

Communications & Convergence

Challenges for 21st Century Digital Economies



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Communications & Convergence
Challenges for 21st Century Digital Economies



Technology
Markets
Regulation
Public policy

communications the next decade

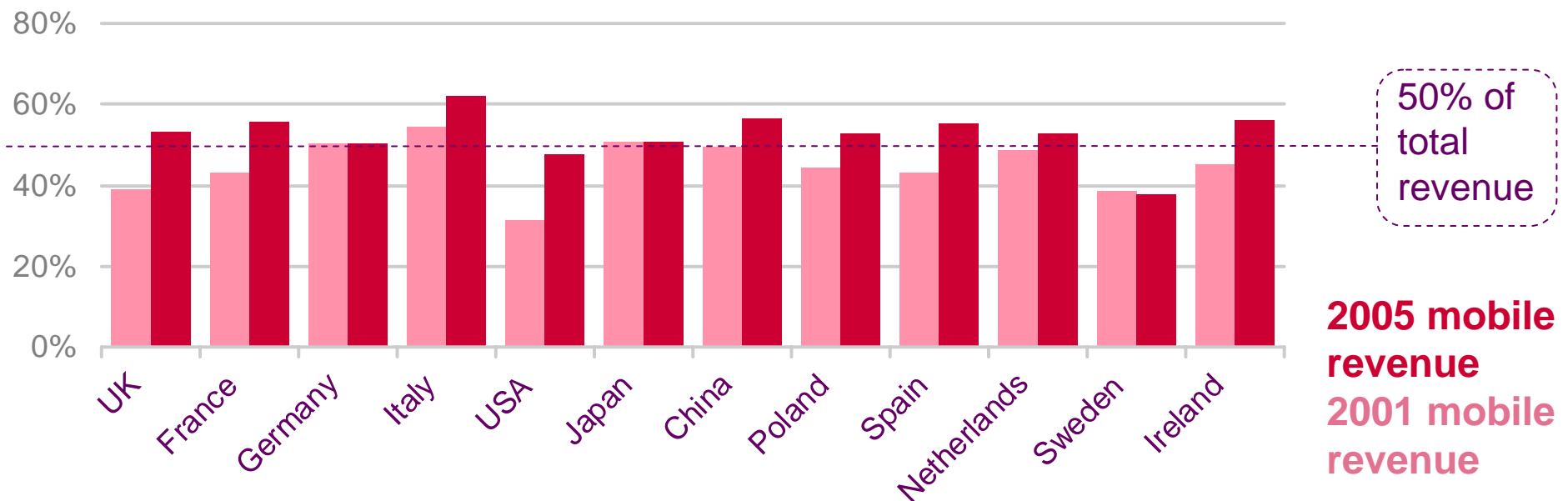
A collection of essays prepared for
the UK Office of Communications



International Communications Market 2006



Increasing importance of wireless mobile as proportion of total telecoms revenue



Source: Ofcom ICMR



Competition between platforms

previously adjacent markets are competing



terrestrial analogue broadcasting



web streamed and on demand – DSL and fibre



digital satellite, cable, terrestrial

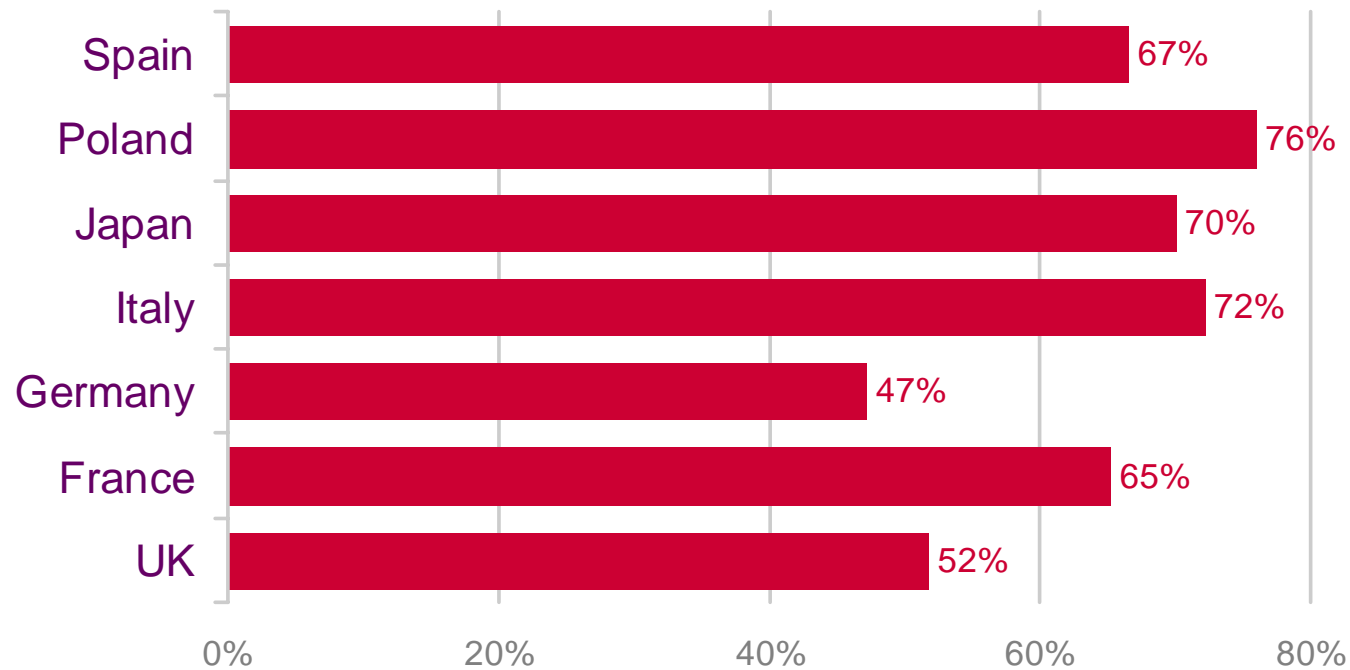


DVB-H/DAB(DMB)



Competitive pressure on incumbents

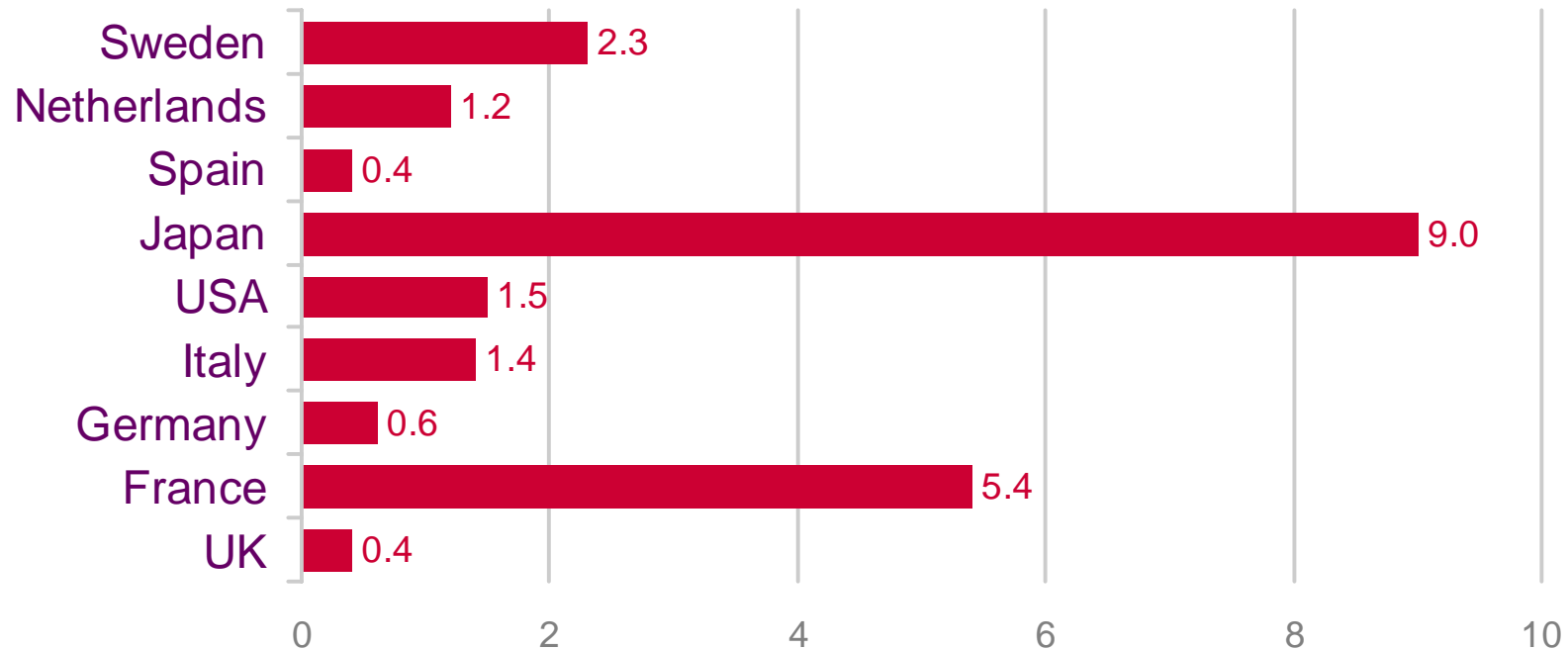
incumbent telcos' market share of fixed-line volumes



Source: Ofcom ICMR



Challenges to business models the growth of VOIP



VOIP subscribers per 100 population

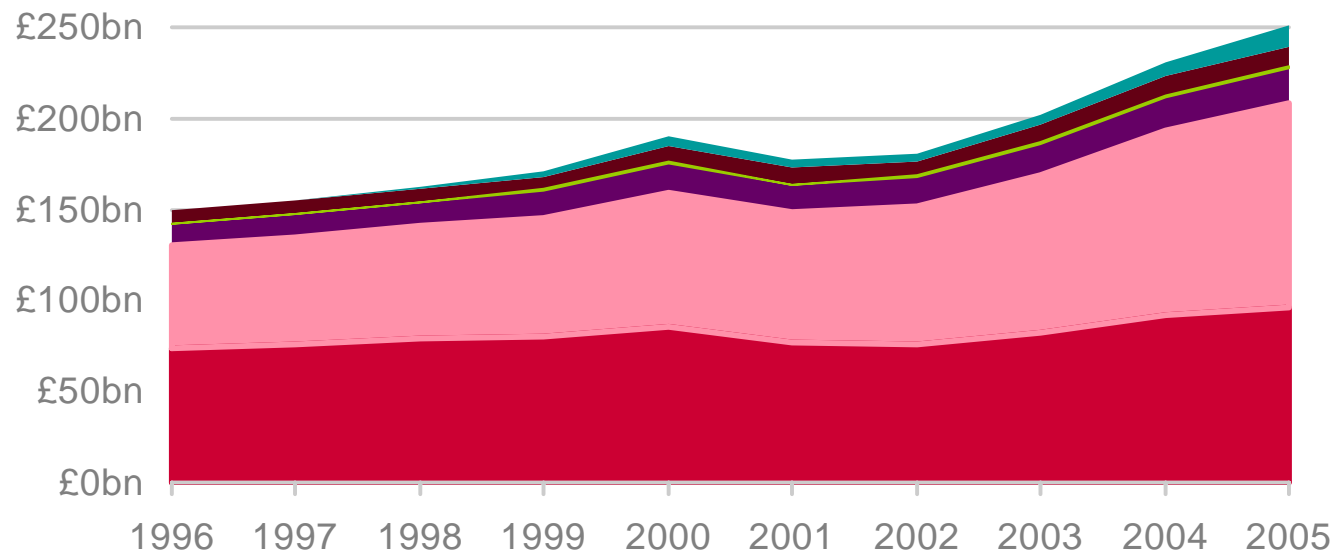
Source: Ofcom ICMR



Challenges to business models

online advertising is growing worldwide

Average annual growth 1996-2005



Internet 60%

Outdoor 5%

Cinema 6%

Radio 6%

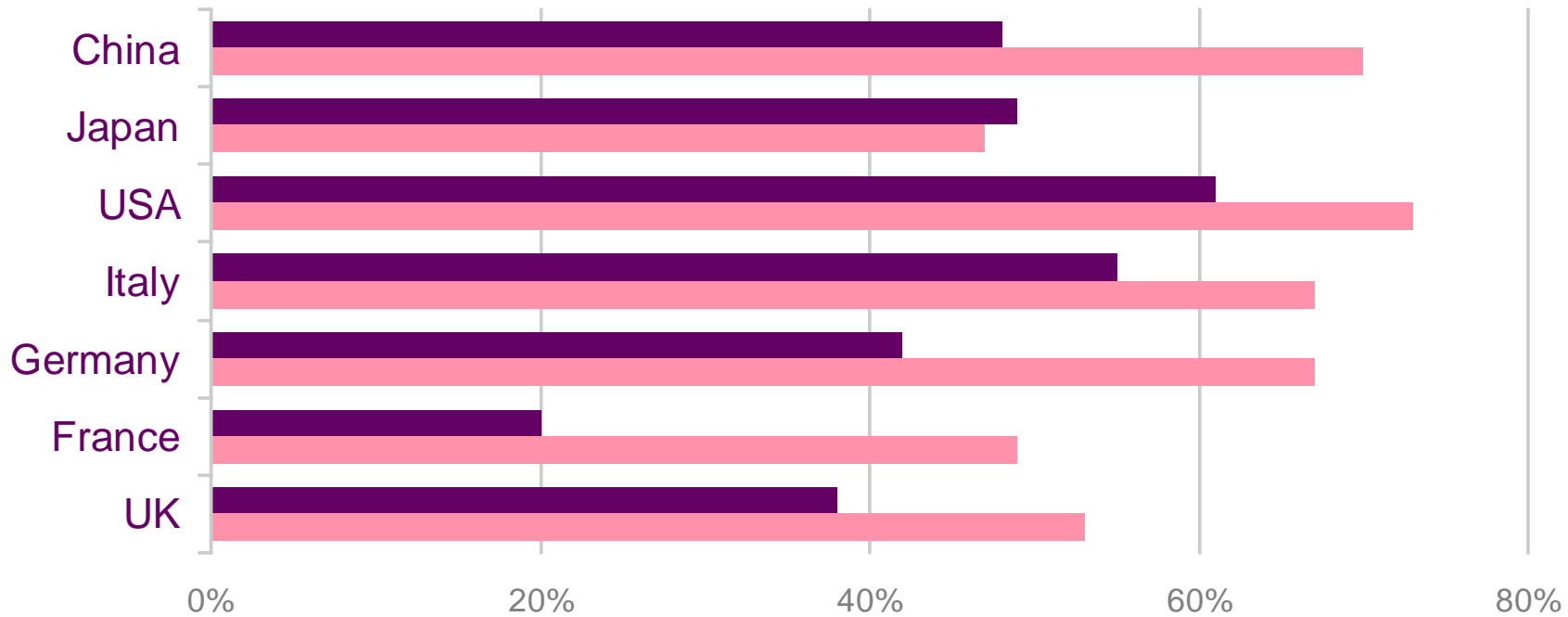
Television 8%

Press 3%

Source: Ofcom ICMR



User demands for control downloading by 18-24 group



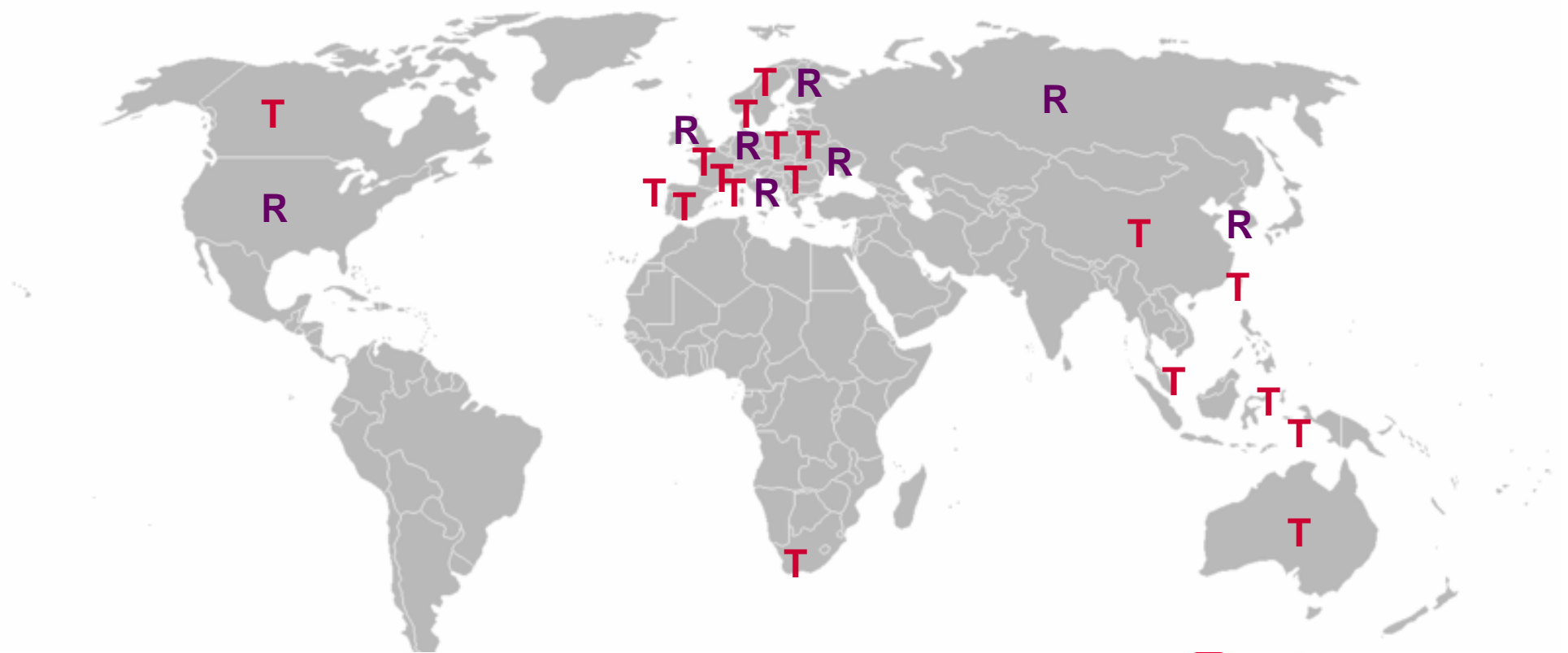
Broadband-using adults who report they have... downloaded videos by other people downloaded news clips

Source: Ofcom ICMR



User demands for mobility

worldwide mobile TV trials and rollouts

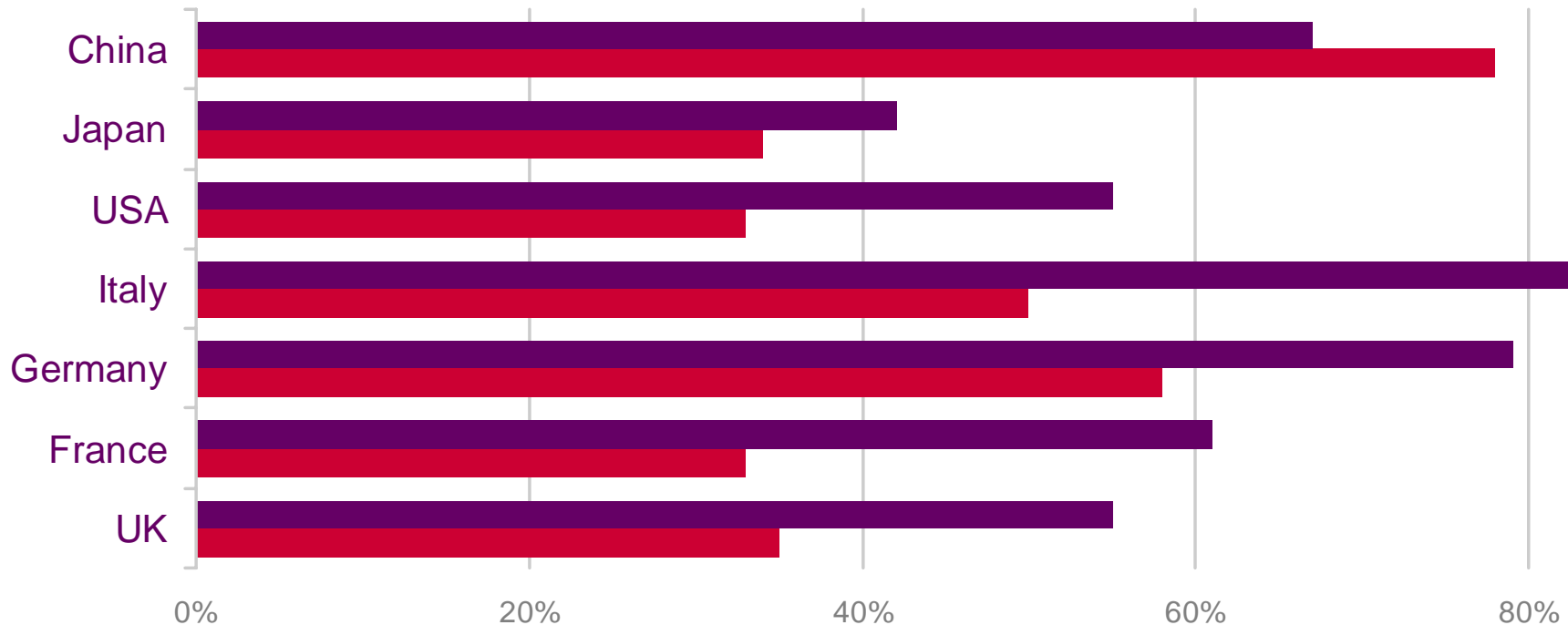


Rollout currently or in 2007

Trial



User demands for participation online social networking



**Of adults with broadband:
All age groups 18-24**

Source: Ofcom ICMR



Our response

- **Convergence brings benefits for consumers**
- **Ofcom's role:**
 - **promote competition while protecting the public interest**
 - **encourage innovation, market entry, investment**
 - **ensure the market works well**
 - **reduce and simplify regulation where possible**



Policy areas spectrum

- **Flexibility is necessary for convergence and economic efficiency**
- **This means:**
 - **service, technology and usage neutrality**
 - **the right to trade**
 - **clearly defined usage rights**
 - **protection against misuse and interference**



Policy areas networks and services

- **Promoting competition in legacy networks**
 - **BT Undertakings solution right for the UK**
 - **regulation of access bottlenecks allows deregulation**
- **Promoting competition in Next Generation Networks**
 - **vulnerability to regulatory uncertainty**
 - **efficient investment best delivered without regulatory holidays**



Policy areas

public outcomes

- **Public Service Broadcasting**
 - in UK, traditional model under pressure
 - the market may deliver more public purposes
 - consider intervention where the market cannot deliver
- **Universal access**
 - a voice and data right?
 - a broadband USO?



Policy areas regulatory structures

- **The converged regulator model?**
- **National regulators have a continuing role**
- **European bodies and regulatory co-operation**
- **Interdependence, convergence and change**

