



Global Business Dialogue on Electronic Commerce

Convergence

September 14, 2001

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SCOPE OF CONVERGENCE CONCEPT

The Convergence phenomenon is illustrated by the progressive blurring of frontiers between various traditional markets, products and services, as well as the creation of newly integrated ones. The telecommunications, audio-visual and information technologies sectors are the driving forces behind this trend, which is enabled by digitalisation and responsive to technology, content and consumer demands.

Digital convergence will allow content and service providers to deliver their products and services through multiple delivery channels, and will allow consumers to receive them using various kinds of multimedia terminals, as well as different content and services on the same terminal. In this innovative environment, digital applications will flourish based upon their ability

to reach consumers across formerly rigid lines, which have separated communication services.

For the GBDe, the main challenge currently consists of identifying the barriers to this phenomenon, in order to eliminate or reduce them. This will help to promote diversified products and services, which are supported by the same or different types of networks and stimulated by competition. It will also be important to address consumers' potential concerns (i.e., confidence, trust, etc.). The final objective is to create a broader, seamless market based on innovation and competition.

Internet-based applications, which can be accessed using different means, will drive the convergence process and will be the main enabler of electronic commerce.

In fact, e-commerce will reap and deliver the largest benefits from “convergence”.

CONCLUSIONS

I. REGULATORY ISSUES

Most existing regulatory frameworks were developed at a time when each communications technology or infrastructure platform was designed to provide a distinct set of services. Technological breakthroughs have now altered the division of communications services, and each medium or platform is now capable of delivering a wide range of services. In many cases, this process has injected competition (or the potential for competition) into the market for services previously thought to be “natural monopolies”. In addressing convergence, the central public policy challenge lies in modifying or abandoning laws and rules that no longer serve the public interest in the context of these changes.

- ❑ **Conventional regulatory structures** seem to be increasingly incapable of coping with the challenges of converging products and services. To encourage their development, traditional regulations should be kept to the minimum necessary to ensure a fair and competitive environment, giving priority wherever possible to self-regulation and policy co-operation instead of government regulation. It is a question of vision and of the markets’ dynamism and speed to produce the optimal results from the convergence process.
- ❑ **Domestic compatibility and global harmonization:** Within and among jurisdictions, regulations regarding content, service provision and transport channels should be compatible in order to promote convergence. In addition, these regulatory structures should be harmonized globally, in order to foster a level-playing field for all parties operating in the emerging markets and in this way to allow the widest fulfillment of the benefits of convergence.

- ❑ **Technological neutrality:** All regulatory structures should be neutral in regard to specific technologies, thus allowing the competitive marketplace and consumer preference to drive innovation and growth. This principle of technological neutrality should not, however, be used to justify regulation of products and services that have not been regulated in the past and that remain competitive. Technological neutrality is a key to creating a flexible framework that promotes investment and innovation and removes unnecessary impediments to the development of electronic commerce.
- ❑ **Separation of content and infrastructures regulations:** Governments should ensure that content regulation is carefully tailored in accordance with the specific characteristics of a given content product or service, and that it is proportional and no more restrictive than necessary to achieve the public policy objectives associated with such products and services. Those particularities require separate content and infrastructures regulations, despite recognition of the links between them.
- ❑ **Encouraging usage by consumers:** The full potential of the Internet cannot be achieved until consumers are free to use it unencumbered by pricing regimes which increase charges based on units of time spent online. Governments should not implement policies that discourage usage or penalise users from fully exploring the potential of the Internet and should encourage a competitive telecommunications marketplace. Competitive and flexible pricing policies that facilitate access to the Internet should be encouraged.
- ❑ **Competition:** If they may benefit end users, mergers in these converging sectors and bundling of services must be in a position to be developed, provided that they do not

constitute an abuse of dominant position or distort free and fair competition.

II. DISCRIMINATORY POLICIES

- **Discrimination between players:** Under a convergent approach, offerings to consumers from traditionally differing sectors will probably become substitutable. Therefore, existing regulatory structures should be harmonised in order to avoid market distortions that will harm competition. As an example, to the extent that telecommunications operators and broadcasters offer services deemed substitutable by the public, then the method of paying for spectrum should be comparable. In addition, one impediment to convergence is the extension in some specific markets of discriminatory taxes levied on telecom infrastructures, data flow or certain terminals. The GBDe opposes any kind of discriminatory taxes imposed on the telecommunications industry such as “bit tax”.
- **Frequency spectrum policies:** The non-discrimination principle should also be applied to the frequency spectrum policies, when deciding on its availability, utilisation and prices. Spectrum policies should encourage its globally harmonised usage, in order to allow traditional content and service providers and telecommunication companies to compete or merge and to provide similar content and services, whilst seeking to improve overall efficiency and service availability. The GBDe welcomes initiatives aimed at transparency and co-ordination for radio spectrum allocation, which will enhance co-operation at multilateral level for preparation of international negotiations on radio spectrum (e.g. ITU and WRC). Furthermore, in this case, public authorities’ policies that transform public debt into private sector debt have a very negative effect on innovation and market growth, while reducing the scope for competition by obliging extensive market concentration.

- **Conditional Access Systems:** Consumers are primarily interested in the content and applications that they can access, not the specific technological means that are used to achieve that access. Therefore, Conditional Access Systems should not represent a discriminatory gateway. Distribution platforms and operating systems should not unduly restrict access to content and services available to consumers. Interconnection among standardised communication platforms, in a manner that maintains the integrity, privacy and security of these platforms, enhances consumers’ choices and helps them obtain the communications, information and entertainment they desire.

- **Maintain Competitive Networks:** Operators of distribution platforms and operating systems should generally adhere to the principle of openness towards unaffiliated third-party content and service providers to promote the development of a competitive electronic marketplace.

III. OTHER KEYS TO THE CONVERGENCE PROCESS

- **Intellectual Property Rights:** Technological measures developed and implemented to identify, protect and manage intellectual property rights in the digital environment should be made widely available on fair, reasonable and non-discriminatory terms. Furthermore, adequate and effective levels of intellectual property rights protection and enforcement should be globally harmonised through the ratification and implementation of the WIPO Treaties and the TRIPs Agreement. Regarding levies which compensate for some copyright exceptions in the digital environment, the GBDe recommends that the use of effective and widely agreed industry standardised technological copyright protection measures based on exclusive rights management

schemes should be encouraged to eliminate the need for such levies.¹

- ❑ **Breadth of Content:** Enhanced co-operation between governments and the industry, and the proliferation of online offerings brought on by convergence, will help bring contents closer to the citizens' social sensibilities and interests. Governments may have a role in this regard by increasing access to public services, promoting cultural diversity and enhancing all the world's languages on the Internet, thus limiting the digital divide.
- ❑ **Promoting Device Connectivity:** Moreover, policy makers should also promote the quick development of Internet Protocol version 6, in order to give more address space for new products, services and markets. This will further enable innovation and the development of these new devices, products, services and means of content distribution. Again this will contribute to the ubiquity of networks and consequently to digital bridging.
- ❑ **Consumers' Rights:** Industry has an unquestionable need and interest in promoting and protecting consumers' rights, such as empowering them to lawfully access information and content, and freely to express their ideas and creativity. Interdependencies exist between tariffs, competition and technological potential that, when used efficiently, lead the market to provide services at competitive prices.

The benefits and advancement which the converging technological environment promises will have a meaningful impact on the lives of consumers, on business and on the economies of those countries which foster its growth. The

¹ Issues relating to intellectual property rights and technological protection measures are addressed in greater detail in the GBDe IPR Policy Paper.

GBDe believes that this will occur through a collaborative approach with governments to create the appropriate policy framework. These principles and recommendations presented by the GBDe recognise that we are merely at the beginning of revolutionary developments. We therefore recommend that governments evaluate their domestic regulatory structures against these basic principles and embrace the type of global vision, which will be necessary to ensure that the benefits of convergence are widespread and not encumbered by traditional barriers and borders.