would like to ask you honorable members to provide continued guidance. In any case, Japan possesses very excellent technologies that are the foremost in the world. Based on this foundation, we at the Ministry of Internal Affairs and Communications are contemplating doing our utmost to further enrich individual national lives. I heard the other day that today's meeting is the 10th one. I would like to give my cordial thanks to all pertinent experts and to all honorable members, including Chairperson Saito. I would also like to ask for further guidance in the days to come. With this, I will to end my brief address. Thank you in advance for your continued cooperation.

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○ Discussions on the Draft Report were resumed.

(Secretariat)

The Minister spoke about what to do in the future. We are contemplating formulating the plan shortly under the title, "Revitalization Plan". We would like to regard the Revitalization Plan as part of the "New Competition Program 2010" formulated in September 2006. As regards the Revitalization Plan, we think that it is important to have members conduct follow-ups on the below matters: whether the course of action to be formulated from now will be in line with the actual circumstances; and what points will be inadequate, if any. For this purpose, we are forming a mental picture of the following: The Revitalization Plan Evaluation Council will be established on a separate basis; in this council, situations will be evaluated periodically; members will recommend new measures if necessary; and dialogues with the market will be repeated, thereby building up a better mobile business market.

(Member)

It is necessary to observe the situation where the Report will have an impact on the market, thereby causing new competition to occur in an open manner. It is important to operate the Revitalization Plan in this manner.

(Member)

It is not easy to implement policies for the separation plan and SIM locking removal that were discussed at the Study Group meetings. It is necessary to spend some years to create an environment where SIM locking removal is meaningful. Also, there is no knowing if the revitalization of MVNOs will be actually realized simply by the Report containing it. This is a very complicated issue, and it will therefore be accompanied by various policies. I would like to request that such policies be evaluated thoroughly. I would also like to request that the Revitalization Plan Evaluation Conference mentioned on page 50 be established in such a manner as to realize the above.

(Member)

Page 45 contains a statement on the openness of APIs. This statement says, “it is expected that studies will be pushed forward from now on with the aim of ensuring openness”. Ensuring the openness of APIs will greatly improve the development efficiency of terminal manufacturers. If services that are once made available to consumers become capable of being activated by various terminals, then the greatest contribution will be made to enhancing consumer convenience. In that sense, I feel that this is very important. In regard to this matter, the following page says that it is necessary to take various actions in order to realize revitalization by 2011, which is the first year of complete digitization. What do you think is an appropriate way to promote the opening-up of platforms from now on?

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(Secretariat)

Arguments on platforms are divided into two categories. The first category is arguments on the reinforcement of coordination of platform functions on networks. The second category is arguments on the standardization of platforms that pertain primarily to middleware in terminals. The mobile terminal platforms mentioned on page 45 pertain to arguments on the standardization of platforms in terminals. Relevant carriers have already been taking actions. Be that as it may, just to ensure that proper actions will be taken in the future, page 49 states that “as regards the reinforcement of coordination of network platform functions, it is appropriate to start studies within fiscal year 2007.” It is also stated that it is necessary on that occasion to pay attention to the interrelation between the reinforcement of coordination of network platform functions and the standardizing of terminal platform functions. Therefore, there is an issue of how to ensure coordination of platform functions on networks, irrespective of fixed or mobile features. In regard to fixed systems, there will arise an issue of coordination of NGNs built by NTT and platform functions of mobile systems. This will become an indispensable study task in the circumstances where FMC progresses from now on. We believe that it is also necessary to conduct studies on how such arguments are related to the standardizing of terminal platforms. These studies will also be started within fiscal year 2007. In this regard, we are forming a mental picture of the following: A study group will be organized on a separate basis; and studies will be newly made by focusing on this portion.

(Member)

When the term platform is mentioned, it is possible to form a mental picture of various configurations in terms of technology. Tremendous differences will arise depending on what configurations are pictured. I therefore presume that it is advisable to conduct a discussion to clarify mental images. In specific terms, there are three points. The first point is whether the platform has a basic structure that does not depend on any specific application or any specific sub-platform. The second point is whether the platform is designed in such a manner that migration is taken into account from the beginning. The third point is whether the relations with respect to solutions implemented on networks are clarified to some extent. I generally presume that it is advisable for all members to first discuss what the fundamental points should be by centering on these three points.

(Member)

Does this statement concern terminal platforms?

(Member)

It mainly concerns terminal platforms. Besides that, it also concerns network platform functions as a matter of course. For example, the realities are that Skype is installed on mobile phones, and all over the world, LANs are used for extension phones wherever LANs are set up. The meaning of the term platform is ambiguous and is liable to vary depending on various circumstances of relevant companies. I therefore presume that it is necessary to clarify the image of platforms. Page 49 states that attention should be paid. In this regard, it is necessary not only to state that attention should be paid, but also to go so far as to say that the image of platforms should be clarified early enough. Unless this is done, there is a possibility that a

dispute will arise later as to what are platforms, resulting in discussions vanishing into air. This possibility should be avoided.

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(Secretariat)

We agree to what you pointed out. Communication layers and content/application layers are relatively simple. However, when explanations of platform layers are given, it is often the case that items like certification, charging, QoS, and DRM are shown as examples. Sufficient definition is not necessarily given as to what are included in platforms. In other words, it can be said that platforms are very difficult to define. Therefore, instead of defining platforms, we would like to contemplate making an addition to page 49 to the effect that the following need to be done: It should be clarified what functions have to be provided to platforms that are to be discussed from now on; and consideration should be given to reinforcing the coordination of such platforms.

(Member)

In order that what is worried about now will not happen, I would like to request that consideration be given to writing a couple of lines here.

(Member)

At hearings from carriers conducted at the 9th meeting, relevant carriers expressed opinions on the reinforcement of coordination for platform functions. The manner of thinking of existing carriers was that it is difficult to open up platforms, and that the optimal opening-up method should be left to the outcome of competition. I have a feeling that carriers in possession of infrastructure equipment including platforms are still obsessive about competition among carriers. The Telecommunications Business Law was amended, with the result that there are no categories such as Class 1 carriers or Class 2 carriers. I hope that discussions on platforms will be conducted after having an awareness of competition or coexistence/co-prosperity with carriers that are not in possession of equipment, such as MVNOs.

(Member)

How should this matter be expressed in the Report? Should it be written in the MVNO portion?

(Member)

The matter concerns not only the MVNO portion but also the portion stating what platform functions should be cut out for enterprises positioned in layers higher than those of entities like content providers and systems integrators. Unlike in the past, carriers are not distinguished depending on whether they are in possession of equipment. However, as I understood it from what carriers talked about at the 9th meeting, it seemed that from beginning to end, they discussed conducting competition among carriers in possession of equipment. I presume that this is wrong.

(Member)

You are right. MVNOs that are not in possession of equipment are expected to provide enterprise-oriented solutions in which data communication and voice communication are combined.

(Member)

Carriers say that their relations with MVNOs are win-win relationships and take a stance of agreeing in generalities, but when things come down to specifics, carriers say that such specifics are infeasible. I presume that there is actually no progress at all in further discussions.

(Member)

From the point of view of international competition, I think that the issue of platforms is a key point in terms of technology. There is a history in which about 10 years elapsed in such a way that current platforms were not standardized. It is very difficult to standardize them. However, unless standardization is carried out, it is quite meaningless even if SIM locking is removed.

(Member)

In the case of overseas carriers such as in Europe, the main pattern is for vendors to propose platforms to operators, and therefore, there are few problems like those in Japan. To put it in extreme terms, it is true that 3G mobile phone penetration in Japan holds the top ranking in the world, but these phones are nothing more than Japanese type 3G mobile phones. In that sense, I presume that there can be said to be no difference in such phones between Japan and other countries.

(Secretariat)

We quite agree to what you pointed out. In this connection, the subtitle of the Report reads “Toward Realization of an Open Type Mobile Business Environment.” Page 10 of the Report contains a statement that the opening-up of interfaces between individual layers will be realized as a basic concept. Of course, it is not that we disallow the current vertical integration model. We mean that both of the following models may be allowable: the one-stop type model called the vertical integration model; and the boutique type model whereby selected articles are combined together on individual layers. We have an awareness that the resulting creation of diversity revitalizes competition, thus leading to the improvement of user convenience. Furthermore, from the point of view of ensuring the openness of platforms, page 33 contains a statement on what to think of equipment competition and service competition in the mobile market. As stated at the beginning of Item (3), some MNOs argue that “in the mobile market, the basics should be that operators themselves should obtain the allocation of frequencies and should build networks by themselves.” It is written in this regard that in the mobile communications market, it is necessary to take steps as in the fixed communications market to develop a fair competition environment so that diverse competition patterns will be smoothly realized in the market in such a way that an appropriate balance is struck between equipment competition and service competition. In the realization of such a pattern, it is expected that the coordination of platform functions will be reinforced, that MVNOs or contents/applications etc. on platforms will come into play, and that contributions will be made to the expansion of the market.

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(Member)

In the past, the term “fair competition” carried a very strong connotation of “competition among former Class 1 carriers.” From now on, however, a factor consisting of service competition will become very great in addition to the presence of the second above-mentioned type of competition. In this connection, I presume that the wording on page 34 was written on the assumption of the presence of not only competition among former Class 1 carriers but also fair competition with former Class 2 carriers.

(Member)

For my part, I understand that this wording contains a factor consisting of service competition. In this regard, generally, it is often the case that the term “fair competition” refers to equipment competition among carriers. Such being the case, I think that it is advisable to provide a statement whereby it can be understood that this is not an age of the third above-mentioned competition.

(Member)

MVNOs are emphasized on the whole. I presume that this is for that purpose.

(Member)

It was mentioned earlier that a study group will be formed in which this matter will be clarified and technical issues will be studied. I presume that it is advisable to take steps for this matter to be communicated to the new study group.

(Member)

What follows is a supplementary remark. When a new study group is organized, I think that the issue of business models will be raised as an additional point of view. The report of this

study group contains the term MVNEs. In this regard, I hope that people who do not conduct business at all and devote themselves to doing behind-the-scenes work will also join the new study group by way of furnishing a topic of conversation. I do not think that what follows needs to be written in the report of this study group. I would like to request that the new study group adopt a stance of including business models in its studies.

(Secretariat)

As was pointed out, discussions of platforms are closely related to the state of business models. This is because there are MVNEs that do not conduct telecommunications business and people who play roles such as aggregators. When the new study group is formed, we think that it is necessary to advance by soliciting opinions from people who are actually carrying out such matters.

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(Member)

This will be the conclusion of the discussions held so far. In regard to platforms, there are currently various statements, on page 49 or so, which say that the desirable nature is openness. I would like to be allowed to make corrections by adding a few lines there.

○ Chairperson Saito gave a closing address.

End