

**Study Group on Future Images of Universal Service Fund System — 8th Meeting**  
**Summary of Minutes**

1. Date and time

Tuesday, October 2, 2007; 10:30–12:15

2. Location

Special Conference Room 1, 8th Floor, Bldg. 2, Central Common Government Office

3. Attendees (honorifics omitted)

(1) Committee Members (entered in alphabetical order of last names)

Hiromasa Sekiguchi, Minoru Sugaya (Chair), Atsushi Togashi,  
Masatsugu Tsuji (Vice Chair), Hirotaka Yamauchi, Noriyuki Yanagawa

(2) MIC Representatives

Terazaki (Director-General, Telecommunications Bureau), Takeuchi (Director-General,  
Telecommunications Business Department), Taniwaki (Director, Telecommunications  
Policy Division), Furuichi (Director, Tariff Division), Ninomiya (Senior Planning Officer,  
Tariff Division), Suzuki (Deputy Director, Tariff Division), Iimura (Deputy Director, Tariff  
Division), Teraoka (Deputy Director, Tariff Division)

4. Agenda

(1) Draft Report

(2) Free discussions

5. Meeting summary

- The Secretariat explained the “Draft Report of Study Group on Future Images of Universal Service Fund System” (Document 7-1).
- Major statements made during free discussions are as follows:

[Chapters 1 to 3]

(Member)

With reference to Item (2), “Allowable ranges of regional charge differences,” on page 8, my understanding is that the term “certain standards (parameters)” means allowable ranges. How are such certain standards established?

As regards usability on page 9, the conclusion of the report is that the regional coverage ratio should be 100%. I also think, in conclusion, that 100% is all right. In this respect, the reason for the conclusion of the report is that if the ratio is set at a value below 100%, competitive neutrality will be impaired. I wonder if this single reason is sufficient. What

follows is a matter of value judgment, but I presume it is reasonable to say that “it is necessary to provide services to everybody.” I am under the impression that giving only the above-mentioned reason is insufficient.

(Member)

Do you have any specific suggestion?

(Member)

I do not have any specific suggestion. If there is an opportunity for making revisions before public comment is invited, I would like to request that consideration be given to this issue also.

(Member)

Page 10 mentions the term “measures required from viewpoints including social welfare policies.” Am I correct to understand that such measures refer to those mentioned in Document 9?

(Member)

Do you mean that specific relevant measures are not contained in the Document? I think it may be useful to have a document covering such measures.

[Chapter 4]

(Member)

With regard to the correction implementation timing, Page 24 says, “the prerequisite is that the transition plans of NTT East Japan and NTT West Japan be presented,” while page 44 mentions the term “clarification of the transition plans.” What is the intent of the difference in wording?

(Member)

I think that the correction implementation timing is considerably important. In this respect, is it possible to decide the implementation timing without receiving NTT’s transition plans?

Granted that there are several conditions, I presume that NTT’s presentation of the transition plans is a condition that should be met, by all means.

(Member)

I am referring to overall matters. With regard to Phase 1, IP telephones are fine. Nevertheless, there are the following questions, among others: What should be done in case of electricity failure? In the event of deteriorated QoS, is it possible to use IP telephones similarly to ordinary telephones? A sense of crisis lies against the background of such questions. I presume that the optimal state of universal service in relation to disasters has to be incorporated into the report. Particularly, significantly large numbers of calls are expected to be made locally during disasters. In the case of Phase 2, I think that current problems will be significantly improved. Nevertheless, the above-mentioned optimal state should be incorporated into the report in the interest of safety and security.

(Member)

Where in the report should it be written?

(Member)

It should be written in two places, in the particulars of Phase 1 and Phase 2.

(Member)

As regards Phase 2, page 26 says that the electric power supply mechanism for optical telephones is not yet the same as that for current analog telephones, and page 19 makes mention of measures to be taken by NTT regarding telephone calls in case of electricity failure. Is the Secretariat well aware of the future technical outlook for telephone calls during electricity failure?

(Member)

Public telephones certainly attract attention as important telephones during disasters. Such a fact is stated as a matter related to disasters.

(Member)

A little while ago, the Chair pointed out Item (4) on page 24. This item pertains to special consideration limited to the transition period during which maintenance costs are still incurred, even though the transition to optical IP telephones is made. These measures are such that the numbers of telephone lines that were switched to IP telephone lines will no longer be added or deducted. The study of the implementation timing involves two types of timings, namely, "the start timing" and "the end timing." I think that the start timing will be set at as early a point in time as possible by taking into account the penetration of optical telephones, but this matter and "the end timing" are not clear. I presume that this is why there is some confusion in our understanding. The timing at which the transition plans are clarified means the timing at which it is decided what to do about the costs of removing metal lines in the new phase mentioned on page 47. At that time, it will not be necessary to make such corrections, and these transitive measures will therefore end at the time that the transition plans are presented.

(Member)

However, the future outlook cannot be obtained unless the transition plans are presented.

(Member)

The timing for ending corrections is already mentioned in the place where the timing for making corrections ought to be noted.

(Member)

What was the intent when it was written?

(Member)

The statement here is a little difficult to understand. It is better to add some more words.

(Member)

With reference to Item (5) on page 24, who are the primary entities that partially bear costs as mentioned in the expression "partial bearing of subscriber line costs"? I presume it is

necessary to add a few more words. Within the framework of the current system, numbers are corrected, but amounts are not corrected. Such costs are therefore not included in the category of items subject to compensation pertaining to universal service. The term “partial bearing” can be construed as meaning the addition of something beyond the current framework.

(Member)

The statement in Item (5) on page 24 is presumed to have been written after considering the report submitted to the Telecommunications Council last month on the subject of the review of the measures whereby part of NTS costs will be borne by means of interconnection charges for the time being. The above-mentioned measures will serve to reduce user burdens.

Provisionally, the reduction amount will be recovered by means of interconnection charges. In this respect, it is necessary to consider the actions that can be taken as drastic measures.

However, when describing such measures, there is an issue of how deep into this matter we should delve.

[Chapter 5 and subsequent chapters]

(Member)

Item (6) on page 40 indicates a great shift toward calculating cost burdens on the basis of profits, not on the basis of telephone numbers. In order to make calculations on the basis of profits, I think not only should the accounting system be reviewed but also technical issues be resolved. In this respect, is it technically possible to pick out only voice services from among the services provided on broadband networks?

(Member)

I think that all packets will be taken as the population of burdens. It is necessary to hold discussions on what to do about maintenance costs in overall terms. Page 39 mentions that costs subject to compensation will be limited to those related to voice services. Is it coherent if costs subject to compensation will be limited to those related to voice services, while burdens will be calculated on the basis of profits pertaining to all packets?

(Member)

What is the relationship between Item (5) on page 38 and Item (6) on page 40? This relationship is not clear.

(Member)

When the Universal Service Fund System was initially designed, it was planned it would be based upon sales turnover. However, when the time came to implement the system, changes were made. This is because there was a disadvantage in that operators having no telephone numbers would be left out, but it was judged to be highly convenient, in implementing the system, to disregard the above-mentioned disadvantage and pay attention to benefits related to telephone numbers. When universal access is realized, the number of operators having no telephone numbers will increase dramatically, and it will be difficult to identify intermediate

paths up to final terminals. Such being the case, I think that the idea is to include all relevant items in calculation. However, if an attempt is made to comprehend items for cost calculation by limiting such items to voice services, the following argument can be valid. If we consider that in Phase 2 as well, voice services that end users use by having telephone numbers may account for a majority, then it is unnecessary to change the current system. It is necessary to sufficiently straighten out the logic of putting the calculation method back to the one based on profits.

(Member)

I think that there are different ideas about methods of calculating cost burdens, including the method based on telephone numbers and the method based on income ratios. Logically speaking, the method should follow the “reverse elasticity rule,” which specifies how to distribute target amounts. One idea is to determine which method more closely meets the “reverse elasticity rule.” The issue is how to measure convenience. “Elasticity” as mentioned here serves as the criteria for judging the degree of convenience. I think that there can be an approach from such a point of view.

Whether a method based on profits will be used or a very easy-to-understand method based on quantities per telephone number will be used is a matter of policy. A decision will be made on the basis of aspects including practical ease of acceptance. Nevertheless, I think it would be desirable for, when the next phase is entered, there to be room for another round of discussions on what method should be used to make calculations. It may be an idea to clarify a direction at this point, but I presume it is a good idea to leave some room for reconsideration as well.

(Member)

The report is very finely put together, and I therefore have nothing to say about minute matters. Nevertheless, there are indefinite factors in stages leading to Phase 2, and there are many indefinite portions as to what can be done in such stages and what actions should be taken. Under such circumstances, I think that the best thing that can be done now is to leave the room to allow flexible actions to be taken while ascertaining future directions. I think that this is not only a matter of wording, but also a matter of the stance taken at present. Unexpected events may occur in Phase 2. It is therefore necessary to leave the room to allow flexible actions to be taken.

(Member)

In Phase 2, which falls in and after 2010, it will be certain that universal service will be considered within new regulatory frameworks, including the Information and Communication Law now being discussed. It is therefore necessary to take considerably flexible actions while indicating future directions.

(Member)

This is strictly an impression. Page 9 mentions a population coverage ratio of 100%.

According to Document 9, which is as of fiscal 2002, 600 billion to 1.2 trillion yen will be required to solve the problem of the non-coverage ratio, and an enormous budget would be required if we were to cover uninhabited areas as well. Many of the areas having the digital divide problem or having no broadband services are located in places like outlying islands. If attempts were to be made to universally cover such areas, the central government would be required to deal with it in the end, somewhat strategically, since it is difficult for private sectors and local governments to provide development assistance. That is a very difficult matter.

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