

Study Group on Future Images of Universal Service Fund System — 9th Meeting
Summary of Minutes

1. Date and time

Thursday, December 6, 2007; 16:00–17:30

2. Location

Ministry Conference Room, 7th Floor, Bldg. 2, Central Common Government Office

3. Attendees (honorifics omitted)

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

Junichiro Fujiwara, Yuji Oie, Hiromasa Sekiguchi, Minoru Sugaya (Chair),
Atsushi Togashi, Masatsugu Tsuji (Vice Chair), Toko Yamashita,
Hirotaka Yamauchi

(2) MIC Representatives

Terazaki (Director-General, Telecommunications Bureau), Takeuchi (Director-General,
Telecommunications Business Department), Ando (Director, General Affairs 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 used the “Draft Report of Study Group on Future Images of Universal Service Fund System” (Document 9-3 Excerpts) to explain the results from solicitation of opinions on the Draft Report and its opinions on these results. In addition, the Secretariat explained the changes made to the Draft Report.

- Major statements made during free discussions are as follows:

[Opinions on Draft Report]

(Member)

Document 17 (Reference Material in Document 9-2) says that the mobile telephone utilization rate of the elderly is low. It may be that some of them do not use fixed telephones either. In the future, when mobile telephone utilization rate surveys are to be made, the

survey results will be more persuasive if the following procedure is followed: Questions should first be asked about the utilization status of various services including fixed telephones and mobile telephones; subsequently, questions should be asked about the utilization status of mobile telephones.

(Member)

The opinion of the Japan Cable and Telecommunications Association on page 15 of Document 9-3 Excerpts says, “with regard to the setting of the timing of the transition to Phase 2, administrative agencies should establish standards.” What is the assumed level of “administrative agencies” in this case? I ask this question because I think that this matter is related to the designation of qualified access operators. It seems that no opinions were offered by local governments or individual cable television operators when comments were solicited from the public. I would like to know the possible extent to which such local public bodies and operators intend to play important roles.

(Member)

I think that this matter pertains to the Ministry of Internal Affairs and Communications.

(Member)

I thought that each of the prefectures would establish their own standards from the standpoint of local administration. I thought that, for example, if municipalities became unable to continue business, then prefectures would decide who would take over, from the standpoint of local administration.

(Member)

Are there currently any systems whereby local public bodies offer opinions?

(Member)

Page 75 of Document 9-3 Complete contains the opinion of Kyushu Telecommunication Network Co., Inc. to the effect that “local governments should take the initiative to” The entities that I can think of to take over the business when it becomes no longer possible to continue are CATV operators that currently own facilities and operators that have already built fiber-optic networks in relevant areas, but this is only my opinion. How things will develop in the future in specific terms depends greatly on how this system will be deployed. As regards Phase 2, in particular, discussions will be held in the future on the basis of NTT’s transition plans after they are submitted. At present, therefore, there are many cases where wording such as “such tasks will be studied in the future” is used. This cannot be helped. I think that the goal will be discussed in the process up to 2010.

(Member)

I am referring to the business areas mentioned on page 34 of Document 9-1. It is stated that qualified operators’ areas will not be mandatorily allocated on a prefecture-by-prefecture basis and that it is possible to allocate them on a municipality-by-municipality basis. In this connection, will judgment be made on migration on a nationwide basis, or will this judgment

be allowed to differ from district to district, depending on regional conditions, etc.? I think that there can be an option in which such judgment is not made on a centralized basis but is allowed to differ by district. What stance does the Draft Report take?

(Member)

I am referring to the “handling of other types of services” on page 24 of Document 9-1. My understanding is that services having mobility will not be assumed here for the time being. Does this mean that, if it is commensurate cost-wise to provide universal service in a certain area by means of wireless services having mobility, it is then permissible to provide services by means of wireless equipment? In other words, does it mean that it is not appropriate for services having mobility to be included in universal service, but that if universal service can be realized in certain areas by means of terminals having mobility, this practice is then permissible?

(Member)

With regard to this issue as well, there are some types of services that have not yet been started. Such being the case, it is difficult to hold in-depth discussions by assuming something that does not yet exist.

(Member)

Since today’s session is the last meeting of this Study Group, I would appreciate it if each of you members could comment on overall impressions and future developments.

(Member)

When this Study Group started, I looked forward with great expectations to seeing the extent to which the particulars of Phase 2 would be decided, partly because I thought this process would teach me something. Nevertheless, the particulars of Phase 2 cannot be decided unless various conditions are met. I presume that when the time for decision comes, Phase 3 will be in sight. Now the time has come for deciding the particulars of Phase 1. This is because Phase 2 has come into view. I feel something philosophical when presuming that the particulars of a new phase are decided as options are narrowed down in response to changes in circumstances. It is particularly difficult to guarantee competitive neutrality and technological neutrality. The harder we try to protect these two, the more difficult it becomes to decide anything that is two to three years away. If something that is several years ahead is decided at present, there is a possibility that competitive neutrality and technological neutrality at that future time will be more or less sacrificed. I strongly feel such a sense of going around in circles.

(Member)

Under the present circumstances of rapid technological developments, I think it is very difficult to discuss what directions we should take. As regards Phase 2, I am under the impression that the content of the Draft Report is carefully written on a detailed basis, including the issue of neutrality. On the other hand, the summary at the end of the Draft

Report contains the expression “looking at major trends in the future.” When this fact is considered, I cannot deny that it leaves me with the impression that in spite of this expression, the Draft Report is written on a significantly detailed basis.

(Member)

I am referring to items mentioned as future tasks. For example, page 37 of Document 9-1 contains the issue of what to do when qualified operators go bankrupt. I think that any qualified operator is designated by meeting a set of requirements regarding the business management foundation, technical abilities, the availability of telecommunications business facilities, etc. When business management becomes difficult, the operator will sell his/her facilities, even if they have to be separated, provided that there is a prospective buyer who will make the purchase under conditions advantageous to him/her. If facilities are transferred to a third party from any entity that used to be a qualified operator, then it will be sufficient to designate the transferee as a qualified operator, provided that he/she has a business management foundation and technical abilities. This is thus a simple issue. However, there are cases where the third party transferee does not necessarily have both a business management foundation and technical abilities. In such cases, it is conceivable that the entity that owns the facilities and the entity that has software abilities are separate from each other. How to put these two entities together is a future task. For example, if it is possible to develop a scheme in which universal service obligations are made ancillary to the facilities themselves, irrespective of the presence of third party transferee’s abilities, then I think that there can be many approaches. There may be a practice whereby the facility owner consigns only the operations to another entity; or a practice where, to the contrary, the software owner makes use of the facilities. By way of an idea, instead of adhering to a scheme whereby a single operator should meet all requirements, I felt it necessary, as a future task, to take flexible approaches. These approaches include one practice whereby operations are performed satisfactorily even if facilities are separated from software.

(Member)

Is this Draft Report written by adopting a stance to the effect that the interpretation which has just been given is not acceptable?

(Member)

I myself had in mind a stage a little further beyond the present, namely, a situation where a little more progress is made in broadband services. In any case, no system can be established if the current situation is ignored. I therefore think that the point is how to link the present situation to the future. The discussions here are expected to take the lead in the issue of the optimal state of the Universal Service Fund System. It would therefore have been better if the suggestions made had been a little bolder and dream-like matters had been discussed. On the other hand, progress will be made in FTTH from now on. The issue of migration will not necessarily be taken up right away. Nevertheless, I have a feeling that if discussions were

promoted based on the premise of technological neutrality, then the progress of relevant new technologies would be delayed. I, for one, wanted to incorporate a perspective such that NGNs, etc. will universally spread and the transition from fixed telephones to optical telephones will be promoted. In any case, it is equally important to steadily accumulate such down-to-earth discussions from now on, thereby establishing a realistic scenario and system.
(Member)

As regards the issue of technological neutrality and competitive neutrality, it is difficult to decide how to write the content by taking this issue into account.

(Member)

I would like to express my respect for the great efforts of the Secretariat, which worked out the Draft Report under the circumstances where it was desirable to talk about dreams to some extent by thinking of various matters, but where it was necessary to solve realistic aspects. As mentioned by Professor Yamashita, it is very significant to conduct studies to some extent even at a stage where the next phase is not in sight. The Japan Business Federation offered the opinion that “studies should be conducted by reverting to the origins.” In this respect, it is true that a dream can be talked about to the effect that the issue of the three constituent elements should by all means be solved if consideration is given to the current situation. One of the three elements is the target that requires the regional coverage ratio to be brought to 100%, but when the regional coverage ratio of 100% is aimed at, it is in no way possible to take chances. At present, efforts are made to solve the problem of areas having no broadband services. In Phase 2, how should networks be developed in areas like outlying islands? Should this be achieved by means of satellites? This will result in considerable costs being incurred. The costs and the coverage ratio of 100% constitute conflicting issues. How should these issues be solved? In this sense, I think that inexpensiveness and indispensability, which are independent issues, will constitute great cornerstones. Another problem is the issue of the designation of qualified operators. There is no problem with areas where many operators make entry. There may be a case where, in an unprofitable area, the relevant administrative agency designates the qualified operator because no operator volunteers to apply for qualification. In such a case, I believe that what to think of the cost borne by the designated operator will be a big issue.

(Member)

The year 2010 will arrive in two years from the time this report is put together. My actual feeling is that time flies very fast. I think that when that year comes, there will be an issue regarding the necessity of promptly dealing with migration on a realistic basis. In this connection, page 47 of the Draft Report says, “with regard to the transition plans, discussions should be held as to who should play what roles to do what items.” I understand that the very fact that it has become possible to include such a statement means one step taken forward. It can be easily assumed that when the transition plans are presented, big issues such as

assessment of metal cable deterioration will arise. It is therefore necessary to think about several options for these issues at this point.

(Member)

I think that various people will refer to this kind of report in the future. I think that on such occasions, the first and last parts will be important. In this sense, I believe that the fact that the “Afterword” is added shows the standpoint from which this report is desired to be utilized. I would like to mention one other point. There is the issue of whether it is necessary to repeat the definition of universal service, the roles and importance of universal service, and what has so far been carried out by universal service in the first part of the report. I think that it is more constructive as long as the report mentions that universal service has played important roles to date, that subsequent changes in the circumstances have made it necessary to conduct reviews, and that studies need to be continued, when it is read independently. I myself learned many things through this Study Group. There is the question of what universal service is. The answer is telephone services, or in a broader sense something indispensable. I presume that the answer to the question of whether or not universal service is usable is undergoing changes in our daily lives in terms of the quality and performance of the Internet, etc., under the present circumstances where networks penetrate this much. It is impossible to get that far into this issue at this point. I shall be happy if we can get down to arguing, in the next study group, for example, that we as citizens want to make Japan a country where this degree of service can be provided no matter where the users find themselves in the near future. I am engaged in research and education in the field of networks. I shall therefore be happy if, with respect to the importance of this universal service, those who read this report will come to recognize anew the importance of networks constituting infrastructure.

(Member)

With regard to the matter that has just been pointed out, the section titled “Importance of Review of Universal Service” at the beginning of the Draft Report explains what universal service is like, for example. The section titled “Structural Elements of Universal Service” on page 6 contains statements on indispensability, inexpensiveness, and usability, as well as on the purposes of the universal service policy. I believe that these statements will help gain the understanding of the preceding speaker.

(Member)

Now that all members have expressed their impressions and made statements to the effect that they would agree to the Draft Report, the Draft Report presented today will be regarded as the final report of this Study Group. The final report will be released as soon as it is made ready by the Secretariat.

Note: An address was given by Mr. Terazaki, Director-General of the Telecommunications Bureau.

[Chair's address]

Ever since I was appointed Chair in January of this year, I have been looking forward to, and feeling apprehensive about, seeing what conclusions will be reached. As some of you may remember, arguments were raised as to whether it was permissible to not set goals for the advancement of universal service and the transition from analog networks to IP networks, while a goal of July 2011 was set for broadcasting. In the course of discussions, a very good idea involving Phases 1 and 2 was created. If processes are divided into phases 1 and 2, I think that everyone will be inclined to mandatorily proceed from phase 1 to phase 2 by all means. If I remember correctly, this idea was formed by the Secretariat. Such a concept was incorporated into the report. On the other hand, as mentioned in the "Afterword," the present situation is such that the following items are unclear: the plans of NTT East Japan and NTT West Japan for the transition to IP networks; the issue of the optimal state of NTT; and specific theories on the fusion of communications and broadcasting. In considering the optimal state of the future universal service fund system under the above-mentioned present situation, it was possible to show the direction as to what discussions should be held on what issues at a stage where these items become clear as much as possible. I think it was good that such detailed preparations were made. I would like to give my heartfelt thanks to the Secretariat. I believe that this subject will continue into the future. In any case, this is the last meeting of this Study Group, hence this address. Thank you.

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