

Interim Report by the Study Group for the Development of Digitization and Broadcasting Policy (Outline)

This report outlines the discussions that have been conducted, from a broad perspective, on the broadcasting policy for smooth transition to digital broadcasting and development of broadcasting that appropriately responds to the diversifying needs of the national viewers, and summarizes the concepts for the issues whose direction has been identified.

1 Issues on the Development and Uses of New Services

(1) Digital TV broadcasting Service for Mobile Terminals

In order to provide mobile terminal services that adequately respond to viewer needs, such as viewing programs in a short period of time while they are away, it is desirable to appropriately establish an environment, including systems when necessary, that allows the launch of services with inventiveness and attention to the details in programming, as needed, or to provide necessary information flexibly and appropriately in the event of disaster or emergency, rather than simply broadcasting TV programs created for fixed reception.

(2) Server-based Services

As server-based services are integrated and synchronized with various telecommunications devices and networks, relevant parties are desired to quickly and adequately finalize the DRM (Digital Rights Management) function that allows flexible and appropriate use of content and protects the rights of the right-owners, personal authentication or device authentication, and related systems, and the operational rules including the scope of private use. At the same time, necessary systemic measures, including account service, should be studied.

(3) Account Service

It is assumed that paid account services that charge fees per content will be launched for server-based services.

For smooth launch and sound development of such paid broadcasting services, it is vital to: (a) allow the launch of services that flexibly respond to the needs of the people and the viewers, and (b) to secure the environment that enables the viewers to adequately use the services while the services become increasingly sophisticated and various parties act as mediators and agents for conclusion of contracts. From this perspective, it is desirable that required studies, including studies on systems as needed, be conducted.

2 Issues around Satellite/Cable Broadcasting

(1) Relationship between CS Broadcasters, Satellite Operators and Platforms

Considering that platform business is playing an important role in connecting the viewers and CS broadcasters and bundling all CS broadcasters, a study on a framework that appropriately reflects the viewers' needs for CS digital broadcasting services, provides good-quality programs, and secures viewers' benefits properly is required.

A study on a framework that secures fairer and more transparent relationships between CS broadcasters and platform operators is also required.

(Note) Platform, as used herein, means a person who, as an agent for a CS broadcaster, conducts part or all of the businesses of broadcasting-related service, including customer administration, such as viewer contracts, account, and authentication, transmission of broadcasting programs, and provision of program information (e.g., EPG).

(2) Relationship between Cable TV Operators and Program Suppliers

a. Collaboration among Operators

From the perspective of reducing the investment burden for digitization and enhancing community channels, as well as from the perspective of broadcasting content, it seems necessary for cable operators to further collaborate with each other in the future. In some cases, parties engaged in paid broadcasting, including satellite broadcasting, may need to make joint efforts in content production and use.

It may also be required to facilitate development of schemes for collaboration with local governments to provide local information in the event of disaster and to develop information infrastructure.

b. Building Proper Relationships between Program Suppliers and Cable TV Operators

The basic rule of broadcasting program transactions is that the prices should be decided between the parties based on market principles. It is desirable for relevant parties to advance discussions to build relationships that are appropriate for all parties by considering the physical limitations of the number of cable TV programs that can be broadcasted, the viewers' needs, and the viewpoint of nurturing program suppliers.

c. Enhancing Local Content

Cable TV operators need to enhance the attractiveness of their own community channels by optimizing their characteristic as community-based media and by using digital technologies, and make necessary efforts so that the enhanced attractiveness will contribute to the management.

3 Issues on the Use of Broadcasting Content

(1) Copy Control for Digital Broadcasting

It is desirable for broadcasters, manufacturers, and other relevant parties to study how to put "the Copy One Generation" into effect within the scope of private use in the future by considering secured viewer convenience and protection of right-owners.

(2) Systems to Secure Copy Control

Regarding the issue of broadcasting receiver devices that do not respond to copy control signals, the government is required to study whether legislative measures are needed in order to secure the usability of technological protection measures. Considering accelerated manufacturer development of technologies for improved user convenience and protection of right-holders' rights, and consequent penetration of receiver devices and viewers' awareness of the complete transition to digital broadcasting by 2011, it seems necessary to further conduct a careful study on the introduction timing and the specific

direction of ex-ante regulations that involve penalties for the so-called unresponsive devices, rather than introduce the regulations in haste.

(Note) Current copy control for terrestrial digital broadcasting is based on the contract-based warranty, i.e., BS Conditional Access Systems Co., Ltd. (B-CAS) contracts only with manufacturers of receivers that correctly respond to copy control signals and provides B-CAS cards to them.

(3) Means to Secure Trading of Broadcasting Content for Complete Transition by 2011

Complete transition of terrestrial TV broadcasting to digital by 2011 is based on the assumption that the coverage of the current analog broadcast area will be achieved with relay stations for digital broadcasting. In using IP infrastructure (telecommunications infrastructure that uses IP technology) to ensure the complete transition, obtaining consent from right-owners smoothly is the biggest issue besides technical problems. To this end, it is expected that a study will be conducted on the positioning in relation to the Copyright Law as stated in “The Intellectual Property Strategic Program 2005.”

(4) Promotion of Trading of Broadcasting Programs to the Internet Network

In promoting trading and use of broadcasting programs with VOD over the public Internet network, the procedure of obtaining consent from right-owners is an issue besides technical problems. The perspectives of this study group on this issue are as follows:

1) As people say that a broadcasting program is “a collection of rights,” advance consent must be obtained from each right-owner under the current circumstances, which makes it difficult to process the consent procedure quickly. Therefore, continued study on specific measures, e.g., development of an online system, should be conducted to facilitate the procedure to obtain consent from right-owners.

2) Regarding the rules to allocate revenues in distributing broadcasting programs via IP infrastructure, a certain agreement was made between the right-owner-related organizations and the users association on the tentative usage fee rate for the case where a TV program produced by a broadcaster is distributed via broadband. It is important to continue to develop the environment that contributes to promotion of broadcasting content trading.

4 Issues on Changes in the Environment Surrounding the Broadcasting Business

(1) Responses to the Increase in Inward Investment and the Changes in Shareholding and Investment in Japan

By considering the recent increase in inward investment and the rapid changes in shareholding and investment including accelerated corporate reorganization in Japan, MIC submitted a bill to the 162nd Diet for “Partial Amendment of the Radio Law and the Broadcasting Law” in April 2005. The bill proposes to introduce regulations on indirect investment, in addition to ongoing regulations on direct investment, in order to secure the usefulness of terrestrial broadcasting, which is an important means of providing essential information for people’s lives, according to the purpose of the foreign investment restrictions that place priority on allowing its people to use the extremely limited resources of radio waves. Additionally, a necessary study will need to be conducted that considers the differences associated with changes in shareholding and investment in the

environment surrounding the broadcasters, and the movements that respond to the digitization of broadcasting.

(2) The Principle of Excluding Multiple Ownership of the Media

Study on the principle of excluding ownership of multiple media should proceed in the future by considering the following:

- An opinion presented in the hearing of this study group: In order to secure good-quality content and diversity in broadcasting services in the digital era, the rules needed to secure diversity and quality should be reconsidered as to whether the number of players (broadcasters) should be increased or multiple media owners should be allowed to collaborate with many program producers.

- There was a case where investment was made in the name of a third party, beyond the upper restrictions on investment specified in the principle of excluding ownership of multiple media. It triggered attention to (a) the handling of control and dual operation of MF broadcasting and VHF broadcasting in TV broadcasting within one area, (b) the criteria to apply the exemption of the so-called principle of anti-domination of three businesses, and (c) the relationship between the reality of the local economy and the criteria of management control within one area, i.e., over one-tenth of the voting right. These have become the issues of the discussion.

- While it is basically assumed that the current analog broadcast area will be covered with digital broadcasting relay stations upon complete transition of terrestrial TV broadcasting from analog to digital, how to apply the principle of excluding multiple ownership of the media can become an agenda when other transmission paths will be used in a complementary manner.

(3) Public Broadcasting in the Digital Era

NHK is making efforts to promptly regain the trust of national viewers for its revival. As realizing the goal is the most pressing issue, NHK as a whole is required to further commit itself to that effort.

Therefore, it seems appropriate to reinforce the study, under conditions that allow appropriate study, on how to launch diversifying new services in the digital era and on the roles and services expected for NHK, while continuing to pay attention to further efforts by NHK for reform and revival.