

Universal Service Committee — 21st Meeting
Summary of Minutes

1. Date and time

Friday, May 9, 2008; 16:00 – 18:00

2. Location

3rd Special Conference Room, 9th Floor, Ministry of Internal Affairs and Communications

3. Attendees (honorifics omitted)

(1) Committee members

Kurokawa (Chair), Sakai (Vice Chair), Sugaya, Sekiguchi, Tokai, Fujiwara, Mitsutomo

(2) Telecommunications Business Sub-Council member (Observer)

Takahashi

(3) MIC representatives (including Secretariat representative)

Takeuchi (Director-General, Telecommunications Business Department),

Taniwaki (Director, Telecommunications Policy Division), Furuichi (Director, Tariff

Division), Muramatsu (Senior Planning Officer, Tariff Division), Iimura (Deputy Director,

Tariff Division), Suzuki (Deputy Director, Tariff Division), Teraoka (Deputy Director,

Tariff Division)

- The secretariat gave explanations on the basis of Documents 1 to 3.

Kurokawa (Chair): Various changes have occurred in the situation since the Universal Service Fund System was discussed in September last year. I think it is therefore necessary to share anew the recognition of the status quo.

Today's meeting is the starting point for new discussions. We are going to have free discussions on this system as a whole, so I would like to ask all committee members to make comments in turn on the following items on the basis of the Draft Points at Issue in the explanatory document (page 3 of Document 2): (1) Scope of universal service, (2) Methods of calculating costs and bearing costs, and (3) Other points at issue.

[(1) Scope of universal service]

Sugaya (Committee Member) At present, the number of contracts for mobile telephones has exceeded 100 million, while there has been a significant decrease in the number of contracts for subscriber telephones. Taking this fact into account, I wonder if it is permissible for the scope

of universal service to remain as is with regard to current subscriber telephones and public telephones. I presume that it is necessary to hold discussions not only on the influence of the transition to IP networks, but also on the future handling of mobile telephones.

Sekiguchi (Committee Member) Discussions on Transition to IP networks cannot be sidestepped. However, under current laws and ordinances, NTT is not allowed to remove PSTNs as long as PSTN users are present. On the other hand, the current situation is such that users are gradually switching to optical IP networks.

Considering such a status quo, the Study Group on Future Images of Universal Service Fund System (hereinafter referred to as the Study Group) report proposes the concept of “revision of the transition to IP networks.” This concept involves some provisos and premises. For example, it is said that judgment cannot be passed on when and how optical IP telephones should be included in the scope of universal service unless a look is taken at the “Plan for Transition to IP Networks,” which NTT says will be shown by 2010. I am under the impression that it is quite difficult to conduct discussions promptly.

Incidentally, as stated on page 23 of Document 3, the Study Group held discussions on matters for the period in and after the beginning of the 2010s by keeping full transition to IP networks in mind. In the middle of these discussions, the goal of 30 million contracts with FTTH users in FY 2010, which was set by NTT in 2004, was revised downward to 20 million contracts with FTTH users in FY 2010. Such being the case, I cannot but have the impression that full transition to IP networks is something that may be realized a little later than the time assumed by the Study Group. Furthermore, page 2 of Document 2 states that with regard to optical IP telephones, mobile telephones, and broadband telephones, studies will be made by taking the penetration status, even in and after the beginning of the 2010s, into account. This statement is somewhat toned down compared to the report of the Study Group. On the basis of this fact as well, I have the feeling that it was decided that the achievement of the full transition to IP networks including removal of PSTNs would be postponed to a little later time than the considerably early stage in the beginning of the 2010s that was assumed before.

In any case, there is no choice but to traverse the period of transition to IP networks by using techniques such as revision of the transition to IP networks in such a way as to consider such changes in future prospects for full transition to IP networks. I myself have been involved in discussions on the Universal Service Fund System, and therefore, I frankly feel a bit irritated at this situation.

Sakai (Vice Chair): At present, subscriber telephones and public telephones are included in the scope of universal service. It is a matter of course that there are arguments such as about at what future point in time, mobile telephones and optical IP telephones will be accepted as those within the scope of universal service, in addition to subscriber telephones and public telephones. However, I think that instead of the above, it may become important to hold discussions from

the viewpoint of exclusion instead of from the viewpoint of inclusion, namely from the perspective of the future point in time at which, and the conditions under which, it will be possible to exclude subscriber telephones and public telephones from the scope of universal service.

For example, the fact that metal subscriber line costs are uniform is based on the idea that costs should be borne equally among fixed telephone users. When consideration is given to metal subscriber line costs subject to compensation under the current Universal Service Fund System, this system is designed in such a way that above-mentioned costs are borne also by contractors for mobile telephones and optical IP telephones. For this reason, I feel apprehensive that the following may become the case: Subscriber telephone costs and public deficits will be compensated for by users of mobile telephones and IP telephones even if an era is entered, in the near future, when many users think that mobile telephones and IP telephones are better than subscriber telephones and public telephones. A situation would thus be created where no progress whatsoever is made in migration to IP networks. Nevertheless, at the present stage, basic charges for mobile telephones are higher than those for fixed telephones, and contracts for IP telephones are premised on the conclusion of contracts for FTTH services. I therefore presume that in a period of three years from now, it is impossible to realize exclusion in favor of inclusion.

Furthermore, as regards public telephones, I presume it is necessary to properly hold discussions on how long public telephones should be kept available from now. I personally think that it is not so neat if users of mobile telephones and IP telephones are burdened with public telephone maintenance costs for an indefinite period of time. I presume it is advisable, for example, to make studies in the future for a method whereby such costs are borne by taxes. In this connection, it may be difficult to realize this in the framework of reviews to be accomplished in the three years to come.

Tokai (Committee Member): My understanding of what is called universal service is that it is an act of covering, in some way or another, the portions that are hidden in the large flow of progress in communication technologies and communication services. I therefore think that the further this large flow progresses, the more important the issues regarding universal service may become. It is my understanding that, as an approach for solving such issues, the concepts of Phase 1 and Phase 2 are presented in the report of the Study Group. I believe it is necessary to have the following done. Discussions will be made by taking a hard look at the near future, when a smooth transition is expected to be made in just a few years from the traditional universal service to universal access. At the same time, discussions will be conducted as to what measures need to be taken on the hidden portions.

I think that the time has come when steps should be taken to make a radical changeover in the concept of public telephones. There are issues of whether public telephones should be

maintained by all parties and whether local public bodies should also be led to participate in discussions if the problem of regionality is present. In order to hold discussions on these issues, I would like to ask the Secretariat to investigate the actual condition of public telephones and to show us the results. The income cost offset method is adopted in the method of calculating amounts subject to compensation regarding public telephones under the current system. To begin with, deficit ranges for income and expenditure vary depending on the calculation method. If it therefore turns out that it is necessary to maintain public telephones from now on as well, I presume it would be necessary to consider switching the concept of compensation for deficits in income and expenditure to some other concept.

Fujiwara (Committee Member): If a system is to be built from scratch, I think it would be possible to design it in various ways. In reality, however, the design has to be carried out on the premise of a system that already exists at present or a system that is being built with the aim of being completed in the future. If consideration is given on the basis of the above, the following approach is rather unreasonable but not quite implausible. As stated on page 24 of Document 3, the “obligation to universally provide telephone services” under the Law Concerning NTT etc., is interpreted as meaning that it is sufficient to be able to provide telephone services as specified by the relevant provisions; thus an interpretation is made that it suffices to remove metal subscriber lines and to provide services via different types of lines. However, as stated on page 2 of Document 3, it is difficult to realize this approach from the viewpoint of affordability, which is a basic requirement for universal service. Based on the above, I think that in Phase 1, it is inevitable to perform studies in preparation for the future in such a way as to take over the current system.

I usually make fairly good use of public telephones for the following reasons, among others. Even if I go out without carrying a mobile telephone, I can readily and easily communicate with people I want to talk to, no matter where I am, and the tone quality of public telephones is better than that of mobile telephones.

If future prospects are obtained for a widespread infrastructure where terminals can be used by anybody at any place at any time even if no one carries a mobile telephone with them, then it will be possible to argue that the current public telephones are no longer necessary. At the present stage, however, I think it is quite difficult to declare them unnecessary at this time.

Mitsutomo (Committee Member): I have so far been engaged in the development of broadband networks in areas of adverse conditions. Also, I participate at present in the Strategic Council on Bridging the Digital Divide. In relation to the above, I would like to refer to the status quo of broadband network development in the countryside. In the past, I had the feeling that the attitudes and stances of local public bodies were that “No broadband network will be developed unless definite promises of subsidies for expenses are given.” However, nowadays, I have the feeling that there are bottom-up trends to the effect that local communities should take the initiative to develop broadband networks.

In the past, I thought that the Universal Service Fund System should be positively utilized in the development of broadband networks as well. However, in view of the current situation where such progress is made in raising awareness in the countryside, I have come to feel apprehensive that possibly the utilization of the system will result in the countryside's incentives and motivations being reduced.

There is no doubt about the course of action to make the transition to IP networks in the future. Nevertheless, the target deadline for solving the problem of areas having no broadband services is 2010. In this connection, I think it is necessary to hold careful discussions by considering the results of solving this problem.

Takahashi (Sub-Council Member): This is the third year since the Universal Service Fund System was put into operation. However, I think that even now, many of the citizens do not have an understanding of various tasks pertaining to this system. I feel apprehensive that it will not be until subscriber telephones and public telephones, which are within the scope of current universal service, can no longer be used that the citizens will realize the necessity of such telephones, resulting in national discussions being started. I am also a member of MIC Council on Terrestrial Digital Broadcasting. In the case of Terrestrial Digital Broadcasting, the fact that conventional analog broadcasting will become unavailable to viewers beginning in July 2011 became known to the citizens as late as recently. As a consequence, progress was made in specific discussions, and studies were pushed forward as far as the point where a proposal was made to establish safety nets by means of satellite broadcasting. In view of this fact, I believe that if explanations are made methodically, the citizens will gain an understanding and deepen their awareness of various tasks pertaining to the Universal Service Fund System.

I would like to have discussions on public telephones after having been apprised of the actual use situation.

With regard to the framework for the bearing of costs pertaining to universal service, I think it is necessary to study not only the methods used up to now, but also arrangements that include taking measures by means of taxes.

Furthermore, as regards the actual situation where operators' cost burdens pertaining to the Universal Service Fund System are passed on to users, I would like to request the operators themselves and administrative agencies to provide even more detailed and elaborate explanations. I understand that in the future, this Committee will conduct hearings from entities such as consumer groups. I would like to pay close attention to their assertions and opinions, and thereby study the specific system design.

Kurokawa: I think that the fact that the concept of universal access is taken up for discussion can be mentioned as one of the big differences between the studies done so far and those to be pushed forward from now on. In this connection, I would like to ask Committee Member Sugaya, who

served as Chair of the Study Group, to explain universal access.

Sugaya: In the case of a broadband network, it is possible to make a so-called triple play in which voice, Internet data, and screen images are run on a single access network. A situation where it is possible for services meeting certain requirements to be used via such an access network is an instance of universal access. An approach whereby compensation from the Universal Service Fund System was provided for part of the maintenance costs of such access networks in unprofitable areas was proposed in the Study Group. I presume that this is an ideal pattern.

Unlike in the communication world, where the basics are charged use, in the broadcasting world, it is basically possible to receive transmissions free of charge, except in the case of NHK, which charges reception fees. Such being the case, most of the miscellaneous tasks regarding terrestrial digital broadcasting pertain, in reality, to the issue of how to make arrangements for television sets. Nevertheless, in order to use current broadband networks, monthly user charges arise that are not lower than the monthly basic charges for subscriber telephones. If this fact is considered, a question arises regarding the extent to which the maintenance costs for universal access in unprofitable areas can be compensated for within the limits of the amounts subject to compensation as calculated under the current Universal Service Fund System.

By hearing the opinion offered by Committee Member Mitsutomo today, I understand that in the unprofitable areas and areas of adverse conditions, there are even higher possibilities of universal access-oriented networks being developed. Then, with regard to the world where the concept of universal access is applied, the following idea occurred to me counter-intuitively. In a world where the concept of universal access is applied, problems of areas called high cost regions will be gradually solved, as opposed to what is taken for granted. Eventually, it may probably become possible to seek measures to switch to an environment where it is not necessary to provide compensation under the Universal Service Fund System. I think that it would be nice if I could hear opinions on such instances in the course of the hearings to be conducted in the future.

Kurokawa: As an economist, I think that the framework for the bearing of costs pertaining to the current Universal Service Fund System is normal.

This is exactly the merit of the current Universal Service Fund System. I think that what is more marvelous is the fact that no taxes are used to provide compensation. This is because if a scheme of providing compensation by means of taxes is introduced, it will definitely become impossible to hold discussions on efficiency. I think that the following facts are very beautiful. With regard to networks provided by qualified operators that are charged with social burdens although such operators are private companies, other interconnection operators that are skimming cream mutually perform checks to establish the amounts subject to compensation

that are required for maintaining networks. Such amounts are borne by all parties, and support is provided by all parties. It is not so difficult to have social obligation services borne by taxes. It is easy to discuss and study the application of this practice. Once the practice is applied, however, it is difficult to make changes in intermediate stages. It is also a fact that a hotbed of inefficiency will result.

If the task to be fulfilled in designing the system pertaining to universal service is to develop an environment where it is possible to select services that are truly required in keeping up with changes in technologies, I think that our current mission is to study the establishment of a scheme that will be applied for the coming three years. The scheme should be one in which all those concerned will always mutually conduct checks with regard to the scope of universal service in such a way that universal service that can satisfy all parties will be decided upon in due course.

I have the feeling that due to the following reasons, among others, it has become difficult to conduct studies for reaching conclusions. The numbers of users of subscriber telephones, which have been the objects of universal service, significantly decreased compared to what has so far been the case, and striking advancement was achieved in technologies, which reduced the height of barriers between market categories for fixed telephones and mobile telephones.

I believe that the factors serving as premises for discussions have already been shared among the Committee Members, thanks to the following information given today—among others, the explanations made by the Secretariat and the contents of the opinions offered by the Committee and Sub-Council Members. If further evidence is available for items like the actual state of public telephone use in the situation where mobile telephones are used so widely, I think that this evidence will be useful for future studies. Is it possible for the Secretariat to take action for such as submission of relevant data?

Secretariat: On the part of the Secretariat, we would like to conduct studies as to what action we can take regarding submission of data that is useful for your studies. Subsequently, we will submit such data to you. In this connection, public telephones have, for example, preference functions for use on disaster occasions. We therefore presume it to be difficult to promptly reduce the number of public telephones installed.

[(2) Methods of calculating costs and bearing costs]

Mitsutomo: I remember experiencing the following. There was an issue of the extent to which compensation should be provided on the high cost side. An attempt was made to apply the statistical theory involving “ 2σ ”, and considerable discussions were conducted on the implications of this theory. As a result, we were led to recognize that there are cases where it should be concluded as a policy that the theory is not substantiated by scientific objectivity.

Apart from the above, in September last year, I participated in a study conducted in order to apply the above-mentioned statistical theory involving 2σ to benchmarks as a new attempt, from the viewpoint of curbing user burdens. I now feel somewhat uncomfortable.

I remember that, on the occasion of studies made in 2005, an ambiguous conclusion was formed as to whether operators' cost burdens pertaining to universal services would be passed on to users. Under the current situation, the above-mentioned operators' cost burdens are passed on to users. I accept this fact by understanding that an inevitable consequence has materialized as an economic principle.

It is possible, however, for the unit price per telecommunications number to increase year after year, and that operators pass such price increases on to users, with the result that user burdens multiply. It may be that in order to curb this possibility, it was inevitable to form the same conclusion as the one given on page 10 of Document 3 adopted in September last year. Nevertheless, I wonder if it is reasonable to keep assuming such a stance.

Such methods of calculating amounts subject to compensation that can cover all situations are probably unlikely to exist. Therefore, there are cases where taking ad hoc measures depending on the occasion cannot be helped. In spite of this fact, I think that studies should be conducted on methods having scientific backgrounds.

Fujiwara: Page 10 of document 3 says that NTS costs, which, properly speaking, should be recovered as basic charges, are recovered as interconnection charges. This fact is strange in terms of logic, but the general understanding is that this matter is properly settled in terms of a realistic solution. Even if logically straightforward conclusions are drawn, there are cases where such conclusions cannot help but be revised due to the various actual problems and factors that are encountered. There is an understanding that it cannot be helped for such cases to exist.

Furthermore, page 23 of document 3 contains a concept that the lines that switched over to optical IP telephone lines and the like are regarded as metal subscriber lines, by way of a scheme for maintaining universal service in Phase 1, and are considered in the calculation of amounts subject to compensation. By the same token, this concept is inappropriate in terms of logic, but it is proposed by the Study Group as an appropriate idea when checked against the reality.

In studying methods of calculating costs and bearing costs, it is of course necessary to hold discussions on the pursuit of pure patterns, but I think that there is no choice but to get along by looking for a middle ground.

Tokai: I think that the Universal Service Fund scheme that we created three years ago by repeatedly conducting studies is equipped with fine logic. I also believe that this scheme will continue to be of use for the time being.

On the other hand, however, from the standpoint of a party involved in the establishment

of interconnection charges, I have the following feeling. It was fine that NTS cost burdens, which had constituted a pending issue for a long time, were able to be relocated from interconnection charges to basic charges. However, the fact is that the decision to relocate one-fifth per year for a total of five years as a measure to mitigate drastic changes resulted in user burdens pertaining to the Universal Service Fund scheme being raised, and I thus presume that only insufficient consideration was given in terms of realistic measures.

Nevertheless, the review of the method for calculating amounts subject to compensation under the Universal Service Fund System was accepted in September last year as an interim measure to dissolve the strange relations between the bearing of NTS costs and the curbing of user burdens. With regard to the subsequent pattern of consolidation of these interim measures, I presume that this matter is not a task to be brought into Phase 2, but strictly a task to be fulfilled in Phase 1, and that it is the duty of this Committee here to draw a conclusion regarding this task.

Sakai: If the statement that “the costs incurred are all sure to be passed on to users by the operators” is to be accepted as a premise, I presume that this matter will end up with the issue of who will bear the maintenance costs for universal service. In fact, since the start of operation of this system up to the present, it has been so arranged that the costs pertaining to the maintenance of universal service are borne by qualified telecommunications carriers and by all telecommunications carriers that connect to facilities owned by qualified telecommunications carriers. In this regard, the method of bearing the above-mentioned costs was reviewed in September last year as a consequence of the fact that the effects of passing the aforementioned costs to users came to light. Formerly, the calculation method depended only on fixed drivers consisting of telecommunications number unit prices, which were not affected by frequencies of use. However, in the review of the cost bearing method conducted in September last year, it was decided, with regard to part of the above-mentioned costs, to adopt the introduction of a calculation method that depends on pay-for-use interconnection charges linked to frequencies of use, from the point of view of curbing user burdens.

In any case, if costs due to the reallocation of NTS costs from interconnection charges to basic charges, as well as increases in subscriber line unit prices, are to be recovered by only basic charge portions, then relevant costs will end up being borne only by users. However, if such increases are to be recovered as universal service charges, just as in the case of the current system, then relevant costs will be borne by all parties using voice services including users of mobile telephones, IP telephones, etc. Considering these matters, I presume that not only should studies be conducted on the amounts themselves of the costs pertaining to the maintenance of universal service, but also the issue of who should bear the above-mentioned costs needs to be straightened out and clarified once again.

Sekiguchi: As shown on page 10 of Document 3, with regard to the calculation of costs pertaining to the maintenance of the current universal service, 2σ is entered on both the abscissa and the ordinate. The reason for this is considered to be that in the stage of the studies made three years ago, only an insufficient explanation was made of the whole picture with regard to the fact that interconnection charges are linked to burden charges pertaining to the Universal Service Fund service for a period of five years. Actually, great efforts had been made to straighten out the definition of the framework for the bearing of NTS costs. In this connection, there is no denying that this framework has gone backward. When the system was started up, it was impossible to estimate the level of influence from the insufficiency of explanation. At present, however, I think it is necessary to regard this point as a lesson learned and to give sufficient consideration in conducting studies this time. I am also wondering if ingenuity can be exercised in some way or another in the aspect of making the system widely and universally known.

Furthermore, as stated on page 27 of Document 3, “revision of the transition to IP networks” proposed by the Study Group report is a so-called stopgap measure. After all, I have the feeling that the more it is intended to bring the Universal Service Fund System into agreement with the surrounding actual situation, the further the system might deviate from the original clean philosophy.

As Committee Member Mitsutomo explained today in regard to activities related to the penetration of broadband networks in areas of adverse conditions, infrastructures are developed, with local public bodies playing key roles, and progress is being made in the penetration of optical IP telephone services, with residents voluntarily subscribing. Nevertheless, since this situation is based strictly on voluntary subscription, NTT is not allowed, under current laws and ordinances, to remove metal subscriber lines as long as latent metal cable service users remain. Consequently, dual facilities remain. If consideration is to be given to the efficient business administration of NTT, I presume it is necessary to study a scheme whereby it is permitted to remove metal subscriber lines.

In any case, I expect that an idea whereby such activities of local public bodies are linked to the reduction of costs pertaining to the maintenance of universal service can be created. I admit that it is too outrageous to abruptly suggest that metal cable services may no longer be needed. However, I presume it is advisable to study measures to reduce surplus burdens related to NTT’s double investments generated as a consequence of maintaining universal service.

Sugaya: I presume that it is a given condition that the situation should be avoided as much as possible where the burden amount per telecommunications number is significantly increased in the three years to come. I think that all Committee Members already have the same feeling.

Nevertheless, it is presumed to be considerably difficult to rebalance, from now on, basic charges in high cost areas based on costs. Therefore, my understanding is that discussions and studies regarding methods of calculating and bearing maintenance costs of universal service

will probably be conducted under various conditions and restrictions.

Nevertheless, it is considered that in Phase 2, triple plays will be provided by CATV service operators and IRU operators. It is also presumed that constraint conditions will differ from existing ones. I think that it may therefore be possible to hold discussions on issues that will arise after transition to IP networks, such as the issue of dissolution of double investments.

Takahashi: It is my understanding that when the issue of 2σ was discussed in September last year, although various minute calculations were made, it finally turned out that a middle ground was sought in such a way as to settle on amounts with which the people would feel satisfied.

It is difficult for issues regarding universal service to be reported by mass media. To urge local communities, which are beneficiaries, to become interested in this issue, we had MIC give briefings to local newspaper reporters, but it was quite difficult to lead such reporters to write on this issue. I feel uneasy because it is difficult to stably maintain this system unless national interest is drawn. At the same time, I am aware of the problem that even though beneficiaries under this system are aware that they pay universal service charges, they are not led to recognize the resulting effects. For example, in a hearing conducted three years ago, one of the members of a local consumer body did not know that the basic charge for subscriber telephones in his local community was lower than in Tokyo. I have the feeling that this system will not last long unless local residents have the awareness that the system is absolutely necessary.

Sugaya: In the United States, universal service charges that are about 10 percent of interstate charges are borne. These service charges are used in a wide range. For example, they are used to establish Internet environments for medical institutions and educational facilities. For instance, use methods include a case where a junior high school on Guam applied for the allocation of the universal service fund for the purpose of improving communications facilities.

Kurokawa: There was awareness as to whether it would be possible to have fund costs borne. However, it is a fact that there was not so much awareness concerning the people who needed the fund. Under the present system, the fund is not made visible in such a manner that areas where the fund is used are pinpointed, and therefore it may be that it is difficult to be well aware of the fund. It is not easy to show that the fund is used to cover such and such deficits in such and such areas, but there may be a possibility of showing it in this manner.

During discussions held at the last meeting, data on about 7,000 stations across the country were received from NTT. When I looked at the cost distributions, I was surprised that the distribution patterns differed from what I had expected. Nevertheless, I think that everybody was satisfied by the fact that such data were shown, with the result that everyone provided assistance. This time also, I would like to advance by receiving cooperation and assistance from

all those concerned. I would like to thank you in advance.

[(3) Other points at issue]

Kurokawa: Are there any opinions on universal service support institutions (hereinafter referred to as support institution[s])?

Secretariat: MIC has so far presented data on business plans, payment balances, budgets, and account settlement to the Telecommunications Business Sub-Council.

From now on, we would like to successively present relevant data to this Committee as well.

Sekiguchi: I serve as Vice Chair of the Advisory Committee for Support Work established in a support institution. From this standpoint, I would like to briefly explain the present status of the institution.

Telecommunications Carriers Association, which is designated as a support institution by the Minister of Communications and Internal Affairs, is a corporation composed of telecommunications carriers. Firewalls are installed to prevent any specific telecommunications carrier being involved. Support Work Office, which is a support institution, is established in this Association. Actually, several people, including the head of the office, all of whom belong to Support Work Office, carry out support work including the calculation of telecommunications number unit prices. Furthermore, certified public accountants conduct external audits in regard to subsidies as well as deposit and payment balances of costs.

As regards the payment balance status of this support institution, out of all expenditure items in the “support work expenditure” category, the “publicity and information expenses” accounts for the largest amount. This “publicity and information expenses” includes not only expenses pertaining to newspaper advertisements and preparation of publicity pamphlets, but also expenses incurred in taking actions in response to users’ telephone inquiries, etc. I hear that it is quite burdensome to respond to the above-mentioned users’ inquiries. It is said that when telecommunications number unit prices are calculated around autumn every year, there are cases where support institution members as well as relevant telecommunications carriers and MIC members devote their full time to responding to telephone inquiries. With regard to publicity and information work regarding the Universal Service Fund System, I would like to let you know here and now that all those concerned are doing their utmost in their respective fields.

Kurokawa: In the studies to be conducted from now on, the Committee Members are expected to have frank discussions based on various data presented. Premises for reasoning and theorization

are so wide-ranging and complicated as to bring about a difficult situation. Nevertheless, my understanding is that it is necessary to study the system design with the aim of making the system what it should be.

In this connection, it is also a fact that this system will not work out without the cooperation and assistance of all those engaged in universal service. I would like to have discussions and studies pushed forward by frankly exchanging opinions. Your help would be appreciated.

* Others

- It was decided that the study schedule be as proposed by the Secretariat, that hearings from those concerned be conducted later on, and that subsequent points at issue be consolidated.

End