

**“Study Group for the Development of Digitization and Broadcasting Policy”  
(4th Meeting) Summary of Minutes**

1 Date and Time:

(Wed.) October 20, 2004, 18:00-20:45

2 Location:

First Special Conference Room, MIC (8th floor, Central Joint Government Building No. 2)

3 Attendees:

(1) Study Group members (Honorifics omitted; in order of the Japanese syllabary): Susumu Ito, Norio Kumabe, Soichiro Kozuka, Hiroshi Shiono, Toshiyuki Shionohara, Ikufumi Niimi, Atsuko Nomura, Mitsutoshi Hatori, Masayuki Funada, Jun Murai (10 members)

(2) Invited guests:

- Japan Satellite Broadcasting Association  
Mr. Uemura, Chairman
- Digital Radio Promotion Association  
Mr. Shoji, Managing Director
- BS 8 Companies Association  
Mr. Namai, President, BS-i, Incorporated
- SKY Perfect Communications Inc.  
Mr. Shigemura, President and Representative Director
- Japan Cable and Telecommunications Association  
Mr. Takahashi, Vice-Chairman, Planning Committee  
(President, Yokohama Cable Television)

(3) MIC members: Horie, Director-General of the Information and

Communications Policy Bureau; Fukuoka, Director, General Affairs Division; Ando, Director, Broadcasting Policy Division; Asami, Director, Broadcasting Technology Division; Inoue, Examiner, Terrestrial Broadcasting Division; Imabayashi, Director, Satellite and International Broadcasting Division; Emura, Director, Regional Broadcasting Division; Ogasawara, Senior Planning Officer, Broadcasting Policy Division; Imaizumi, Assistant Director, Broadcasting Policy Division

4 Proceedings:

(1) Opening

(2) Agenda

Initiatives and Issues for Digitization

(3) Closing

5 Outline of Proceedings:

(The symbols in text represent the following:

● - Remarks of study group members; ○ - Remarks of invited guests; △ - Remarks of the secretariat)

Initiatives and Issues for Digitization

(1) Mr. Uemura, Chairman of the Japan Satellite Broadcasting Association, described the history, current status, issues and future initiatives for content-specific multi-channel broadcasting and needs of the broadcasting policy.

Subsequent key questions and answers were as follows:

● In terms of the power balance between program providers and cable television broadcasters, I recall that cable television broadcasters have become stronger and possess a buyer's advantage in the market. Although transaction rules for both parties have been proposed, is there any possibility that cable television broadcasters will take advantage of their dominant position and make unreasonable claims on program providers in the current buyers' market?

○ The Japan Cable and Telecommunications Association and the Japan Satellite Broadcasting Association are working together to seek the establishment of related regulations. As for the dominant position, the Fair Trade Commission is of the opinion that it is the program providers who hold the dominant position. We are not sure which

side really does hold sway.

- Please explain the recent status of competition between satellite broadcasting and CATV in the United States.
  - In the United States, CATV has penetrated into about 70 million households. If a program provider enters the market and gains a 10% share, the provider can run his business with the 7 million subscribers, which is far different from the situation in Japan. I have not heard of any friction between program providers and CATV.
- (2) Mr. Shoji, Managing Director of the Digital Radio Promotion Association, described the current status and issues on test broadcasting for commercialization of terrestrial digital radio and demonstrated test broadcasts for commercialization.

The following key questions and answers were raised in the subsequent Q&A session:

- It is stated that terrestrial digital radio broadcasting will not be switched over from analog but provided with more channels. Will the terrestrial radio broadcasting market expand due to terrestrial digital radio broadcasting? Please explain it on scientific grounds.
- The market will slightly expand in terms of advertising. Other business models and models for charging and download services are possible, and we are studying how to implement these models.
- As for experiments having in the Tokyo area, please describe any that are specific to 3-segment broadcasting.
- 1-segment broadcasting can provide stereo sound and simple video with current technologies, but not smooth video and sound downloading. Currently, 5.1-channel surround broadcasting can be provided only via 3-segment broadcasting.
- How are digital radio waves received? With an antenna like we normally receive radio waves? Also, will recording be restricted for digital radio as copying is restricted for digital TV?
- In the case of general fixed reception, radio waves can be received

with a fixed antenna or an indoor antenna beside the window and the receiver side can reproduce high quality services at a certain electric field level. As for copy restrictions, the “copy once” system is applied to sound broadcasting. This is based on the understanding that, since the “copy once” restriction has already been applied to linear PCM for sound broadcasting, the same level of copy restriction should be applied to digital radio as the quality would be degraded due to compression with MPEG.

● Currently, digital sound broadcasting is offered for 1-segment channel and for 3-segment channels. Have any decisions been made on the future system or policy?

△ The licensing policy sets forth the possibilities that 3-segment broadcasting as well as 1-segment broadcasting could be investigated in test broadcasting for commercialization. Systems for official broadcasting are yet to be designed. We need to study the issue by comprehensively taking into account needs and business models in the test broadcasting for commercialization.

(3) Mr. Namai, President of BS-i, Incorporated, explained the video media environment in the digital era, current status, issues and future initiatives of BS digital broadcasting, and broadcasters’ expectations of the government.

The following key questions and answers were raised in the subsequent discussion:

● Regarding the relationship between broadcasters and TV production companies, I understand that joint production and purchase of broadcasting rights have increased. Is there any considerable difference, in terms of business, between holding part of joint copyright and purchasing only the broadcasting rights?

○ If only the broadcasting right fee is paid, the production company will own all the rights at a low cost. If you are involved in production, you need to provide the funds and costs will therefore mount up.

- How will digitization affect global competitiveness?
- While programs that use animation and CG will continue to be highly competitive software on a global basis, content such as documentaries will become harder to sell.
  
- Are there any markets that evaluate competitiveness on a fair and global basis? Or are there any systemic problems to be solved?
- Such markets exist globally. However, it is hard to sell programs unless they are supported by viewers. It is basically a matter of content power.
  
- Please explain in more detail the situation surrounding owners of multiple media, which was referred to in the section concerning broadcasters' expectations of the government. The Study Group on Broadcasting Policy had submitted a report on reducing terrestrial broadcasters' capital contribution to the BS regime, and the current management is based on that report. Will this continue to be viable for the time being?
- Owners of multiple channels specifically mean terrestrial key stations. The situation of having many players is sound, but they must move in the same direction. If good collaboration is achieved with the terrestrial broadcasters, draft programming can be spread more successfully among them. We may end up with a severe situation regarding capital contribution in the future, but we are currently making efforts within the scope of 50%.
  
- On commercial broadcasters' entry into BS, the necessity of key stations' entry was emphasized based on their potential ability to actively launch software they own. Is there any case in which commercial BS digital broadcasting has preceded the launch of high-calorie terrestrial program such as those offered by NHK?
- BS Japan must have provided programs ahead of terrestrial broadcasting. When BS broadcasts a program first, there are generally no problems if the management is integrated as it is with NHK. It would be difficult for a commercial broadcaster, however, as the price could become lower for terrestrial broadcasting.

Additionally, unlike the NHK, which has two waves per station, we are separate companies and need to pay reasonable values in terms of tax when using the facilities of a key station, and such costs are considerable.

- As long as the key stations effectively control commercial BS, it must be necessary to launch high-calorie programs if you really want BS digital broadcasting to be successful.
  - The key stations are somewhat afraid of BS. The relationship is very delicate as they are separate companies in terms of capital.
  
  - If broadcasters' expectations of the government are expressed in a more straightforward manner, it is easier for us to consider them because this occasion could be a means of policy evaluation. As for mutual operation of BS, does it mean that an unsuccessful BS broadcaster should give up its channel so that it can be provided to another station which is working hard?
  - It partially implies that, but we do not intend to interfere to such an extent. However, we do want to make clear that it would be no problem even if unsuccessful stations exited the business.
- (4) Mr. Shigemura, President and Representative Director of SKY Perfect Communications Inc., explained the current status and issues of CS digital broadcasting and future initiatives.
- (5) Mr. Takahashi, Vice-Chairman, Planning Committee of the Japan Cable and Telecommunications Association, explained current status and issues of CATV and future initiatives.
- (6) Q&A on (4) and (5).
- Key questions and answers were as follows:
- The Study Group on Broadcasting Policy could not realize NHK's intention to enter into 110 CS data broadcasting as it required a change of law. If NHK participated, the 110 CS broadcasting could have gained a far greater subscriber level.
  - I personally have no objection to NHK's entry. The issue on the theory of a bloated NHK appears to have different implications.

However, the biggest problem of 110 CS is the antenna issue. The current situation surrounding TV sets compatible with three waves is that, while a receiver can show CS programs, CS programs are not clearly displayed with an analog antenna. Now, with appearance of terrestrial digital broadcasting, the condition of replacing a UHF antenna and a dish together is emerging.

- Is there any trend that community-based access programs that are helpful to the local community will be created for CATV? Or are they gradually withdrawing from that?
- In principle, we think we should become more community-based. We should become more community oriented in such cases as providing municipal government data and alerting the community to fraudulent activities such as the recent wave of “It’s me” telephone fraud by having a representative from the police in our program, or providing event guide, e.g. museum events in Yokohama.
- I raised my question as I thought that different types of issues will be raised if mass media get too close to local politics or social issues, or if CATV becomes part of the administrative structure by providing one-stop service.

The next meeting will be held from 18:00 on Thursday, November 4, 2004.