

International Trends in Convergence Policy and Regulation

Are there lessons for Australia?

Vicki MacLeod

Communications Research Forum

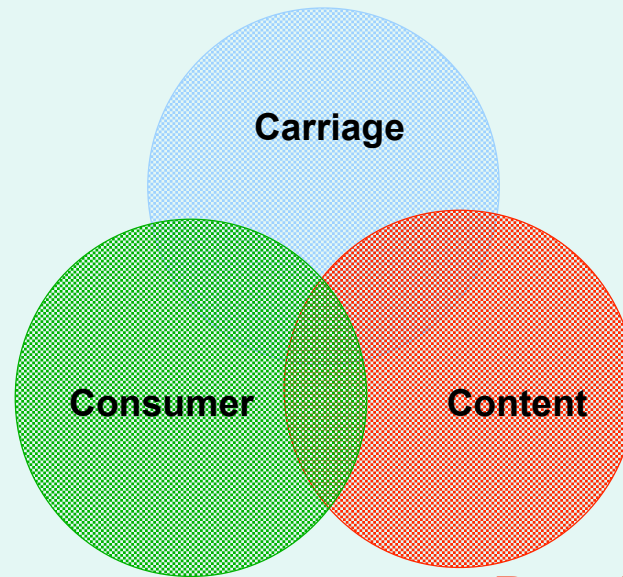
25 - 26 September 2006

Outline

- Aim to identify some trends in ICT policy and regulation
- The context: market drivers
- Emerging players and services
- Regulatory trends
- Policy issues and responses
- Lessons for Australia?

Market drivers (1): converging inter-media players

Telecommunications



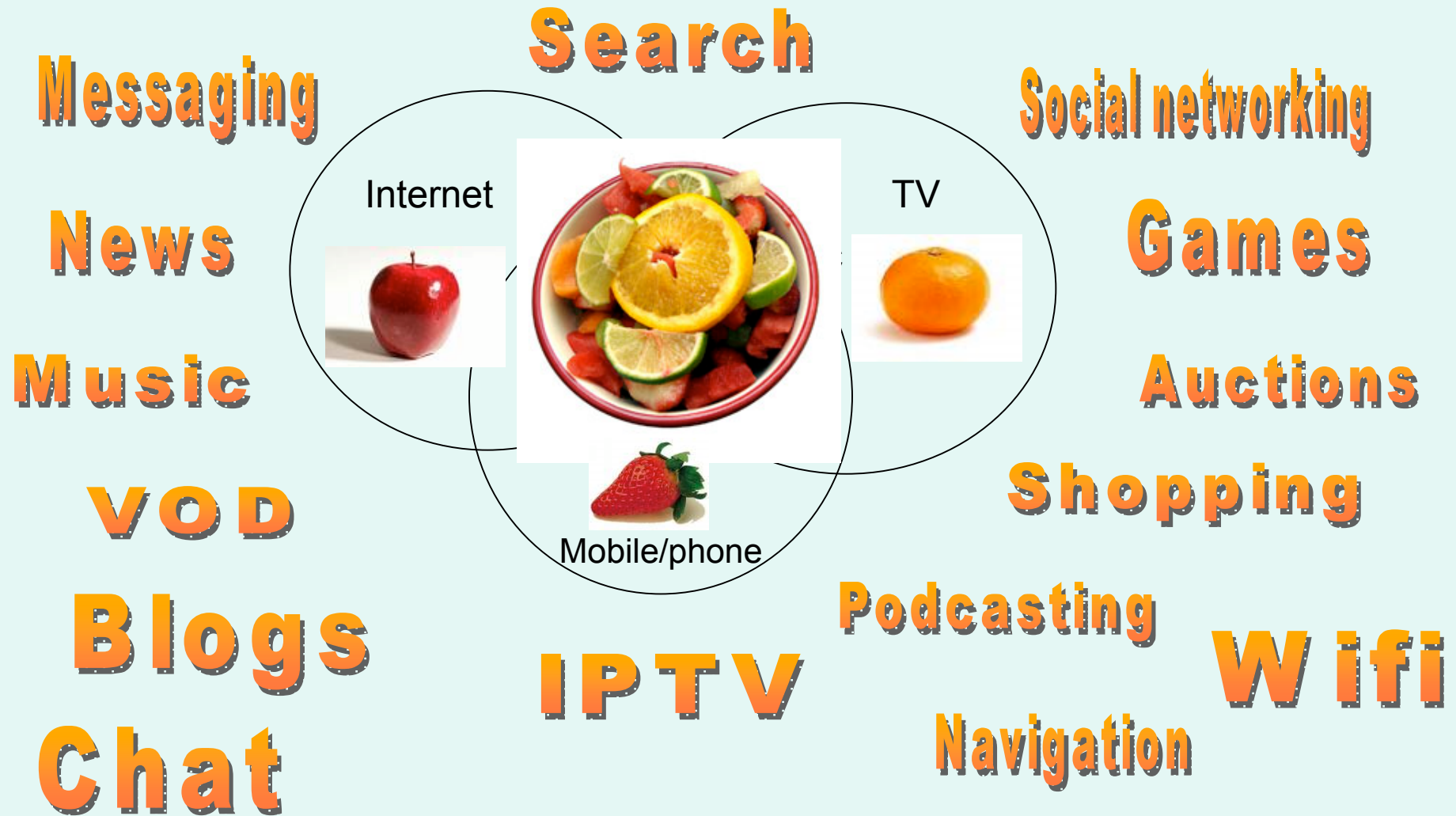
Internet

**Broadcasting
& Media**

Market drivers (2): The networked generation

- 16 to 24 year olds driving the market
- 18 hours TV per week (avg is 25)
- 70% use MySpace
- Search engine growth remarkable
 - platform for range of new services
- Pay-as-you-go services being replaced with advertising-supported services

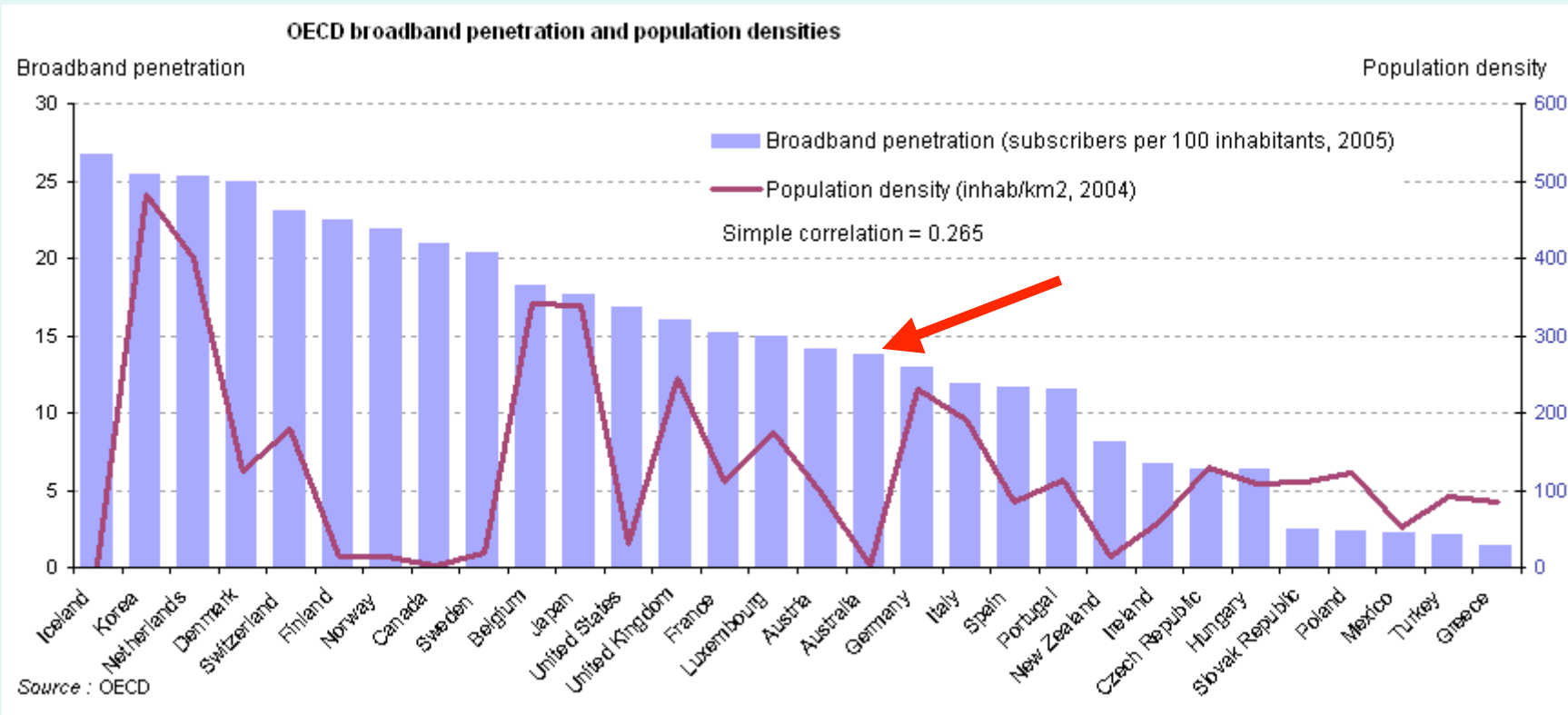
Multiple-play services



Changing services and players

- Double, triple and quadruple play
- TV on mobiles (eg ITV)
- Mobiles offering movies (eg Sprint)
- Phone, internet, TV (eg BT Movio)
- Mergers and integration across sectors and markets

Who's winning the broadband arms race? (1)



Who's winning the broadband arms race? (2)

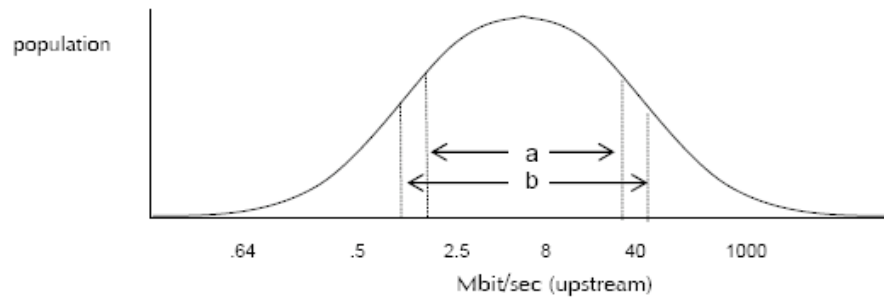
- Australia 17th in OECD at end Dec 2005
- Korea, Japan, Iceland, Canada lead
 - based on govt strategy, subsidy and incentives for affiliated companies
 - not based on ULL
 - not result of climbing the "ladder of investment"
- Unless Australia can catch up, this will have significant consequences for economic and social development.

The need for speed

IIA Targets for 2010

Fixed Internet Bell Curve: Upstream

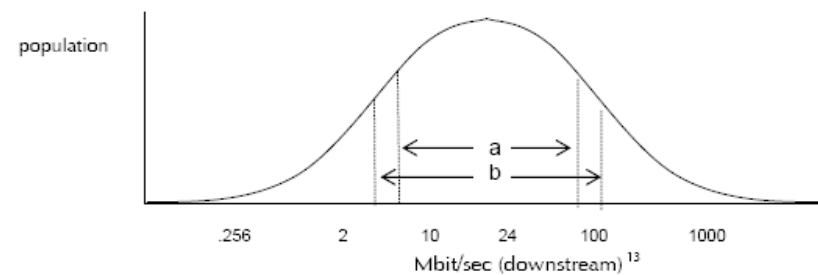
Not to scale



a = approx 67% population under curve b = approx 80% under curve

Fixed Internet Bell Curve: Downstream

Not to scale

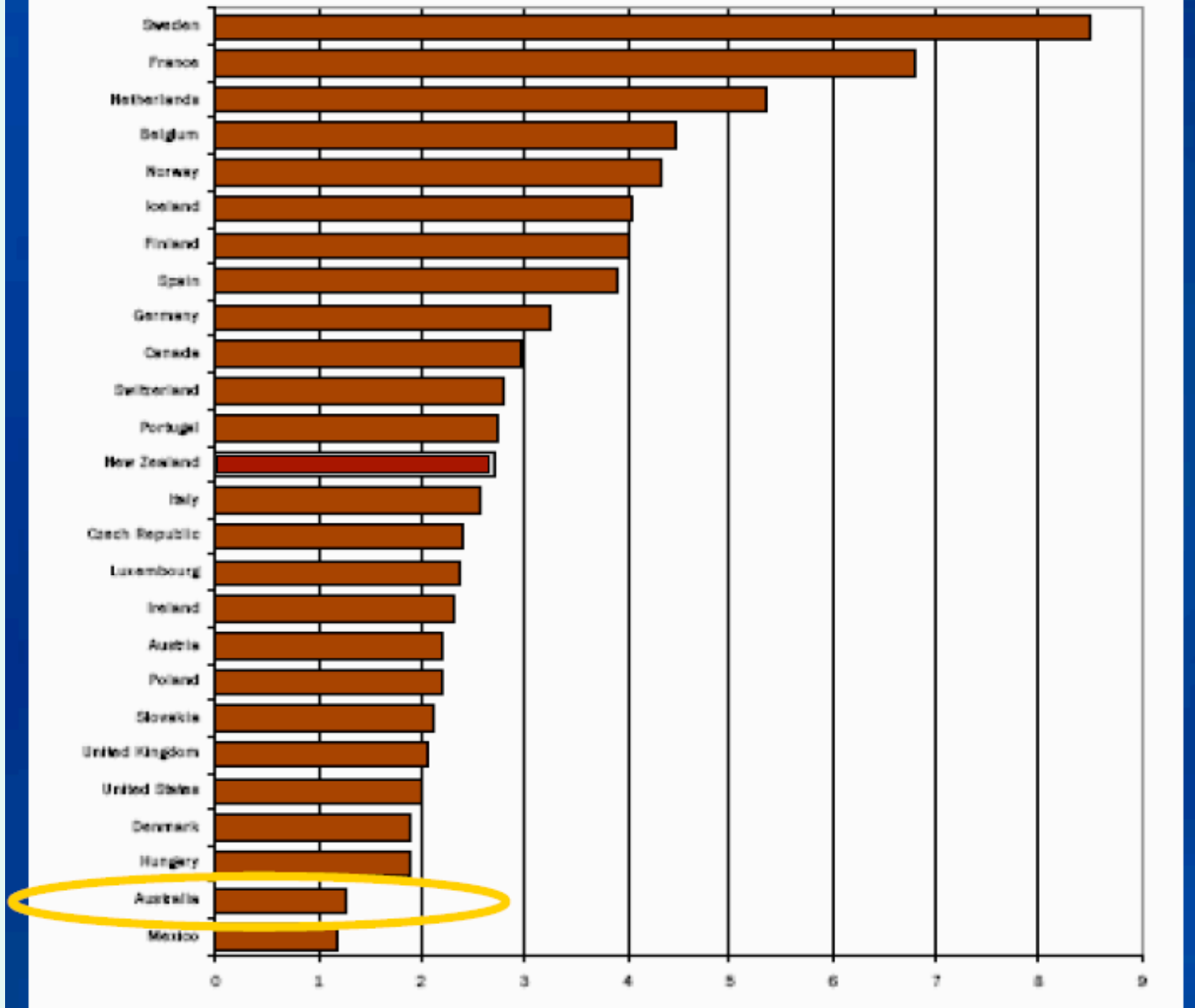


a = approx 67% population under curve b = approx 80% under curve

It is no longer just about take-up.

New services demand much higher bandwidth.

Average download speeds for DSL based broadband



Source: Wairua Consulting Comparison of OECD BB speeds May 2006

New issues

- Promotion of investment is primary
- This and other issues challenge the policy status quo
- What is the impact of new business models and cross-sectoral mergers?
- Who has the market power? Erosion of old bottlenecks and emergence of new
- What will be the impact of reduced entry barriers at intermediary stages in the supply chain?

How are regulators responding?

- Three main trends:
 - Forbearance and safe harbour (eg the FCC; OPTA; CRTC; Germany). Enabling of cross-media mergers and acquisitions, such as AT&T + SBC, Verizon + MCI; NTL + Telewest.
 - Vertical disaggregation and focus on service level competition (eg NGNuk);
 - Extrapolate legacy regulation in attempt to preserve the status quo (eg. European Commission rewrite of TVWF Directive).

Regulatory responses (1) forbearance

- FCC exempted fibre network rollout from ULL
- Vertical integration across boundaries
- Entry of telcos into broadcasting and vice versa
- CRTC exempted IPTV and mobile TV from broadcasting regulation
 - greater reliance on market forces
- Dutch OPTA standing back for 3 years to encourage development of NGN

Regulatory responses (2): vertical disaggregation

- NGNuk will focus initially on IP interconnect architecture, the commercial framework and service inter-operability
- Untested model will require substantial resourcing and micromanagement
- Despite 20 years of service level competition, no sign that access seekers will move up the investment ladder
- Will a “unilateral disarmament” approach lead to more or less investment over time?

Regulatory responses (3): stretch legacy rules

- Stretch legacy rules to try to protect status quo
- EC rewriting TV Without Frontiers as the Audiovisual Media Services Directive
- Designed to protect public broadcasters
 - UK govt and industry leading opposition
- Distinction between 'linear' and 'non-linear' services unsustainable over time
 - impact of time and place shifting (Slingbox, etc.) will render unworkable

New policy issues

Divergent policy approach evident also in reaction to some specific issues:

- role of govt in encouraging investment (German debate)
- govts entering broadband market
- VOIP
- net neutrality
- access to content rights

NGN policy: the German debate

- German govt wants to encourage investment in new facilities, not just services
- Bill would require BNetzA to forbear from regulation of 'emerging markets'
- Concept unclear in EU Directives
 - EC worried could lose control over all new services
- Bill introduced into German parliament and will be debated over coming weeks

Public financing of new networks

- Local govts in US and EU partly or wholly financing fibre or WiFi networks to reduce overcapacity
 - lower investment risk than private firms
- Some in direct competition with privatised former govt-owned entities
- But overcapacity (and even some overbuilding) can lead to more innovation and more services
- Return to technological monopoly approach based on "natural monopoly" that liberalisation process was meant to unwind
- Consumer and public interest questions
 - how to control misuse
 - enforcement of community standards

Confusion over VOIP

- VOIP: an unregulated data service or PSTN substitute?
- FCC exempted all VOIP calls from PSTN rules
- Many countries distinguish between PC to PC calls (unregulated) and PC to PSTN calls (regulated)
- EU: providing access to emergency services makes VOIP a PATS
- Confusion esp for cross-border calls

Net neutrality

- How overcome best-efforts nature of the Internet, and finance the investment needed for bandwidth hungry services such as telemedicine, IPTV
- Google, Yahoo, AOL etc vs network operators
 - but each needs the other equally
- US Congress has rejected legislation despite heavy lobbying from content providers
- Premium internet could solve both QOS and investment issues.

Access to content

- New battlegrounds emerging over sporting rights between broadcasters and telcos, where subject to different or inconsistent rules
- DT won rights for IPTV; did deal with former rights owner to provide through STB; new cable/satellite rights owner paid 4 times as much for rights
- Dutch KPN in deal local competitor to distribute soccer over IPTV in competition with cable providers
- Highlights need for consistent regulatory approach across whole market.

Lessons for Australia

- Key issue is how to promote investment in new high speed broadband technologies
- Many are questioning the "ladder of investment" model and want to provide greater incentives to overcome risks associated with the highly volatile converging ICT market
- Some govts continue to promote wholesale access and service level competition, despite past experience
 - but will entrants take advantage, while restricting competitive access in their own countries (eg Australia's experience in trying to enter Singapore and NZ markets)
- Legacy regulations cannot be stretched to fit new services, to protect incumbent broadcasters and media owners from competition
 - attempts to do so are unsustainable and by picking winners govts are storing up problems to solve in the future
- Things are changing so rapidly, we need to re-examine the market and policy objectives and develop a harmonised framework across the whole converging ICT sector.