

**“Study Group for the Development of Digitization and Broadcasting Policy”  
(14th Meeting) Summary of Minutes**

1. Date and Time:  
Friday, November 10, 2005 10:00-12:00
2. Location:  
Meeting Room 1101, MIC (11th floor, Central Joint Government Building No. 2)
3. Attendees:
  - (1) Study Group Members (Honorifics omitted; in the order of the Japanese syllabary)  
Norio Kumabe, Soichiro Kozuka, Hiroshi Shiono, Toshiyuki Shinohara, Kazuhiro Takei, Atsuko Nomura, Yasuo Hasebe, Junichi Hamada, Masayuki Funada, Haruko Yamashita (A total of 10 members)
  - (2) MIC  
Shimizu, Director-General for Policy Planning; Kono, Deputy Director-General; Fukuoka, Director, General Affairs Division, Information and Communications Policy Bureau; Okubo, Director, Broadcasting Technology Division; Ando, Director, Terrestrial Broadcasting Division; Imabayashi, Director, Satellite and International Broadcasting Division; Okazaki, Director, Regional Broadcasting Division; Minami, Director, Broadcasting Policy Division; Nagashio, Senior Planning Officer, Broadcasting Policy Division; Yamamoto, Senior Advisor, Satellite and International Broadcasting Division
4. Proceedings:

(1) Opening

(2) Agenda

1) The Principle of Excluding Multiple Ownership of the Media  
(Hearing from the relevant parties)

2) Other

(3) Closing

5. Proceedings Outline:

(The symbols in the text represent the following:

●...Remarks by the study group members, ○.....Remarks by the targets of the hearing)

Prior to the proceedings, The Chairman introduced Mr. Takei as a new member of the study group.

(1) The Principle of Excluding Multiple Ownership of the Media  
(Hearing from the relevant parties)

1) Presentations by the National Association of Commercial Broadcasters in Japan and the Fuji Satellite Broadcasting, Inc., and Q&A

Mr. Mori, Senior Director/Director of the Research Institute; Mr. Kimura, Chief Researcher from the National Association of Commercial Broadcasters in Japan; and Mr. Namihisa, President of Fuji Satellite Broadcasting, Inc., explained the principle of excluding multiple media ownership in regard to terrestrial/BS broadcasting.

In the subsequent Q&A session, the following key questions and answers were presented:

- Did you think about reviewing the free broadcast of general programming when you were compiling the recommendations?

- At this stage, we are not thinking of changing free commercial broadcasting, based on our study of the issue. Our conclusion at this moment is that general programming is the most appropriate for BS.
- Is it possible to maintain the positioning of free general programming and quasi-basic broadcasting for dual operation?
- There will be no change concerning the general programming. Whether or not to change some part of BS broadcasting to paid services should be discussed separately. However, we think that it should be provided as free commercial broadcasting for the next five years at least.
- The assumption of the analysis is that the total TV advertising expenditure will not change. What is the reason for taking that assumption when we are seeing the emergence of the Internet? In addition, is the increase of the Internet use included in your estimation?
- We have estimated it. In the sense that the level of TV advertising expenditure will not change even if the number of channels increase, the increased internet advertising expenditure and the increased number of other media influence the level of TV advertising expenditure.
- When the five BS broadcasters compiled the recommendations, what were the opinions of local affiliates?  
Did you consider the issue that general programming is still demanded for broadcasting while general services are becoming limited for newspapers and magazines?
- It is not that we listened to opinions of the local stations. Instead, we reflected the perspective of the

local stations that dual operation would allow the local stations to disseminate local information nationwide. We think that dual operation has a positive impact on the local stations, but it may take time before the idea is well understood.

As we think, from a comprehensive perspective, that dual operation will change the current situation, where the abundant content of terrestrial broadcasting are not utilized effectively, for the better, our stance for the general programming will remain the same.

- We, the National Association of Commercial Broadcasters in Japan, could not complete the process of obtaining and putting together opinions of the local stations prior to today's meeting, but sufficient discussions have been made at the level of the key stations. As far as we know from the opinions of some key stations that have talked to its local affiliates, we believe that local stations understand that it is necessary to consider dual operation as a means to change the current situation of BS. However, it is also true that some stations are concerned about what kind of programming will actually be done for terrestrial broadcasting and satellite broadcasting. It is likely that each affiliate will seriously discuss specific issues about programming if a merger is approved.
- The concept that affiliate networks share a common destiny has not been changed. The networks are valuable assets that the terrestrial broadcasters have nurtured. Therefore, under no circumstances, will the local stations, as members of the networks, be made light of.
- Can the handling of copyright issues be solved only by dual operation? What is your idea about an equal footing with new entrants?

- What do you think deregulation of the “one-third” restriction means, as a business operator?
- Do you use the term dual operation in the same sense as merger? How will the coordination with other existing BS broadcasters be accomplished? Normally, if a business piles up deficits, there should be discussions about discontinuing the business or reducing the fixed cost.
- Was the recommendation from BS broadcasters coordinated with opinions of the major shareholders before it was submitted?
- New business operators have submitted applications. Is it wrong to think that the business will move into the black due to the applications?
- Why is 50% not acceptable? Was the deregulation from 33% to 50% meaningless? Does holding a 50% share mean almost the same as having controlling power? I am also interested in the issue related to the local broadcasters. Although it was said to strengthen the affiliates, it touches the foundation of the broadcasting system. Furthermore, how do you think good local programs will be delivered when local stations are no longer shareholders? What is your idea about systemic security?
- The copyright issue is currently handled separately for BS broadcasting. A merger will reduce time and effort for that process, as the procedures can be accomplished simultaneously. Although it is likely that copyright fees will not basically change, there are great expectations for improved procedures.

As for equal footing, new entrants may have an advantage because they enter the market after existing companies have struggled to get their business on track

while having dealt with accumulated deficits.

- It just meant that new entrants would have some positive factors in terms of management because there are 10 million viewers at this moment.
- We have never thought of discontinuing the business. We have also tried to reduce the fixed costs as much as possible.

2) Presentation by the Japan Satellite Broadcasting Association and Q&A

Mr. Takeoka, Vice Chairman of the Japan Satellite Broadcasting Association, explained the principle of excluding multiple media ownership in regard to CS broadcasting.

In the subsequent Q&A session, following key questions and answers were presented:

- The principle of excluding ownership of multiple media restrains terrestrial broadcasters and BS digital broadcasters from providing CS broadcasting. There is a recommendation to integrate the operating companies of CS 110, but how should the 5 key commercial stations be handled, since many channels of key commercial stations are available for CS 110?
- There is no problem in providing terrestrial channels together in the category of specialized channels. However, fairness should be considered in imposing restrictions on platforms.
- Please specifically explain the deregulation of the principle of excluding multiple ownership of the media from the perspective of CS broadcasters.
- We, as a provider, would like to ask for deregulation on 12 frameworks, including 4 transponders for program

supply and the service.

- The reference states that there should be one operating company for CS 110. Is there any specific idea about the ratio of investment by commercial broadcasters in that case?
- A company that can be operated by CS broadcasters is absolutely desirable.
- Does it mean that the one company should handle everything, including hardware and software?
- Since there are 3 million potential viewers and the number of viewers has increased by 1 million per year, we need strong marketing. We think such power is needed as an option.

3) Presentation by the Japan Community Broadcasting Association and Q&A

Mr. Sugita, Vice Chairman/Standing Director of the Japan Community Broadcasting Association, explained the principle of excluding multiple ownership of the media regarding community broadcasting.

In the subsequent Q&A session, the following key questions and answers were presented:

- Is there any specific movement toward acquisition of community broadcasters or capital investment in them by large capital companies?
- There may be some cases where local newspaper publishers or local TV stations hold shares of community broadcasters. What we are thinking of is holding shares between the community broadcasters. Some of the community broadcasters are very small and have concerns about continuing their business. Although they are making cost reduction efforts, including joint operations, it will be helpful if some options, such as

stock exchange or a holding company system, are available when a company runs into financial difficulty and surrounding broadcasters try to support it. It is a horizontal collaboration, rather than a vertical one.

- Cable TV is another type of community media. Is there any case of mutual collaboration in terms of software?
- There are some cases where a cable TV broadcaster is a parent company. However, it is not usual for cable TV stations to have information.
- What are the specific revenue sources of community broadcasters? They can become very large with a horizontal collaboration, but how big is the range?
- About two-thirds of the existing 180 broadcasters are having difficulties. The difference between them and the broadcasters that are comparatively successful is the overwhelming amount of programs for local governments. We are not thinking of horizontal collaboration on a national scale, but collaborations based on the area, such as cultural area, economic area, or sightseeing area. Additionally, since there are geographical advantages and disadvantages, it will be beneficial to carry out a horizontal merger from the perspective of geographically effective radio wave emission.

4) Presentation by the Tokyo FM Broadcasting Co., Ltd. and the J-WAVE, Inc., and Q&A

Mr. Goto, Chairman of Tokyo FM Broadcasting Co., Ltd., and Mr. Imura, President of J-WAVE, Inc., explained the principle of excluding multiple ownership of the media regarding VHF.

In the subsequent Q&A session, the following key questions and answers were presented:

- Do the opinions differ between the two of you? Is the difference due to the relationship with TV?
- I support the free position, while Mr. Imura thinks that the free position is not desirable for development of radio and the entire radio culture. However, we may share the same opinion that radio stations can be more empowered in expanding nationally if national scale control will be more liberated.
- We hope that absolute subordinate-superior relationships will not be established among companies in order to operate the business successfully.
- The 8 stations in the Kanto region seem to have become very similar in terms of content. You didn't refer to ownership within a single area. What do you think about that?
- Diversity can be secured by owning several stations in one region.
- It seems that the point does not change in the proposal presented today.
- It will also involve re-programming when the free position will be allowed.
- Which do you want to do, a national launch or a launch in the same region?
- Both! The most important point is to secure diversity with multiple channels.
- We share the same goal, but the process is very different in quality from the existing principle of excluding multiple ownership of the media. The conventional concept has just imposed the structural restrictions, never touching content at all. Please consider the potential accidents that may occur when the structural restrictions are removed. Meanwhile, it was said that the principle of excluding multiple ownership of

the media has completed its role. When did it complete the role?

- Clear Channel in the United States owns more than 1,200 stations, but some adverse effects have been pointed out. The programs are becoming similar, or when users call due to integrated transmission, no one answers. What do you think about it?
- As it is very difficult to restrict content, it may be better to have a framework that specifies the percentage of local information. The case of Clear Channel represents the difference between the USA and Japan.

(2) Other

The secretariat explained the overseas research and the schedule of next meeting.