

**“Study Group for the Development of Digitization and Broadcasting Policy”
(5th Meeting) Summary of Minutes**

1 Date and Time:

(Thurs.) November 4, 2004, 18:00-20:20

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, Atsuko Nomura, Mitsutoshi Hatori, Masayuki Funada, Jun Murai, Haruko Yamashita (10 members)

(2) Invited guests:

- Dentsu Inc.
Mr. Matsushita, Director, Media Content Planning Bureau
- Hakuhodo DY Media Partners Inc.
Mr. Nakamura, GM, Institute of Media Environment
- The Newspaper Publishers & Editors Association
Mr. Minoura, Chairman, Media Development Committee
- Future Pirates Inc.
Mr. Takashiro, President

(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; Minami, Director, 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:

(Text symbols represent the following:

● - Remarks by study group members; ○ - Remarks by the targets of hearing)

Initiatives and Issues for Digitization

- (1) Mr. Matsushita, Director of Media Content Planning Bureau, Dentsu Inc. explained PR activities to penetrate terrestrial digital broadcasting, initiatives to establish the environment for advertising transactions, and BS digital broadcasting as a brand image vehicle.
- (2) Mr. Nakamura, GM of the Institute of Media Environment, Hakuhodo DY Media Partners Inc., explained results and analysis of a survey on penetration of terrestrial digital broadcasting and issues the advertising business faces in relation to terrestrial digital broadcasting.
- (3) Q&A sessions on (1) and (2)
 - Key questions and answers were as follows:

- What are the prospects of the local advertising market following the switch to terrestrial digital broadcasting? Also, how much room is actually allowed for each local station to trade time slots for advertising? How do you envisage this may change?
- Unfortunately, it is unlikely that the value of the local advertising market will rapidly expand. Advertising agents must aggressively push the necessity of area marketing for local areas to their advertisers. My personal perspective on local sales is that less costly program development should be conducted within

multi-channel programming.

- If two different markets will be developed for BS and terrestrial digital broadcasting and terrestrial digital broadcasting penetrates further, how do you think they should be measured?
- It depends on what kind of values enterprises will find in the differences in programming between BS digital and terrestrial broadcasting. Basically though, customer reach, i.e. ratings, will continue to be used as the main criteria.
- Please provide some background to “viewer ratings for terrestrial broadcasting and quality of viewing for BS” in the reference material.
- It is mostly an intuitive insight. There are many cases where a customer’s value does not match with brand image of a program he/she sponsors. BS can take care of these cases, and it seems possible to find grounds for this if we try.
- Comprehensive programming for terrestrial broadcasting and BS was pointed out as one of the solutions to promote such an activity. On the other hand, some say the management of BS should be different. Do you think this is the only solution?
- If BS digital broadcasting penetrates 10 million households, advertisers will pay attention to it. Division in programming will therefore be critical only when key terrestrial broadcasting stations take the initiative. In the case of a new entrant in the market, it may be inevitable to set up its management policy so that it outstrips terrestrial broadcasting.
- In terms of production capacity of TV programs, key stations have the overwhelming capacity in Japan. It may be cost effective if the high production capability of the key stations is optimized.
- The environment for digital information is likely to have much potential to contribute to grasping the market in more detail. Are there any great expectations as to the future vision of advertisers, advertisements or existing business models of commercial

broadcasters?

- When digital broadcasting has become widespread and been taken for granted, it will surely become possible to grasp viewer information, for instance. Or, at least, the advertisers will have an increasing demand for it.
- When digitization is achieved, it will become possible to launch advertising that hits the exact target. However, things are not so simple for advertising agents because they will face mounting costs for data management and will need to build a related system.
- In relation to storage-based broadcasting services, we have gradually started to study replacing commercials for each viewer, separately from the portion provided for in terrestrial broadcasting.
- Firstly, regarding the results of the user intention survey on 1-segment broadcasting and terrestrial digital broadcasting with mobile phones, which were explained today, the user intention could be considerably different if the users could actually see good examples. Secondly, important factors are likely to fall out of rating if we do not emphasize time-shifted viewing. Lastly, as I have seen commercials in an NHK program broadcasted in Europe, I wonder if NHK is doing in Europe what it cannot do in Japan.
- The last question probably refers to the case where NHK has sold its program to an overseas commercial broadcaster, who broadcasted the program with the commercials. As for the mobile phones issue in the first question, I agree. The survey targets may not have fully understood the services at the time of the survey.
- When we conducted a survey on mobile phones, respondents' intention to view was considerably high. It is also hard to grasp viewing intention from the targets' words. We will need to discuss how time-shifted viewing should be introduced in Japan. The National Association of Commercial Broadcasters in Japan, the JAA and the advertising industry are all highly aware of the issue and have started related discussions.
- What kind of new survey methods or data are available for the data

on quality of viewing?

- ☐ There are many approaches as to the quality of viewing. It is generally understood as quality of a program, but some understand it as how a program is viewed. Even in the digital era, it is very difficult to develop an objective yardstick for measurement of viewing quality.
 - ☒ Is survey methodology to obtain new qualitative survey data under development?
 - ☐ It is under development. It is an important study subject for us.
- (4) Mr. Minoura, Chairman of the Media Development Committee, the Newspaper Publishers & Editors Association, described public broadcasting and binary systems in the digital era, the user fee system and paid services, as well as new services that use the Internet.

In the subsequent Q&A session on the presentation, following key questions and answers were made:

- ☒ Should the existing broadcasting concept be firmly maintained?
- ☐ We have no reluctance about having the broadcasting concept discussed by the study group members and changed as needed. Our current thinking is based on the existing concept.
- ☒ The broadcasting concept is an issue that has yet to be discussed by the Study Group on Broadcasting Policy. We would like to discuss whether the current broadcasting concept should be maintained in the future. What is your opinion on this?
- ☐ NHK's broadcasting concept should be considered based on the business scope specified in the related broadcasting law. We understand the reality that NHK is trying to enter into the field where broadcasting and telecommunications are integrated or into the intermediate region between the two, and that such an attempt cannot be handled with divisions of conventional broadcasting and its peripheral business under the existing broadcasting concept.
- ☒ In the past meeting of the Study Group on Broadcasting Policy, it

was suggested that NHK should refrain from entering into Internet broadcasting. However, it should be reconsidered because the Internet's communication functionality needs to be used in optimizing broadcasting data channel.

- Is it acceptable that NHK provides new services if they are provided as paid services and investment costs can therefore be recouped?
- In the case of providing content that is created with NHK user fees, it is impossible to recoup the costs if the costs include content production cost as well as the investment cost. It is very difficult to calculate how to recoup investment.
- Does deregulation of the principle of excluding multiple ownership of the media mean that the principle of anti-domination of three businesses should be abolished, and that there should be only one station for prefecture-based broadcasting?
- The principle of excluding multiple ownership of the media basically means that, in principle, the system should be based on the market mechanism. As much deregulation as possible will be linked to the digital era.
- The principle of excluding multiple ownership of the media was established against the market principle. Drastic deregulation of the principle of excluding multiple ownership of the media may need careful discussions. Do you agree with that?
- I agree that careful discussion is needed. Not narrowing the scope of selection for viewers would be an indicator.
- Please explain “secondary use of broadcasted programs” and the stretched interpretation of “program-related information” in the guidelines on Internet use.
- Elements such as local news are not likely to fall under the “secondary use” or the “program related information” on all accounts.
- Do you mean that you agree with limitations on the “secondary use

of broadcasted programs” and the “program related information,” but think the interpretation is wrong based on the assumption?

○ I raised objection when the guideline was created. But the guideline was created and is in effect. The interpretation is based on fact.

● The basis of the principle of excluding multiple ownership of the media is the idea that radio waves are limited public assets and therefore should not be used lavishly. Now that radio waves are limited but sufficiently provided, it may be a very good time to deregulate the principle of excluding multiple ownership of the media and drastically review the system.

(5) Mr. Takashiro, President of Future Pirates Inc., explained issues linked to content production in the digital era, including the possibility of agents specializing in handling content-related rights and how copyright should be protected.

In the subsequent Q&A session on the presentation, following key questions and answers were raised:

● Regarding issues on digital broadcasting including copyright protection, it has been repeatedly pointed out that the more complicated the system to be introduced is, the less it will be used. Is it appropriate to understand that the most important point is introducing a system that can be used with ease, and that we need to create a future system from that perspective? Secondly, many people point out that infringement of the intellectual property rights of Japanese content has emerged and therefore copyright protection should be further strengthened. However, how should this issue be interpreted from the viewpoint of launching Japanese content in the global market?

○ On the first question: Suppose that BS TV, for example, is reputed as highly useful but not used in reality because it is not easy-to-use. We need to conduct demonstration experiments for digital TV to avoid such a fate and to identify how it can be made acceptable for

users.

On the second question, it has been pointed out in the United States that the more frequently content is illegally copied, the greater sales it actually enjoys. In other words, it can be said that illegal copying is the biggest advertising chance for creators. It may be necessary to study content protection by taking into account that perspective.

- It was pointed out that handling of copyrights is difficult. Is there any way that allows an author to give up living on copyright royalties and obtain alternative revenues?
- There is an agent who is designing such a new business model in the United States. The biggest problem in Japan is that there no one has come up with such a model.
- Why is there no such agent in Japan? Is there any systemic barrier? How much commission does the agent receive for the service?
- The reality in Japan is that such an agent has not emerged because of the overwhelming power of TV stations. As for the second question, the agent commission is 10% or more for casting. It is a very good business opportunity.
- Which side is stronger, the TV industry or the advertising agents?
- I think both are powerful.
- It was said specific strategies to further promote ethics are needed more than legal protection. Does this mean discussion is not needed in regard to legal protection?
- No, that was not the intention. It means that strategies to encourage ethics should be considered in parallel with discussions on legal protection.

The next meeting will be held from 18:00 on Tuesday, November 16, 2004.